Growth is Inclusive When…

• It takes place in **sectors** in which the poor work (e.g., agriculture)

• It occurs in relatively backward **areas**

• It uses the **factors of production** that poor possess (e.g., unskilled labour)

• It keeps **prices** of food and other basics relatively low
Rapid growth in Asia has been accompanied by significant reduction in poverty as well as significant increase in income inequality. Asia experience, therefore, is not a story of the “rich getting richer and the poor getting poorer.” Rather it is the rich getting richer faster than the poor. In the context, Asia growth has not been sufficiently “inclusive”
• Growth in Asia has been not only high, but also accelerated over the period
• Income inequality widened in the same period
• Rate of poverty reduction has been high in Asia; while it has accelerated in East Asia over the period, it has slowed-down in South Asia
• Growth impact of poverty has been low and declining in South Asia

![Diagram showing annual rate of poverty reduction in India and South Asia](image)

![Diagram showing relationship between growth and poverty](image)
Message 2:

Growth in Asia has been ‘less-inclusive’ because

1. Growth has been uneven across sectors and locations
2. Demand for skilled and unskilled labour also uneven
3. Growth has been driven by capital-intensive sectors
4. Income of the poor eroded much more severely than the rich due to high food and fuel prices
5. High disparities in assets and access to infrastructure impede the poor from fully participating in the growth process
The rate of growth of productivity has been higher in Asia compared to other regions; it has also accelerated. Despite this, level of labour productivity is still low in Asia compared to the world average, which limits the creation of decent employment opportunities.

Annual growth of labour productivity in Asia is relatively high.

Labour productivity is low in Asia in 2009.
45% of the global working poor live in South Asia due to large scale underemployment and low productivity.

Within South Asia, working poor rates are high in Bangladesh, Nepal and India.

Working Poor ($1.25 a day) by Regions

Source: ILO Global Employment Trends 2011
High food prices reduce purchasing power of the poor more than the rich

Higher food prices decreased poor households’ purchasing power by 24% in Asia, while for rich households this decline was just 4%.
High inequalities in assets impede the poor from fully benefitting in the growth process

Land holding and other assets including financial assets are highly concentrated in several Asian countries

Source: ADB
High inequalities in educational attainment hinder the poor from fully participating in the growth process.

Source: World Bank
Women’s labour force participation rate is low: 33 % in South and Southeast Asia compared to 77 % of men

Women earn only 34 percent of men’s wages in South Asia

Women own only 7% of farms in Asia versus 18% in Africa;

Source: UNDP
Message 3:

Public policies have also not been “sufficiently inclusive”

Since the poor lack both human and financial capital, public policies that help poor to build their human capital, better manage their risks, and improve the access to credit are key for making growth more inclusive
Investing More in Basic Services

- Public Spending on education and health is low in Asia compared to other regions.
- For health services, a very high proportion of private expenditure is ‘out-of-pocket’.

<table>
<thead>
<tr>
<th>Public spending on education (% of GDP)</th>
<th>Health expenditure in 2007 (% of GDP)</th>
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<tr>
<td></td>
<td>1990</td>
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<tr>
<td>East Asia &amp; Pacific</td>
<td>2.5</td>
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<tr>
<td>Latin America &amp; Caribbean</td>
<td>2.8</td>
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<tr>
<td>South Asia</td>
<td>2.6</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>3.2</td>
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<tr>
<td>World</td>
<td>3.8</td>
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</table>

Source: World Bank
Governments support to agriculture declined

Level & share of ODA to agriculture also declined – from $8 to $3.4 billion; 18% to 3.5%

Good rural infrastructure, modern seeds, fertilizer, irrigation, R & D and farmer training are necessary for robust agricultural productivity & sustainable growth

Invest more to improve Agricultural Productivity

Source: UNDP
Existing Social Protection Programmes are Not Sufficient to protect the poor from risks in Asia

• Current social assistance programmes are fragmented and not well targeted

• Coverage in A-P is low compared to Latin America and Eastern Europe

• Most of the programmes do not take risks into account
Access to formal financial services is low in Asia compared to other regions.

The share of the people who have access to basic formal financial services in Asia is relatively less (24 % in South Asia and 39 % in east Asia) compared to that of Central Asia and Eastern Europe (42%), Latin America and Caribbean (45%), and OECD (84%).
Key Areas for Policy Interventions

• Improve poor’s access to basic health care and basic education through increasing public spending as well as ensuring quality of social services

• Expand income earning opportunities for the poor by increasing employment opportunities and improving productivity of farm and non-farm activities

• Strengthen social protection systems to reduce risks associated with economic shocks/natural calamities

• Fostering rural non-farm and SME activities would create employment opportunities for unskilled labourers
Many countries are moving in the right direction

• The focus of recent development plans/strategies is on “inclusive growth” (e.g., 11th Five-Year Plans of India and China).

• Conditional cash transfers in countries such as Bangladesh, Cambodia, Indonesia, and Philippines are designed to reduce disparity in gender, education and health indicators

• India’s “National Rural Employment Guarantee Scheme”, China’s “Minimum Livelihood Guarantee Scheme,”, and Thailand’s “Universal Health Insurance Scheme” are good examples of social protection schemes designed to help the poorest and most vulnerable.

• Recently many countries are increasing resource allocation into agriculture and rural development