



pep
partnership for
economic
policy

PEP in Asia

Promoting policies for inclusive growth
and sustainable development

Economic growth and emerging challenges in Asia

IN RECENT DECADES, the Asia-Pacific region has experienced one of the fastest growth rates in the world, and continued to lead growth despite and through the global economic crisis of 2008-2010¹. Development in Asia has been marked with significant transformation, characterized by rapid economic growth, largely driven by production within global supply chains that has been taking place in East and South Asia². In 2012-2014, countries in the Asia-Pacific region experienced, on average, 6.1% annual growth in GDP and 5.3% in per capita GDP; although very high, these rates are lower than those recorded in 2009-2011.

Performance within the region, however, has been varied, with GDP growth rates fluctuating both over time and across regions (see table below). Trends in GDP per capita from 2012-2014 also show a slower average regional growth compared to the 2009-2011 period. The slowest growth rates of per capita GDP have been recorded in the sub-regions of Southeast Asia (3.6% in 2013 and 3.7% in 2014), and the Pacific (3.1% in 2013 and 3.6% in 2014).

Despite rapid economic growth overall, poverty remains a major issue in the Asia region, which also has the **largest percentage of people living on less than \$1.25 a day**. Large pockets of poverty, in its varying extent and dimensions, still remain both across and within regions that have experienced economic growth; poverty which has even been aggravated further by inequality, conflict and social unrest.

Moreover, a number of targets related to the Millennium Development Goals (MDG) have not yet been reached - particularly in the areas of employment, environmental sustainability, maternal and child health, education, access to sanitation facilities, and gender-based equity in decision-making³.

There is also growing and serious concern in regards to the provision of social protection for vulnerable population sub-groups, especially in line with the risks associated with a more deregulated environment for exchanges of capital (labor and financial capital), technology and products, following greater economic integration.

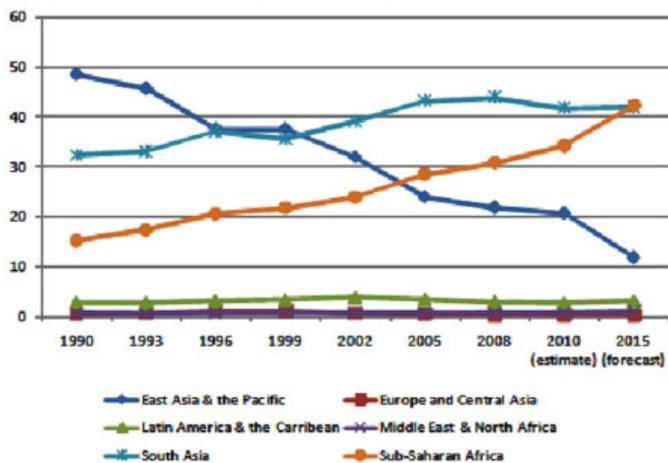
On the other hand, available resources to address problem areas are limited, and further constrained with the adverse impacts of various and multiple shocks e.g., economic crises, political turmoil, natural disasters and other risks associated with climate change, threats of unsustainable use of resources and the environment in the context of globalization, etc. Finally, shifts in the thrusts and priorities for development aid also pose greater pressure among governments in the implementation of mitigating interventions.

- 1 ADB (2013). Framework for Inclusive Growth Indicators 2013: Key Indicators for Asia and the Pacific.
- 2 ADB Outlook 2014
- 3 Millenium Development Goals Report 2013
4. UNDP (2013), HumanDevelopment Report 2013, The Rise of the South: Human Progress in a Diverse World

GDP growth rates in Asia (in % per year)

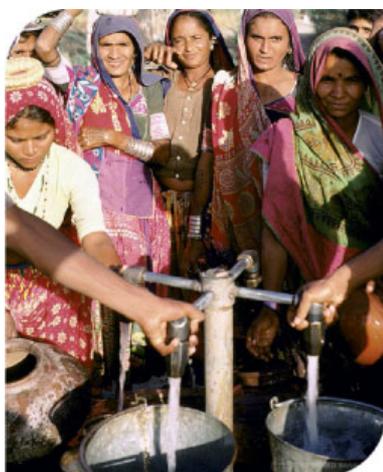
	2009	2010	2011	2012	2013	2014	2015
Central Asia	3.2	6.8	6.8	5.6	6.5	6.5	6.5
East Asia	6.8	9.8	8.2	6.6	6.7	6.7	6.7
South Asia	7.6	8.4	6.4	4.7	4.8	5.3	5.8
South East Asia	1.4	8.0	4.8	5.7	5.0	5.0	5.4
The Pacific	4.3	6.1	8.9	6.1	4.8	5.4	13.3
Average	6.0	9.2	7.4	6.1	6.1	6.2	6.4

Regional distribution of people living on less than US\$1.25 a day



Source: World Development Indicators 2014, World Bank

PEP – a global initiative



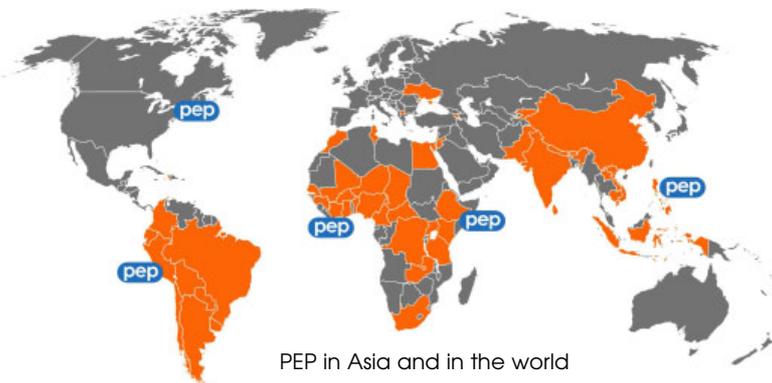
THESE CHALLENGES call not only for improved governance within countries, but also for coordinated global initiatives that aim to narrow disparities, by providing opportunities for the disadvantaged groups to take part in the development process. With increased integration, interaction and interdependence of countries worldwide - with trade, migration, ICTs, etc., and as policy

decisions in one country may affect conjectures in several others, there is growing need for coordinated action as well as for up-to-date and reliable information systems.

As a global network and think tank, the core mission of PEP is to inform relevant development policy debates and decision-making based on reliable scientific evidence, while enhancing the capacity of local researchers in developing countries to produce such evidence.

Since its creation in 2002, PEP has contributed to building the scientific expertise of nearly 700 local analysts in 55 different countries in the developing world, through the support of over 210 research projects and initiatives. **A total of 55 of these projects were implemented in Asia, involving more than 229 local researchers based in 12 different countries.**

These projects' outcomes have served as direct inputs to inform national and international debates on key development and poverty issues.



PEP research and capacity building in Asia

THE SUCCESS OF PEP activities in developing regions is mainly due to the effectiveness of its unique and manifold research "Grant Plus" support program. In addition to research funding, resources and various technical tools, this program provides young researchers with training and on-going scientific support/mentoring in the conduct of rigorous and high quality research.



The 55 projects supported by PEP in Asia between 2002 and 2014 address a great variety of country-specific and policy-relevant issues, in line with each country's development strategy and priorities.

Focus areas of PEP support activities in Asia include:

- development of local poverty monitoring systems (CBMS)
- multidimensional poverty analysis
- improving transparency and accountability in local governance
- meeting the Millennium Development Goals (MDGs)
- assessing the impact of specific crises or government programs

PEP research projects address a broad range of issues related to welfare and development in developing countries, e.g., from education and employment to agriculture, food security, labor markets and fiscal policies, trade, inclusive growth, social protection, health, nutrition, inequality, and many other dimensions of welfare.

Moreover, through its four core research programs, PEP has contributed to building local capacities in:

- a) establishment and use of community-based systems for multidimensional poverty monitoring, to generate household level data and poverty maps for improving local governance, poverty diagnosis, vulnerability-mapping as well as program design and targeting
- b) construction and use of country-specific computable general equilibrium (CGE) models, to simulate and analyze the impacts of macro policies/shocks on welfare, both at national and household levels
- c) measurement and analysis of multidimensional poverty, using panel data from national surveys
- d) conducting rigorous impact evaluations, using experimental or quasi-experimental approaches
- e) bridging the gap between research and policy, by fostering collaborations and dialogue among researchers, policymakers, program implementers and development partner agencies.

Building and promoting local expertise in Asian countries

International research grant and mentoring program

Researchers funded by PEP benefit from a unique research mentoring and capacity building program. This program includes ongoing distance training/assistance provided by PEP resource persons (international experts) over a period of 12 to 36 months, as well as a 3-4 weeks study visit with/at an international institution, chosen by the beneficiaries.

Intensive training programs

PEP Schools are intensive programs that offer advanced and accelerated training in the most updated concepts, tools and methodologies in development economics and policy research. The courses are tailored for researchers, practitioners and/or students who wish to conduct rigorous scientific analysis on wider issues related to micro- and/or macro-economic development policies in developing countries. These workshops can be provided on demand, in any country, and are usually organized in collaboration with local host institutions.

Leveraging partnerships

A KEY PARTNER in both the establishment and funding of PEP activities, in Asia and around the world, is the International Development Research Centre (IDRC) of Canada. However, the program-level priorities of PEP activities in the region are defined by the developmental aspirations and objectives of Asian countries themselves; these priorities are strongly aligned with and contribute to the strategic objectives of leading Asian institutions, including the Asian Development Bank (ADB), the Association of Southeast Asian Nations (ASEAN), the United Nations' Economic and Social Commission for Asia and the Pacific (UN ESCAP) and other regional and sub-regional organizations.

Other major funders of PEP activities in Asia include the UK Department for International Development (DFID), the Australian Agency for International Development (AusAID), the Food and Agriculture Organization (FAO) of the United Nations, the United Nations Children's Fund (UNICEF) and the United Nations Development Programme (UNDP), among others.

Among those special donor-funded PEP programs and initiatives implemented in Asia, and/or by the PEP-Asia office (see page 5), in recent years are:

- Policy Analysis on Growth and Employment (PAGE)– DFID (UK Aid), IDRC
- Assessing the Impacts of the Global Financial Crisis and Appropriate Policy Responses – AusAID, IDRC
- Assessing the Distributive Impacts of Different Growth Strategies in Asia - AusAID
- Household Vulnerability Analysis of Climate Change Impact to Food Security - FAO
- Localizing the MDGs in the Philippines – UNDP, Government of the Philippines
- Remittances, Entrepreneurship and Local Development - ADB
- Monitoring Household Coping Strategies during Complex Crises – UNDP, UNICEF
- Monitoring the Impact of Climate Change on Poverty in Asia – AusAID
- Support for Local Governments for Environmental Management in Southeast Asia – EEPSEA, IDRC
- CBMS-OPHI Testing of the Missing Dimensions of Poverty Initiative – OPHI, AusAID



These special, often large-scale projects are conducted either through joint research initiatives, special collaborations and/or as commissioned studies. In all cases, the institutions are calling on PEP's extensive experience in managing international projects of high quality research (providing scientific support and coordinating activities) and/or its unique expertise in specific and cutting-edge methodologies.

Localizing the MDGs through CBMS

In 2008, the "Localizing the MDGs through CBMS" initiative was included by UN ESCAP in the list of specific initiatives to be implemented under the regional Millennium Development Goals (MDG) road map. The role of CBMS for localizing the MDGs was assessed by an Experts Group Meeting, the Committee in Poverty Reduction (composed of 24 nation states), who stated that CBMS could complement the official data collection activities of national statistical offices, and improve the availability of MDG and other indicators at the local level. The Committee also agreed that localizing the MDGs through CBMS would help integrate the goals into national development strategies.

The PEP Asia office and community-based monitoring systems (CBMS)



PEP ACTIVITIES in Asia are mainly coordinated by the PEP regional office hosted at the Angelo King Institute (AKI) of Economic and Business Studies of De La Salle University in Manila, the Philippines.

The PEP Asia coordinating team is also in charge of all research and support activities related to community-based monitoring systems (CBMS) worldwide. Through its CBMS program, PEP contributes to building capacities of local research institutions, governments and communities in the design, implementation and use of data collection systems that monitor a variety of multidimensional poverty indicators at the local/household level.

These surveys generate unique data sets that contribute not only to filling important information gaps, but also to producing detailed poverty and vulnerability maps. Such evidence is used, for instance, to improve the design and targeting of pro-poor interventions, as well as to inform related budgets and resource allocation.

While expanding in Africa and Latin America, a number of CBMS initiatives have been implemented in Asia - in Bangladesh, Cambodia, Indonesia, Lao PDR, Pakistan, Philippines, Sri Lanka and Vietnam – where it is now used to inform decisions of policymakers and program implementers.

In the Philippines, where it originated, CBMS has been widely adopted by local government units (LGUs) for preparation of local development plans and budgets -70 provinces have now implemented CBMS (of which 32 have been expanded province-wide) covering 801 municipalities, 63 cities and 21,582 villages (barangays). These initiatives are supported directly by policy issuances and budget allocation of LGUs. Moreover, a CBMS national repository has been developed and is currently being maintained by the National Anti Poverty Commission and the Department of the Interior and Local Government. Since 2008, a pool of accredited CBMS national trainers has also been created and expanded to facilitate technical support on the use of CBMS by LGUs in the country.

While CBMS has also been used, in the Philippines, as a tool for preparing disaster risk reduction management and climate change adaptation strategies, household-level data generated and processed from earlier CBMS census in communities affected by typhoon Haiyan have been utilized, not only by LGUs but also national government agencies, development partners, and NGOs in various relief efforts and rehabilitation programs. Finally, UNICEF has also adopted CBMS as its main tool for monitoring the impacts of its program on unconditional cash transfers for affected communities of typhoon Haiyan.

Highlights of PEP research in Asia

Assessing the Impacts of the Global Economic Crisis and Appropriate Policy Responses in Asia

Using a combination of micro-macro modeling and simulation technique, case studies of 9 countries including Bangladesh, Pakistan and Philippines among others have been undertaken to show the channels by which the global economic crisis affect multiple aspects of household welfare while examining the implications of various policy responses to protect the most vulnerable.

Monitoring Household Impacts and Coping Responses During Crisis

Studies using local data generated from the community-based monitoring systems (CBMS) provide empirical evidence on the transmission channels of the effects of the global economic crisis at the micro level and on the coping mechanisms of households on the crisis¹.

Public Infrastructure Investment and Economic Growth²

By integrating the growth strategy of increasing public infrastructure investment to GDP into country-specific economy-wide models linked to household survey-based micro-simulation models in China, Pakistan and the Philippines, PEP simulated the distributive impacts of infrastructure investments and alternative financing mechanisms (increase in production taxes and increase in foreign aid), and provided insights on accompanying policies to allow greater participation by the poor.

Effects of Fiscal Policies on Poverty

PEP's evaluation of the effects of taxing the income of the public sector employees in Sri Lanka showed a decline in tax revenue³. The decline in tax revenue was attributed to the simultaneous reduction of income taxation across the board and increased tax free threshold. It finds that the most progressive way to attain the tax revenue target would be to increase tax rates on taxable income and to lower the tax-free threshold.

The impact on poverty of a switch to value added tax (VAT) system was shown by a PEP study in India⁴. It finds that the reform is largely pro-poor but highlights importance of providing subsidy to specific items such as rice and kerosene to make the tax reform pro-poor.

A study on privatization in Vietnam showed the trade-off between privatization towards economic efficiency gain, and job creation⁵. The study notes that at the optimum choice of privatization level, jobs are created only for skilled workers and technicians whereas job losses are expected for unskilled and low skilled labor and would intensify unemployment.

On Migration and Remittance

A study on social security insurance of migrant workers in China points out to the limited ability of the policy to stimulate the migration of rural labourers to urban areas and to guarantee the rights and interests of migrant workers⁶.

In the Philippines, an examination of the remittance behavior of overseas workers using national survey data showed that overseas workers who are primary breadwinners are likely driven by altruistic and exchange motives while secondary breadwinners are noted to have more strategic behavior⁷.

Another study on remittances, local development and entrepreneurship using macro and micro level data provided insights on the facilitating and inhibiting factors for decisions of households receiving remittances or have OFW members to engage in entrepreneurial activities⁸.

Gender Differentials

The persistence of gender bias in Sri Lanka is shown by a study on gender wage gaps using national survey data⁹. The study finds that although male and female wages are equal on the average, there is a great variation in wages across public and private sectors, and across wage distributions. The research findings call for policies that address gender bias in wage setting particularly in the low and unskilled occupations.

In China, on the other hand, a study using national representative household survey data determines the reasons why women endure longer unemployment duration than men in post restructuring urban China¹⁰. The study finds that the length of unemployment are affected by factors such as lack of access to social networks, social stereotyping (that married women are unreliable employees), unequal access to social reemployment services, and higher earnings losses of job separation.

Impacts of Programs on Poverty and the Environment

A micro credit program is shown to have positive and significant impact on the reduction of poverty rate, poverty gap and poverty severity based on a PEP study in Vietnam¹¹. The study, on the other hand, emphasized the need for measures to reduce the leakage rate and increase the program coverage while making the program effective.

A tuition relief program for senior high school was found to have led to significant improvements in enrollment and performance of poor students in China¹². In particular, students who have benefited from the program showed higher increase in test scores than those who are non beneficiaries of the program. Students from financially constrained families were noted to have benefitted the most from the program.

The use of broadly uniform subsidies was found to limit the efficiency of a priority forest programs in China¹³. The PEP study also points out its direct impact on equality. It also cites that uniform standards may lead to lesser production and benefits from croplands. A system and bidding for environmental services was recommended to solve issues of efficiency and equality of the program.

Rural Poverty Measurement and Urban Inequality

An examination of rural poverty situation in China focusing on Hubei and Inner Mongolia finds that the official pan-country poverty line underestimates rural poverty in Hubei province and overestimates poverty in Inner Mongolia¹⁴.

The effects of education on urban inequality were examined in China. The study shows education expansion may not be an effective policy option in decreasing inequality in areas like urban China¹⁵ although it remains as an important solution to reduce absolute poverty.

¹ For further information, please visit the CBMS Special Initiatives section of the PEP's website: www.pep-net.org.

² See Publications section of the PEP's website.

³ Nisha Arunatilake, Priyanka Jayawardena and Anushka Wijesinha. *Policy Brief 101: Impacts of 2011 Tax Reforms on Tax Revenues and Redistribution in Sri Lanka*. Partnership for Economic Policy, October 2012. Web. 20 August 2014.

⁴ Ajitava Raychaudhuri, Poulomi Roy, Sudip Kumar Sinha. *Policy Brief 21: Is the Value Added Tax Reform in India Poverty-Improving? An Analysis of Data from Two Major States*. Partnership for Economic Policy, September 2007. Web. 20 August 2014.

⁵ Pham Quang Ngoc, Mai Phuong Nguyen and Lien Hong Le. *Policy Brief 100: Privatization and Poverty Reduction in Vietnam: Optimal Choices and Potential Impacts*. Partnership for Economic Policy, October 2012. Web. 20 August 2014.

⁶ Zhang Yaxiong, Zhao Kun and Li Jifeng. *Policy Brief 105: Setting up a Uniformed Social Security System Under Huge Rural Migration in China*. Partnership for Economic Policy, December 2012. Web. 20 August 2014.

⁷ Michael Alba and Jessaine Soraya Sugui. *Policy Brief 65: Motives and Giving Norms Behind Remittances: The Case of Filipino Overseas Workers and their Recipient Households*. Partnership for Economic Policy, March 2010. Web. 20 August 2014.

⁸ For further information, please visit the CBMS Special Initiatives section of the PEP's website.

⁹ Dileni Gunewardena, Amalie Ellegala, Darshi Abeyrathna, Kamani Rajakaruna, and Shobana Rajendran. *Policy Brief 42: Glass Ceilings, Sticky Floors or Sticky Doors? A Quantile Regression Approach to Exploring Gender Wage Gaps in Sri Lanka*. Partnership for Economic Policy, September 2008. Web. 20 August 2014.

¹⁰ Fenglian Du, Jian-Chun Yang and Xiao-Yuan Dong. *Policy Brief 33: Why Do Women Have Longer Unemployment Durations than Men in Post-Restructuring Urban China?* Partnership for Economic Policy, September 2007. Web. 20 August 2014.

¹¹ Nguyen Vief Cuong, Minh Thu Pham, Nguyet Pham Minh, Vu Thieu and Duong Toan. *Policy Brief 38: Poverty Targeting and Impact of a Governmental Micro-Credit Program in Vietnam*. Partnership for Economic Policy, January 2008. Web. 20 August 2014.

¹² Xinxin Chen, Chunlei Lang, Lijuan Guo, Pingping Gu and Shaoqing Zheng. *Policy Brief 110: Assessing the Impact of a Tuition Relief Program on Poor Rural Students' Performance in China*. Partnership for Economic Policy, December 2012. Web. 20 August 2014.

¹³ Can Liu, Hao Liu, Wenqing Zhu and Qingjiao Rong. *Policy Brief 109: Assessing the Impact of China's Priority Forest Programs on Rural Household Income Mobility*. Partnership for Economic Policy, December 2012. Web. 20 August 2014.

¹⁴ Xiuqing Wang, Fuyan Ke, Juan Liu, Liu Xiumei, Ren Wenjuan, Shujie Yao and Xian Xin. *Policy Brief 34: Measuring Rural Poverty in China: A Case Study Approach*. Partnership for Economic Policy, September 2007. Web. 20 August 2014.

¹⁵ Xiaohua Li, Yaohui Zhao and Lili Lu. *Policy Brief 58: Effects of Education on Earnings Inequality in Urban China: 1988-2003*. Partnership for Economic Policy, September 2009. Web. 20 August 2014.

Linking research evidence with action through policy dialogue, engagement and influence



IN ORDER TO ENSURE policy relevance, responsiveness and impact of research initiatives, PEP dedicates significant resources to support local researchers in their consultation and interactions with policymakers, as well as in the implementation of targeted and effective dissemination strategies.

Moreover, researchers are provided with a series of complementary grants to organize or participate in various dissemination activities (national policy conferences, international conference presentations, publications, etc.).

In addition to ensuring dissemination of their research findings to inform policy, these activities contribute to increasing the researchers' exposure, and thus building their reputation as experts in the field, at the national and international levels.

Contribution of PEP research to inform policy

As a result, many cases have been reported where the research evidence and recommendations ensued from PEP projects - conducted by teams of local researchers - in Asian countries were used to inform policy formulation and dialogue at the national level (see "PEP impact stories" on the PEP website, www.pep-net.org).

The impact of PEP initiatives is also reflected in the large number of PEP-supported Asian researchers who have been recruited by national, regional or international institutions to contribute their new expertise in the formulation or evaluation of development policies and programs.

PEP national policy conferences

To encourage the dissemination of research results and their influence on policies at the local and/or national level, PEP also provides financial and logistical support for local researchers to organize national policy conferences.

The objective is to provide a platform to discuss and promote research findings and ensuing policy recommendations with an audience of local/ national policy makers and stakeholders. These events often receive wide media coverage, which also ensures the dissemination of the results to the general public.

Since 2002, and as of August 2014, PEP had supported the organization of **15 national policy conferences** in Asian countries.

PEP international conferences

While PEP also provides support for researchers to present their work and findings in major international conferences, PEP and its partners have organized themselves a number of such conferences in the Asia region, as a means to communicate and debate research results and related policy solutions more widely.

Since 2002, **4 international conferences** have been organized by PEP, in Asia, in collaboration with international and regional development partners such as the United Nations Development Programme (UNDP), Australian Agency for International Development (AusAID), and Asia-Pacific Research and Training Network (ARTNet).



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