

More poverty action labs needed

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LAST Spring, I co-taught a multi-disciplinary course with my wife, a social worker, at the Bridgewater State University on the socio-economics of Bangladesh. One of the topics we covered was "Poverty and Measures to Remove Poverty," and we proudly mentioned Grameen, Brac, and Banchita Shekha, and the tireless work being done by other NGOs.

However, the students gave a standing ovation when we projected the likeness of Prof. Yunus on the big screen, and shared with them his vow to eradicate poverty from the face of the earth, particularly his famous statement: "I have set a date of 2030 when not a single person in Bangladesh will be poor. Then we will build a poverty museum to show it to our children."

Towards the end of our discussion on anti-poverty measures, a graduate student asked: "How do you know that the steps taken by the government or an NGO to combat poverty work? For example, if you offer free childcare to the slum dwellers, does that lower the poverty rate in this group?"

To answer this type of question and to allow better targeting of resources work is being done at the Jameel Poverty Action Lab (J-PAL) of MIT. The J-PAL team believes that when policymakers in developing countries are faced with competing theories and a multitude of tools for poverty reduction, they need clear guidance to rate these and to channel their limited resources. Is it more cost-effective to offer lower interest on loans, or is it better to have interest rates tied to repayment history?

To assess the validity of these competing options, poverty activists, including J-PAL, advocate use of some time-tested methods prevalent in the area of medicine and

science: controlled experiments. In some of the their controlled experiments carried out in India, Bangladesh, and Zambia, two otherwise identical groups of people are studied, with one group receiving rewards to keep children in school while the other is not given any such incentive, for example. The results of these controlled experiments show whether one type of reward works better than another, and why.

I first heard of the Poverty Action Lab fortuitously, courtesy of Prof. Yunus. A few years ago, we had organised a reception for Prof. Yunus during his trip to Cambridge, Massachusetts to deliver the commencement speech at MIT. J-PAL was then a relatively unknown entity, although not its founders, Esther Duflo and Abhijit Banerjee. I knew of Duflo, who received American Economic Association's prestigious J.B. Clark Award in 2010, because of her work in experimental economics, and tireless application of its techniques in the field of development economics. Banerjee and Duflo have expanded on these ideas in their recently published book, "Poverty Economics."

The most remarkable characteristic of Duflo and Banerjee's theory and practice of economics and the source of its global appeal is its core belief that since resources for poverty reduction are very limited, policy makers must be handed down programmes to implement only if they are known to work.

It is based on very simple logic, which runs as follows: Poor countries are resource poor and have limited budget for poverty-reduction projects. Since they can't waste money, they need only investments which have a high and guaranteed return of investment (ROI). Even if it is time consuming, poverty reduction actions must be given the



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same scrutiny as any medications. Only those that are found to work using randomised designs ought to be embraced.

For example, if an economist shows that, theoretically, providing free inputs to the farmers should increase their per capita yield, then before the country allocates and spends its scarce resources to provide these subsidies to farmers, there is a need to test the hypothesis under controlled conditions. If not, the policy might result in failure and worse, be thrown out and tarred for the wrong reasons.

Similarly, if free mosquito nets are offered to rural households to combat malaria, there has to be compelling evidence that providing free mosquito nets is the most cost-effective way to eradicate malaria. That's also important because there

are competing uses of money allocated for administering the "free net" programme, and a number of possible conditions that need to be ensured to guarantee its success.

Duflo and Banerjee's book also brings forth two related issues: accountability in policy design and the cost-effectiveness of small-scale projects. In the world development market, lenders and borrowers are mostly on the lookout for big projects, e.g., billion dollar World Bank projects for building underpass/overpass to solve traffic problems, or to cut carbon emissions and mitigate the effects of global warming. Proponents of poverty economics suggest we redouble our efforts to look for and find the low-cost options, "unpicked low-hanging fruits," ones that are ripe and just need to be plucked.

The low-hanging fruit is used as a metaphor in many policy textbooks and discussions to refer to actions that cost little but pay much. These are the fruits that are hanging from the tree and can be reached without climbing the tree or bringing in the ladder. To generalise, these are "easily obtained gains; what can be obtained by readily available means."

An example from environmental policy that immediately jumps to my mind is that of regulating cigarette smoking. It is now accepted that tobacco smoking results in various health and other hazards, not only for the smoker but also for others. However, once you accept the fact, and attempt to restrict cigarette consumption, the instruments that were used in the past were banning smoking and restricting production of cigarettes. However, a complete ban leads to bootlegging and often the cost of enforcement is heavy.

On the other hand, if you impose a tax on cigarettes to reflect the health costs of smoking, the government collects and the smoker has the freedom to decide whether to continue smoking. The tax can be collected at the source, i.e. from the tobacco company or at the retail level or both, as is currently being done in the US. Of course, additional measures are needed to address other issues, e.g., sale to minors and misleading advertisements.

There is a similar case of "low-hanging fruit" in the policies to address global warming. Once it is established that global warming is principally caused by emission of CO₂ into the atmosphere, then restriction of CO₂ emission can be achieved in many ways. A country could ban coal-powered electric plants, but that might be impractical. Other CO₂ reduction measures,

including imposition of a carbon tax or clean air laws to regulate coal-powered plants, have run into fierce opposition in many countries.

Electricity is considered one of the basic ingredients of life, akin to air, and any attempt to raise its price meets with fierce resistance at the public forums, and the various regulatory and legislative hearings in the US, for example. But there is a low-hanging fruit in this policy area too, and involves charging higher rates for high consumption levels. It is well-known that the cost of power generation exhibits increasing costs.

The remedy is a two- or multi-tiered pricing structure: rural or low-use urban households pay at a lower rate whereas the high-end users pay at a higher rate to reflect the marginal cost. While this concept is known as "price discrimination" in the standard text books, it is not really a bad form of discrimination. Small consumers pay less, large consumers pay more. Not as bad as the normal form of discrimination where sometimes larger consumer pays less. For example, commercial banks charge more to small borrowers!

Returning to poverty economics, a few questions still remain to be answered. If the low-hanging fruits are waiting to be plucked, how come they have not been plucked yet? Duflo's research shows that many low hanging fruits are not always paid attention to because they are within easy reach. Easily available gains are often considered inferior. Again, this theory is currently being tested in experiments. But, we are familiar with this sentiment since it resonates of Tagore's famous line: "Dekha hoi nai chokku melia... ekti dhaner shisher upor ekti shishir bindu." Alas, I missed the dew drops on the ears of rice.

The writer lives and works in Boston.

US: Catalyst in MENA

RUBY AMATULLA

OBAMA'S speech on May 19 has failed to address America's moral responsibility -- and its true national interest -- to use its full leadership and skill to become partners with the people of the region embroiled in revolt for freedom and self-governance.

America has invested heavily in the militaries and elites of Egypt (\$1.3 billion a year) and other key countries in the region that have repressed and exploited their respective people for a very long time. America, as a consequence, has paid an enormous price for failing to attain its objectives of national interest, security, and leadership in the world. It is long overdue that America changes its direction in favour of the people, not in favour of the vested few.

By promoting "incrementalism" over speedy transformation, and by promoting negotiations with troubled and corrupt governments over rapid and positive political change, America would blunder again. And this is a bad time to blunder, as this is a historic chance for change. Demands for democratic ideals and good governance are coming from the most conservative parts of the Muslim world.

History has tossed Obama into the arena, face to face with the people of the Muslim world. If he can handle it well, he will be picked up as the champion of peace, justice, and progress. If not, he will contribute to enormous turmoil and fall flat on his face. History will hold him responsible for squandering this rare opportunity given to him. The leadership and national character of America -- a country that brought democratic ideals into the consciousness of the modern world -- is on test now.

There is a way out. The fear that has gripped the Obama administration due to soaring oil prices and possible recessions could be avoided. If the militaries of Egypt and these other countries were placed under control of a civil

authority consisting of carefully selected international experts without any conflicts of interests -- fresh faces, if possible, with full support from the UN, the world community and the regional people -- a transition rivaling the Marshall Plan in scope and positive impact could be launched for the region. A sweeping uprising in the Middle East and North Africa (MENA) region would require a sweeping reform and not a piece-meal solution.

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America has a lot of strings attached to the militaries in the region that could play a vital role in the process of transformation. It should use its full political and economic leverage to help bring about a win-win state of affairs in the oil centre of the world to save the region and the world disasters. This is a rare historic opportunity for America to reclaim its leadership in the world. It appears that America is still in the back seat.

The sad reality is that Arab leaders have the means but no political will and no united front to be effective. The West has both the means and the political will to make a difference, but lacks the legitimacy and the moral voice due to past failures and conflict of interests that they possess. The activists of these growing social movements -- the third category -- do have the moral voice and the collective will, but they lack the means and expertise.

There must be catalysts that can help to bring these indispensable

elements together in order to create chemistry for change that could match or surpass the achievements of the Marshall Plan six decades ago.

One avenue that has not been explored involves Western Muslims and their respective ethnic communities. Western Muslims from these regions could play a pivotal role in spearheading such a transnational movement for democratic governance and national development in our time. They are one of the most critical common denominators between Muslim-majority societies and the West.

To deal with Muslim-majority societies, Western Muslims could work as a smaller group within a larger alliance of civil societies from many countries in the world. These intelligent and ideologically moderate professionals and community leaders -- who have no political ambition in the nations of concern -- can perform a powerfully effective job if backed up by the world leaders.

Speedy oversight and decision-making would foster constructive implementation of change, as armies would remain in the barracks, doing the jobs they were told to do, until the transitional parties were able to deliver a government that remained true to national and regional integrity and then handed power to representatives elected in free and fair elections. The people of the region would get their power back, civil societies would become stronger, sustainable-accountable governments would serve the region.

America would become a true leader in the world again, and the cost could be a small fraction of the price it has already paid and still failed to achieve these objectives elsewhere. And yes, the world would get a steady supply of oil. It is a win-win situation that is within our reach. Powerful catalysts of this process of peace and progress exist in the world now. Obama only has to seek and reach out to them.

The writer is an activist promoting conflict resolutions, constructive engagements and bridge-buildings between the Muslim world and the West.

More blood, more life

POONAM KHETRAPAL SINGH

BLOOD saves lives and improves health. It is the most precious and unique gift from one human being to another. In the developed world, much of the blood goes to the treatment of older patients. In the developing world most of the blood is utilised to treat younger patients; infants and children with anaemia due to malaria, victims of trauma; and mothers with blood loss due to childbirth. WHO estimates that more than half a million women die every year during pregnancy, 99% of them in the developing world. Blood saves life but unsafe blood is a potent vehicle for transmission of several dreadful diseases, including HIV, hepatitis B, hepatitis C, malaria and syphilis, to name a few. WHO estimates that the lack of effective screening results in up to 16 million new infections with hepatitis B, 5 million new infections with hepatitis C, and 160,000 cases of HIV infection every year.

It is estimated that 5-10% of HIV transmissions worldwide are through transfusion of contaminated blood. No perfect method is available to fully eliminate the risk of transfusion transmissible infections. Hence, multi-pronged strategy is needed to reduce transmission of these pathogens through blood. The health systems need to assure highest degree of quality assured screening of every unit of donated blood, preferably collected from healthy individuals who decide to donate voluntarily, to guarantee its freedom from infectious marker to the extent the current technology permits. In recent past, screening of donated blood for HIV has averted every year more than 25,000 new cases of HIV in the South-East Asia Region.

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and developed countries in the level of access to safe blood. Millions of patients needing transfusion do not have timely access to safe blood. This is primarily because of two reasons: inability of science to artificially manufacture this life saving fluid and hesitation on the part of only reservoir of this product, i.e. human beings, to donate blood voluntarily and regularly.

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Around 93 million blood units are donated annually all over the world; 50% of these are collected in developed countries, home to 16% of the world's population. The average donation rate in developed countries is 45.4 donations per 1,000 people. In member states of WHO South-East Asia Region, this rate is 6.7 per 1,000 people.

If 1% of a country's population donates blood, it would be sufficient to meet the country's basic requirements for blood for transfusion. But donation rates are still less than 1% of the population in 77 countries, including Bangladesh where it is still less than 0.5%. Around 362,000 units of blood were collected in Bangladesh in 2009, of which only 29% were from voluntary donors. Bangladesh is the only member state of WHO South-East Asia Region that allows paid blood

donations and obtains around 10% of its annual collection of blood from these high risk donors. There is clearly a need to accelerate the education of communities on blood donation, recruitment of voluntary blood donors and retaining them to assure regular supply of blood.

Several myths prevent healthy people from coming forward to voluntarily donate blood. The safest blood comes from unpaid donors who donate for altruistic reasons. In this group, the prevalence of HIV, hepatitis infection, and other blood-borne pathogens is lowest. Infection rates are higher among replacement donors who donate to replace blood used by a patient. Infection rates among paid donors are highest.

Social scientists need to study influence of human behaviour vis a vis blood donation. During major disasters, thousands of people voluntarily reach blood banks to donate blood. Their number invariably exceeds the capacity of the blood centre to collect, store and utilise their blood. However, in normal times when the need for blood continues to be huge, people in developing countries find it difficult to come forward to donate a unit of blood that can save lives of several patients.

It is indeed a challenge to present the human needs regularly and clearly to the communities. This can only come through motivational methods and community based networks. West Bengal (India) and Nepal have shown the power of these NGOs and there is a need to learn from their success stories and their replication across developing countries to assure a sustained supply of safe blood to everyone.

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