Moving Forward: Its Poverty Agenda Challenges, Dilemmas and Options for Malaysia#

by

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ABSTRACT

Malaysia is currently at the crossroads with respect to its poverty agenda. The way forward would require a paradigm shift in not only the manner in which poverty is conceptualised and defined but also in the way in which strategies and programmes are conceived and executed. Despite achieving commendable progress in reducing the incidence of poverty from 49.3% in 1970 to 3.6-% in 2007 there are still critical issues to grapple with and urgent problems to resolve. While rural poverty still continues to be the focus of policymakers, urban poverty also needs policy attention and prescriptions. Stubborn pockets of poverty continue to elude policy solutions and new forms of poverty are emerging in the context of a country that sees itself as a developed nation by 2020. What does Malaysia need to do in order to deal effectively with its poverty problems from a policy and programme perspective? What are the changes needed in order to ensure that poor and vulnerable groups in the society are not marginalised while Malaysia becomes a developed nation?

This paper will provide insights into the strategic directions that policies and programmes need to take to resolve Malaysia poverty problems it will begin with an overview of poverty in Malaysia which will provide the contextual framework for the subsequent discussions. The second part of the paper will highlight the various changes that have taken place over time in the way in which poverty issues are dealt with. The third part of the paper will examine innovative ways in which poverty has been conceptualised and defined and its theoretical premises while the fourth part of the paper will review creative ways in which poverty has been dealt with both in the country and elsewhere and will conclude with some recommendations for policy and programmes direction.

KEYWORDS

poverty reduction, policies, programmes and strategic direction

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1. Introduction

Poverty in Malaysia can no longer be addressed in the same way as it has been done in the past. The various policies strategies and programmes that were formulated and adopted have managed to have a significant impact on absolute poverty reducing its incidence from about almost 50% in 1970 to about 3.6 % in 2007 Malaysia is no longer just grappling with absolute poverty but also with relative poverty, pockets of persistent poverty and urban poverty as well as increasing inequalities. This is clearly exemplified in the recently launched New Economic Model (NEM) which provides the policy framework for Malaysia to move from a middle income to a high income nation by 2020. Its overarching goal is for Malaysia to be a developed and competitive economy whose people enjoy a high quality of life and a high level of income resulting from growth that is both inclusive and sustainable. The emphasis in the NEM is on the bottom 40% of the population whose average monthly household income is RM1,5000.

The NEM suggests a paradigm shift from absolute poverty to relative poverty and inequality with inclusiveness and sustainably as its cornerstones. The real challenge however is to ensure that these principles will be adhered to when formulating strategies programmes and projects and implementing them. There is a real need to sensitise delivery mechanisms of the need to adopt a inclusive approach when projects are delivered on the ground.

The paper will begin with an overview of poverty in Malaysia which will provide the contextual framework for subsequent discussions. The second part of the paper will highlight the various changes that have taken place over time in the way in which poverty issues are dealt with. The third part of the paper will examine innovative ways in which poverty has been conceptualised and defined and its theoretical premises while the fourth part of the paper will review creative ways in which poverty has been dealt with both in the country and elsewhere and will conclude with some recommendations for policy and programmes direction.
2.0 Overview of Poverty in Malaysia

2.1 Introduction
Malaysia’s commendable success in reducing its poverty incidence from 49.3% in 1970 to 5.5% in 2000 is attributed to various factors including rapid economic growth with macroeconomic stability and the inclusion of poverty reduction as an integral element of its development strategy. However despite policy commitment to poverty eradication evidenced in terms of strategies, programmes and projects as well as budgetary allocations, poverty continues to be a major development concern in Malaysia. Poverty in Malaysia persists, retaining much of its original characteristics; poverty tends to be concentrated amongst the Bumiputra in the rural sector, the Orang Asli or indigenous minorities and in the poorer East coast states of the Peninsular and in East Malaysia. The poverty problem in Malaysia has over time become more complex with the increasing importance of urban poverty, the emergence of new forms of poverty and increasing inter and intra ethnic and inter-sectoral income inequalities.

At the onset of the New Economic Policy (NEP) in 1970 poverty in Malaysia was widespread and pervasive evidenced by an overall poverty incidence of 49.3% and a poverty incidence of 65% amongst Malays households, 39% and 26% amongst Indian and Chinese households respectively. (Table 2.1) Of the total number of poor households in 1970 Malay households accounted for 74%. Poverty was essentially a rural phenomena with an overall rural poverty incidence of 58.8% and with poverty incidences as high as 88% amongst paddy farmers and exceeding 50 % in the rubber and coconut smallholding and fisheries sectors. (Tables 2.4 and 2.5) The official designation of one in two households as poor with a preponderance of Malay households in traditional sectors in poverty led to the promulgation of poverty eradication irrespective of race as a major policy objective of the NEP.

2.2 Concepts, Definition and Measurement of Poverty in Malaysia
Poverty in Malaysia has been conceptualised and defined as income poverty and measured using a poverty line income to demarcate poor and non-poor households. In Malaysia the poverty line is determined in both absolute and relative terms; absolute poverty line is calculated in terms of the income required to purchase a minimum food basket and other basic necessities like clothing. The relative concept of poverty stresses income inequality as its fundamental manifestation and is reflected in the definitions of poverty in the lower quintiles of the population,
the welfare ratio and the index of poverty. Relative poverty in Malaysia is defined as the per capita household income level that cuts off the bottom 40% of the population.

Poverty in Malaysia is measured by comparing absolute levels of household income with the income required for minimum subsistence. The poverty line as defined in the Third Malaysia Plan in 1970 took into account minimum food requirements and minimum needs with respect to clothing, housing, consumer durable goods and transport services. Poverty was defined as the lack of income needed to acquire the minimum necessities of life and those who lack the resources to sustain life were considered as poor. The dietary component of the poverty line was derived on the basis of the minimum calorie and protein intake requirements for an average Malaysian family of five persons comprising two adults and three children.

The non-food component of the poverty line is derived on the basis of various items considered essential to maintain a subsistence level of living. These items are classified as clothing and footwear, rent, fuel and power, furniture and household equipment, medical and health expenses, transportation and communication, recreation, education and cultural services.

The methods of poverty measurement have also changed over time. The poverty line income was initially defined as that level of income necessary to ensure households attained a minimum acceptable standard of living in terms of food and non-food items. In the Fifth Malaysia Plan, a more comprehensive concept of income was adopted which took into account imputed values for home consumption of produce, owner-occupied housing and for subsidised or free public services.

There has also been an attempt to reassess the poverty situation in Malaysia using different data sources. While in the past indirect estimates of income have been used to provide insights into the incidence of poverty, the Household Income Surveys of 1984 and 1987 provide the data base for poverty estimates in the Fifth and Sixth Malaysia Plans. The use of different database to derive poverty statistics is also of concern especially as the definition of incomes used may be inconsistent and statistics obtained may not be comparable. This can make inter-temporal poverty comparisons virtually impossible and the actual success in attaining poverty eradication objectives cannot be accurately determined.
There has also been a change in the approach to the identification of poverty groups. Whereas in the past development plans identified several target groups in the various sectors as the focus of poverty eradication programmes, current development policy emphasises the problems of the poorest of the poor, the hard core group.

The poverty line income to delineate the hard core group from the poor households is set at half the official poverty line income, which in 1970 prices was RM 16.50, per capita per month.

The various changes that have occurred in the definition and measurement of poverty have important implications for the magnitude of the poverty problem in Malaysia. Despite impressive reductions in the incidence of poverty between 1970-1990 there is some concern as to what this reduction means in real terms. For instance, it has been pointed out that some of the poverty reduction that has occurred between 1976-1989 can be attributed to the lowering of the per capita poverty line income.\textsuperscript{iv}

The incidence of poverty is very sensitive to the definitions and measurement of poverty, for changes in either can increase or decrease the poverty incidence. The significant reduction in the poverty incidence between 1976-87 has been attributed to the reassessment and redefinition of poverty. The redefinition has resulted in large decreases in poverty incidence amongst various poverty groups.

The actual extent of poverty reduction is obscured by the use of different concepts of income in estimating the poverty line. While the relative merits of a broader concept of income as a measure of living standards of economic welfare are recognised, there is some concern about the consistency of the definition of incomes used in various surveys.\textsuperscript{v}

The incorporation of the imputed value of government services into the definition of poverty line incomes may in fact result in households who receive the small value of government services but are not receiving certain basic needs being classified as being above the poverty line income. While there are relative merits in adopting a broader concept of income there is also the danger that households in poverty may be excluded from poverty eradication efforts. The broadening of the income concept to include access to government services may result in households being pushed into income categories above the PLI and excluded from poverty eradication efforts despite being poor in terms of other poverty criteria like access to adequate income earning opportunities or basic necessities.
The poverty line income in Malaysia is defined in terms of the minimum expenditure level required to maintain a certain standard of living and is updated annually using the Consumer Price Index. Different poverty line incomes have been used to reflect variations in costs of living and household size between Peninsular Malaysia, Sabah and Sarawak. In 1987 a poverty line income of RM 350 per month for a household of 5.14 persons was estimated, while for Sabah and Sarawak the respective poverty line incomes were RM 533 per month for a household of RM 5.36 and RM 429 per month for a household of 5.14 persons. The PLI under the Eighth Plan was set at RM 510 per month for a household of 4.6 persons in Peninsular Malaysia, RM 685 for a household of 4.9 in Sabah and RM 584 for a household of 4.8 in Sarawak. The absolute hardcore poverty line is estimated at half the official PLI.

The PLI under the Ninth Malaysia Plan was calculated based on a new methodology developed in 2005. The revised PLI is still made up of two components: the food PLI and the non-food PLI. The food component is based on the advice of nutritionists - individual daily kilocalorie requirements are met through a balanced diet, which include: cereals and cereal products (uncooked rice, wheat flour); chicken, eggs and fish; milk; oil and fats; sugar; vegetables and fruits; and pulses (dhall, green peas). The non-food component of PLI using the 2005 methodology are based on the actual expenditure of the bottom 20% expenditure group derived from the household expenditure survey (HES). It comprises clothing, housing, transport and other items. A household is considered hardcore poor if its monthly household income is less than its food PLI. The hardcore PLI under the Ninth Malaysia Plan at 60% of the overall PLI was higher than the previous hardcore PLI set at 50% of the overall PLI. Currently there are separate PLIs for each state in the country taking into account different household size and for the urban and rural areas. In Sabah rural PLI higher than urban PLI (RM881(U) RM897(R)). The urban PLI under the MTR of the Ninth Plan is set at RM 687 per household per month. PLI made up of Food PLI and Non Food PLI. A PLI is defined separately for each household based on its size, demographic composition and location.

The current approach to poverty is not radically different from previous plans. Poverty continues to be defined in absolute and relative terms with the recognition that poverty programmes needed to be more target specific and pockets of poverty had to be eradicated.
There have been changes in the manner in which relative poverty has been conceived. While in the past the bottom 40% of the population was defined to be in relative poverty, under the current Plan it is the bottom 30% of the population. The rationale for redefining relative poverty from the bottom 40% of the population to 30% is not clear. The redefinition of relative poverty makes inter-temporal comparisons difficult. In additions an eligibility criteria of RM1200 has been stipulated for assistance which is 2.3 times the PLI of Peninsular Malaysia and. What this appears to suggest is that despite being classified as being above the PLI households still needed assistance to improve their quality of life. This raises serious questions as to the usefulness of existing PLIs to demarcate the poor from the non-poor households. In addition, it is not clear as to which income cut-off is to be used to identify the beneficiaries of poverty eradication efforts. While at the outset the Eighth Plan has stated the need for a more target specific approach to poverty eradication, there now appears to be three definitions of poverty using different criteria and this has important implications for the poverty in the country.

It has been pointed out that the poverty line income should be updated to reflect changes in the costs of specific items that make up the poverty line income rather than adjusting the poverty line income using the Consumer Price Index as the relative weights of these items differ from the breakdown in the Consumer Price Index.

The calculation of the poverty line income is based on a minimum level expenditure, and three major components of it are taken into account in its calculation, that is, food, clothing and footwear and other non-food items. The estimation of the food component of the poverty line is premised upon the assumption that households have adequate knowledge of calorie content of food items to ensure that the expenditure on food is sufficient to ensure a minimum acceptable standard of living. This assumption is not applicable to poor rural households whose mainly illiterate members may not be aware of calorie content of food and of market prices. In addition to the lack of knowledge, households may also be forced to buy food items from the limited number of sellers in their areas at higher prices. The PLI also fails to take into account variations between and within individuals in estimating dietary intake, minimum food and energy requirements on which the PLI estimate is based.

The socio-cultural factors influencing expenditure patterns on non-food items are also not taken into account when the poverty line income is estimated. The use of minimum expenditure patterns of inhabitants of welfare homes on clothing is therefore not an adequate reflection of the general expenditure patterns of Malaysian households on clothing.
Bhalla and Kharas vii in their study argue that the term absolute poverty line is a misnomer as every poverty line has a subjective component attached to it. As such the targets and achievements become difficult to assess as the initial level of the absolute poverty line has a significant bearing on subsequent achievements.

While there have been some improvements arising from various changes that have occurred in the definitions, concepts and measurement of poverty the current approach still suffers from a number of weaknesses and is inadequate to truly reflect the poverty situation in the country. The use of the PLI to demarcate poverty groups from others in society is subject to numerous criticisms. The use of income alone as a proxy for describing human welfare is limited. The PLI fails to take into account variations in living costs within regions and the effects of variations in household size on poverty status are ignored.

The manner in which poverty statistics are presented in development plans also poses problems for inter-temporal comparisons. In the Malaysian context, various problems arise in this respect. Past development plans presented poverty data disaggregated by Peninsular Malaysia, Sabah and Sarawak. In the Seventh Plan this has changed and the poverty data, aggregated for the whole country, does not provide accurate information on the poverty situation due to sectoral and regional variations in costs of living, access to basic amenities, employment and asset ownership. This problem is further accentuated by the failure to have different PLIs for the rural and urban sectors. Different PLIs exist for East and West Malaysia to reflect variations in the costs of living but is still inadequate to reflect the actual poverty situation especially between the rural and urban sectors.

Non-monetary incomes, which play a large part in determining poverty status and intra-household differentials in the allocation of resources, are both not captured in the PLI. Failure to identify these dimensions of poverty can result in a misdirection of poverty eradication efforts and individuals or households who are within poverty being denied access to poverty alleviation programmes. Given the multi-dimensional nature of poverty, the use of income alone draws policy attention away from the other underlying causes of poverty and processes that perpetuate poverty and obscures the social and health dimension of poverty. The PLI can also easily be manipulated by changing the definition or concepts of income or by changing the database used to define these incomes.
b) Incidence and Patterns of Poverty

The development strategy pursued by the Malaysian government which emphasised redistribution through growth had important implications for poverty in the country. Over the period 1971-1990 the Malaysian economy grew at the rate of 6.7% per annum while during the 1990-1995 period annual growth rates averaged 8.7%. The economy recorded an average growth of 4.7% per annum during the Seventh Malaysia Plan period and the real GDP expanded at an average rate of 8.7% per annum during the 1996-1997 period before registering a negative growth rate of 7.4% in 1998. The various measures undertaken to overcome the effects of the crisis succeeded in generating an average growth rate of 7.2% during the 1999-2000 period. The phenomenal growth rates that were attained prior to the crisis had undoubtedly contributed to poverty eradication efforts with the overall incidence of poverty declining from 52.45 in 1970 to 8.1% in 1999. (Table 2.1)

There was considerable progress made towards poverty eradication during the tenure of the Sixth Malaysia Plan and Seventh Malaysia Plan. During the Sixth Plan the overall incidence of poverty declined from 17.1% to 9.5% while the poverty incidence amongst Malaysians declined from 16.5% to 8.9%. A similar pattern was observed when incidences of hardcore poverty, urban and rural poverty were examined. The overall incidence of poverty amongst the hardcore poor declined from 4.0% to 2.2% while in the rural and urban sectors the decline was from 21.8% to 16.1% and 7.5% to 4.1% respectively. However a closer examination of the poverty trend data indicates that there were several sub periods during which both the Incidence of poverty (IOP) and the number of poor households have increased. For instance, in 1999 the IOP and the total number of poor households increased compared to 1997 and this trend was due to the impact of 1997 Asian financial crisis, which seriously affected the growth of Malaysia's economy and subsequently the livelihood of the people. Under the Eighth Malaysia Plan (2001-2005) the IOP and the number of poor households increased, between the years 2002 and 2004. (Table 2.2) The overall IOP increased from 5.1 to 5.7 percent while the number of poor households increased from 267,900 to 311,300. The incidence of urban and rural poverty increased from 2.0 to 2.5 and from 11.4 to 11.9% respectively with corresponding increases in the number of urban and rural poor households was from 69,600 to 91,600 and from 198,300 to 219,700 respectively. Hardcore poverty also increased in terms of its incidence from 1.0 to 1.2 with rural hardcore poverty incidence increasing from 2.3 to 2.9%. Urban
hardcore poverty remained at 0.4%. The incidence of poverty declined dramatically between 2004 and 2007 with the overall incidence declining to 3.6% and hardcore poverty declining to 0.7%.

c) Ethnic Regional and Sectoral Profile of Poverty

(i) Ethnic Profile
An examination of the ethnic profile of poverty in the post NEP and NDP period shows that despite an impressive decrease in the incidence of overall, rural and urban poverty from 49.3% to 7.5%, from 58.6% to 12.4% and 24.6% to 3.4% between 1970 and 1990 the ethnic dimensions of poverty were still significant. The Malays had a poverty incidence of 20.8% in 1990 compared to 5.7% for the Chinese and 8.0% for the Indians. The ethnic profile of poverty groups in 1995 and 1999 showed a similar pattern with the Bumiputra households having the highest incidence of poverty at 12.2% and 10.3%. Comparable figures for Chinese and Indian households were 2.1% and 2.6% and 2.6% and 2.9% respectively. The incidence of urban poverty was also highest for Bumiputra households at 4.4% compared to 2.2% for Chinese and 1.7% for Indians in 1999. The 2004 data continues to depict the same trends with the Bumiputra having the highest incidences of overall, hardcore, rural and urban poverty. (Table 2.7)

(ii) Regional Profile
There are also regional differences in the IOP, which was slightly lower in Peninsular Malaysia compared to Sabah and Sarawak, which had relatively higher IOP, at 58.3 percent and 56.5 percent respectively in 1976 (Table 2.3). This state of affairs can be explained by the more rapid development in Peninsular Malaysia compared to Sabah and Sarawak. However, there was still rapid and continual reduction of poverty in Sabah and Sarawak with the IOP declining from 51.2 percent and 51.7 percent in 1976 to 16.0 per cent and 5.8 percent respectively in 2002. Nevertheless poverty remained high in certain states like Kedah, Kelantan, and Perlis in which the development is slow despite the rapid decline in the overall IOP in Malaysia. In Kelantan, for instance, the IOP in the state was the highest in Malaysia in 1976 at 59.2 percent compared to other states and continued to remain high at 10.6 percent in 2004 (Table 2.3). In states such as Selangor and Wilayah Persekutuan, the proportion of the poor is relatively low and has been less than 10.0 percent since 1984.

(iii) Sectoral Profile
In terms of the rural-urban strata, there had also been great differences in the achievement in poverty reduction. Poverty in Malaysia is still mainly a rural phenomenon because a larger number of poor households are found in the rural rather than urban areas. The IOP in the urban areas of Malaysia was 18.7 percent in 1976 but in rural areas the rate was 50.9 per cent and thus IOP is 2.7 times higher in rural compared to the urban areas (Table 2.4). By 2004 the incidence of rural poverty had declined to 9.6 percent while the incidence of urban poverty was at 1.6 percent. Interestingly, the incidence of rural poverty compared to urban poverty was 6.0 times higher. This phenomenon indicates the seriousness of rural poverty in Malaysia and is an indication why it continues to be a major concern. According to Chamhuri (2005), this trend is due to the alienation of the rural population from the growth and development that the rest of the country is experiencing. However, in line with the overall poverty reduction trend in Malaysia, both urban and rural poverty declined simultaneously during the period of 1976-2004. Most of the remaining poor in rural areas have had rapid income growth compared to the poor in the urban areas. The IOP in rural areas reduced by 3.4 percentage points compared to the reduction of urban poverty, which was by 3.3 percentage points. This could be due to the impact of government redistribution strategies that channel incomes through various development projects to the poor in the rural areas and the spill-over effect of manufacturing growth in urban areas that brought about the increases in the incomes of the poor who shifted to work in the manufacturing sector.

An examination of poverty by economic activities showed that the agricultural sector (which includes forestry, fishing and livestock), which was concentrated in the rural areas, has the highest IOP as compared to other sectors, such as, manufacturing, construction, and services, which were mostly found in the urban areas. However, the rate of IOP for the agricultural sector declined gradually from 68.3 percent in 1970 to 23.8 percent in 1984 (Table 2.5). The IOP for other sectors declined as well during this period, for instance, the IOP in manufacturing, which was at 23.5 percent in 1970 declined to 8.5 percent in 1984. In fact, poverty in all sectors declined significantly. In terms of occupational groups, poverty was relatively high among paddy farmers, fishermen and rubber smallholders in the rural areas. The IOP was 88.1 percent for paddy farmers, 73.3 percent for fishermen and 64.7 percent for rubber smallholders in 1970. Poverty in the 1970s was also evident amongst a wide range of low paying jobs in the services sub-sectors such as electricity, gas and water (3 percent), wholesale and retail trade, restaurants and hotels (2.9 percent), community, social and personal services (1.7 percent), transport, storage and communications (1.6 percent), construction (2.1 percent) and mining and
quarrying sectors (2.0 percent). However, the total IOP in these sectors reduced sharply in the mid 1980s to less than 10.0 percent.

Poverty in Malaysia continues to persist retaining its ethnic, regional and sectoral overtones with poverty levels remaining high in the rural areas, amongst Bumiputra households and in the less developed state of East Malaysia and in the Northern and Eastern states of Peninsular Malaysia. New forms of poverty have also emerged in the country as a result of rapid economic growth and the development process itself. The dynamic changes created by the process of economic transformation have resulted in social consequences and increasing poverty levels for vulnerable groups. These include single female headed households, migrant workers, unskilled workers, the ‘Orang Asli’ and other indigenous people of East Malaysia, the poor and elderly left behind in areas of significant outmigration. The underdevelopment of the rural areas and the growing privatisation of resources and commercialisation of activities impoverish certain groups and marginalised weaker sections in society especially in the rural areas who find their costs of living escalating. This applies in particular to common property resources where traditional claims to right have eroded in the face of increasing commercialisation.

The persistence of poverty amongst Bumiputra households in the rural sector after several decades of policy attention has been attributed to the inequality in earnings among the Bumiputra, arising from the lack of productive assets and the continued dependence on low wage agricultural and non-agricultural activities. In addition development policies pursued have also had a negative impact on the rural and agricultural sectors. These sectors not only lagged behind in terms of productivity but there was also a marked decline in the small household units of production due largely to the inability of small units of production to sustain and reproduce the subsistence of its producers. The crisis of reproduction in the operation of smallholdings is related to the difficulties encountered such as small and uneconomic sized holdings on specialised units of production under the threat of increased division of labour brought about by the increased integration of Malaysian agriculture into the global markets. The increase in the area of idle uncultivated land is a clear manifestation of the marked decline in the declining competitiveness of the units of production.

The outmigration of the better-educated youth from the rural and agricultural sectors also has important implications for the quality of labour in terms of an ageing and less educated labour
force. This has important implications for technology transfer, productivity levels and risk taking amongst the labour as the older and ageing labour force is likely to be more risk averse. This can result in an exacerbation of the poverty problems of the smallholding sector and has implications for poverty eradication measures in terms of its costs and effectiveness.

Poverty problems amongst estate workers and smallholders in the rubber sector as well as oil palm settlers and paddy farmers are exacerbated by the forces of globalisation. Poverty in the rubber smallholding sector is the result of a wide variety of factors the most important of which are the uneconomic size of land area owned and operated, low productivity of rubber holdings and the price of rubber in the international market which have a significant impact on incomes. In the case of estate workers in the rubber sector incomes are contingent upon international prices of rubber and the implementation of minimum wages are only operational for oil palm estates and yet to be implemented for rubber estates.

In the oil palm sector income level of oil palm smallholders and workers are also influenced by the fluctuations in palm oil prices in the international market. During the height of the Asian financial crises the oil palm sector benefited as average prices of palm oil increased from RM 1358 per ton in 1997 to RM 2378 per ton in 1998. However palm oil prices began a downswing in 1999 averaging RM 1459 per ton and the downslide in prices continued into the year 2000. This has resulted in a sharp decline in incomes for settler families and oil palm smallholders.

In the paddy sector there are increasing concerns about the implications of trade liberalisation through the ASEAN Free Trade Agreement (AFTA) and the World Trade Organisation (WTO). With the implementation of AFTA countries in the region are required to reduce import duties and remove non-tariff barriers. The inflow of cheaper rice from neighbouring countries which have lower production costs will pose provide intense competition for Malaysian rice producers with their higher production costs. In addition AFTA rules dictate that input and price subsidies have to be removed. While the government can continue to protect the paddy sector through the imposition of a 20% import duty it is questionable whether this is sufficient to protect the rice farmers against the impending competition.

Under the WTO Agricultural Agreement governments are only allowed to restrict imports through tariffs and not quotas and the tariff levels cannot be raised but have to be reduced over time and the same applies to subsidies. Globalisation and trade liberalisation is predicted to
impact upon developing countries especially on the poor who are dependent on the agricultural sector for their livelihood.

d) Poverty and Income Distribution
The development paradigm of the seventies which emphasised growth with distribution was in line with Malaysian development strategy which recognized that equitable growth between races was necessary for social stability and the participation of the poor in the process of development was a key element of the NEP [However, for the most part policy efforts were designed to reduce poverty and economic differences between ethnic groups especially between the Malays and Chinese. Income distribution as a policy concern was first mentioned in the Fourth Malaysia Plan in 1981 almost a decade after the enunciation of the New Economic policy. Malaysia ’s efforts to reduce poverty and ethnic disparities have inadvertently had a positive effect on income inequality. Poverty reduction strategies which emphasised increasing income levels of the poor at a faster rate than the rest of the population contributed significantly to reducing inter ethnic income inequalities among the Bumiputra and non Bumiputra as the majority of the poor especially in the rural areas comprised Bumiputra households.

However in addressing poverty issues in Malaysia there are a need to pay greater attention to the income distribution question. In 1999 Malaysia had the highest income disparity in the Asia Pacific region with an income disparity ratio of 11.7 % between the richest 20% and poorest 20% of the population. Income disparities in Malaysia have significant racial overtones and income disparities between Bumiputra and non Bumiputra household have been widening since the nineties. Despite policy measures to narrow the inter ethnic income disparities the mean monthly household incomes earned by Bumiputra households in 1999 were only 57.4% and 73.4% of incomes earned by the Chinese and Indian households respectively. While income distribution patterns in the period 1970-1990 showed improvements with declining income inequalities, the period of the nineties showed a reversal of these trends. The Gini coefficient increased from 0.446 in 1990 to 0.470 in 1997, while the income disparity ratio between urban and rural households increased from 11.70 in 1990 to 2.04 in 1997. Income disparities in Malaysia have significant racial overtones and income disparities between Bumiputra and non Bumiputra household have been widening since the nineties despite affirmative policy measure to narrow the gap between these households. In 1997, 70.2 % of households in the bottom 40% income group were Bumiputra while 62.7% of household in the top 20% income bracket were non-Bumiputra households. During the Seventh Malaysia Plan period 1995-1999, increases in
household incomes were experienced by all ethnic groups with the Indian household having the highest average annual growth rate of 6% per annum compared to 5.5% for Bumiputra household and 4.6% for Chinese households. The differential growth rates in income resulted in increasing Bumiputra: Indian income disparities from 1:1.33 in 1995 to 1:1.36 in 1999, while the Bumiputra: Chinese income disparities decreased from 1: 1.80 to 1: 1.74 in 1999. The increase in rural incomes by 6.7% per annum compared to 4.6% per annum for urban incomes resulted in the narrowing of the rural : urban income disparity ratio from 1:1.95 in 1995 to 1: 1.81 in 1999. (Table 2.8)

The mean monthly incomes of the bottom 40% of household increased by 24.8% from RM693 to RM865 between 1995 to 1999 while that of the middle 40% increased by 24% from RM1, 777 to RM 2, 204 and that of the top 20% of household increased by 20.5% from RM5, 202 to RM6, 268. In 1995 household in the top 20% of the population earned income that were 7.5 times that of households in the bottom 40%, comparable figures across ethnic groups were 6.9 times for Bumiputra, 6.8 times for the Chinese and 5.8 times for Indians. The top 20% of urban households earned 6.8 times the incomes of the bottom 40% while in the case of the rural households it was 6.1 times (Table 2.9).

The mean income of the bottom 40 per cent of households increased to RM865 in 1999 registering a growth rate of 5.7% per annum which was higher than the growth rate for the middle and top 40% of households at 5.5% and 4.8% respectively. Improvements in income distribution between 1995 and 1999 showed a lowering of income disparities between the top 20% and bottom 40% of the population with the exception of the Indians where the incomes earned by the top 20% as compared to the bottom 40% increased from 5.8 times to 5.9 times.

In the eighth Malaysia Plan (2001-2005) emphasis on narrowing income inequality and eradicating poverty was further intensified as it was tagged one of the strategic thrusts of the plan. The household income of all ethnic groups increased during the plan period. The income disparity ratio between Bumiputera and Chinese narrowed from 1:1.74 in 1999 to 1:1.64 in 2004, while the ratio between Bumiputera and Indians also reduced from 1:1.36 to 1:1.27. Albeit ethnic income disparity narrowed in relative terms, the disparity continued to widen in absolute terms. Meanwhile, the ratio between urban and rural households deteriorated from 1:1.81 in 1999 to 1:2.11 in 2004.
The income share of the bottom 40 per cent of households decreased from 14.0 per cent in 1999 to 13.5 per cent in 2004 while that of the top 20 per cent of households increased from 50.5 per cent to 51.2 per cent. Consequently, the Gini coefficient worsened from 0.452 in 1999 to 0.462 in 2004. All ethnic groups recorded an increase in the Gini coefficient during the period. The inequality among Bumiputera was the highest compared with the Chinese and Indians.

In 2004, paid employment constituted two thirds or 68.0 per cent of all household income; for the Indian households 74.3 per cent, for the Bumiputera 71.2 per cent, and for the Chinese 62.1 per cent. About 23.0 per cent of income earned by the Chinese was generated from self-employment compared with 14.0 per cent and 11.0 per cent for Bumiputera and Indians, respectively. This shows that for overcoming ethnic income disparities, the central focus must be on the status and earnings in paid employment.

In the Mid-Term Review Report of the Ninth Malaysia Plan (2006-2010)\textsuperscript{xii}, the average household income continued to rise from RM3,249 in 2004 to RM3,686 in 2007. The increase has largely been the result of positive economic growth, which in turn has generated employment opportunities and raised the income levels of all Malaysians. All ethnic groups registered an increase in household income over this period. In 2007, the average household income of the Bumiputera rose by 5.2 per cent to RM3,156 a month, whereas the average income of ethnic Chinese households rose by 3.0 per cent a year to RM4,853 while that of ethnic Indian households rose by 3.2 per cent to RM3,799. As a result of the increase in household income among rural households, the rural-urban disparity ratio improved from 1:2.11 in 2004 to 1:1.91 in 2007, surpassing the Ninth Malaysia Plan target of 1:2.0 by 2010. The disparity between the average income of the Bumiputera community and the Chinese community continued to improve with the disparity ratio declining from 1:1.64 in 2004 to 1:1.54 in 2007. Similarly, the disparity with the Indian community also improved, from 1:1.27 to 1:1.20 over the same period. To further compliment this progress, more emphasis has been designated to human capital development through skills enhancement and the inculcation of positive values. Specific focus has also been directed towards increasing the income share of the lowest 40 percent of households and thus creating a larger and more prosperous middle-income group.

Intra ethnic distributions are also of significance and efforts to reduce overall inequality in the country will not only have to redress income disparities amongst ethnic groups but also within
ethnic groups. Intra ethnic income distribution worsened for both the Bumiputra and the Indians with increases in the Gini coefficient from 0.4280 to 0.4495 for the former and from 0.3940 to 0.4092 for the latter between 1995 and 1997. Increasing inequalities in the context of growing affluence has the potential to be politically volatile as some groups or factions within the country feel they are excluded from enjoying the benefits of development. Such groups despite an improvement in incomes and socio economic status in absolute terms continue to feel a sense of deprivation and frustration. Most of them belong to poorest groups in villages, settlements, plantations and in the slum areas of the urban sector.

The long term objective of poverty eradication is contingent upon reducing income inequalities given the positive correlation between high income inequality and poverty levels. Higher income inequality may reduce growth rates and hence makes it more difficult to reduce poverty. Moreover even if the benefits of growth are spread to all income groups in society, higher income inequality would affect poverty reduction since the poor receive a smaller share of the income thus making poverty reduction slower.

Growth definitely impacts positively on poverty reduction and sustained growth will eliminate poverty in the long run [3] However in the short and medium term growth per se will not reduce poverty, the kind of growth and types of poverty prevalent in the country is also important. Poverty that comes within the ambit of economic forces may be reduced by growth alone but poverty that is caused by a multitude of factors may require social measures for its reduction.

e) Challenges for Poverty
Globalisation, liberalisation and Malaysia’s current development polices pose numerous challenges, which have direct and indirect implications for poverty. Malaysia is poised to move into the information age with the establishment of the Multimedia Super Corridor, and emphasis on the k economy. The information technology sector is pivotal in pushing Malaysia into the ranks of the developed countries by the year 2020. The restructuring of the Malaysian economy toward capital intensive and high value added activities would increase the demand for knowledge and skilled human resources. The k economy requires broad competencies and access to these competencies have to be assured for all segments of society. Racial and regional disparities in academic performance in subjects critical to the k economy have been observed. The performance of ‘Bumiputra’ and rural students fall below that of the urban and non ‘Bumiputra’ students If remedial measures are not undertaken to the benefits of the k
economy will elude segments of the population widen racial inequality and increase the digital divide between the poor and non poor.

The Asian crisis of the late nineties and the recent inter ethnic crisis in the poverty stricken areas of the Klang Valley have had important implications for the poverty issue. The crisis had adverse impacts on poverty reduction with the overall incidence of poverty increasing from 6.8% to 8.5% between 1997-1998. The impact of the crisis was most critical in the urban areas where the majority of new households in poverty were located. The urban poor, the near poor and migrant workers were affected by contraction in employment, resulting in unemployment and retrenchment. The Asian crisis has cast a shadow on the ability of the country to withstand the impact of external shocks. It is therefore necessary to institute various policies and measures to protect vulnerable groups especially the poor from the likely adverse effects of increasing globalisation and liberalisation.

The crisis also pushed the issue of foreign workers to the forefront of policy debate for several reasons. The presence of migrant workers, their remittance abroad, perceived competition between local and migrant workers for employment and the anticipated influx of large numbers of foreigners from neighbouring countries caught up in severe turmoil all emerged as pressing concerns.

Foreign workers account for about 20% of the labour force and this has important implications for poverty, and human resource development. The tightening labour market of the nineties saw a large influx of foreign workers both legal and illegal into the country. While their presence was initially seen as necessary input for attaining development goals the current policy advocates a tightening of employment of foreign labour as the long term dependence on foreign labour largely unskilled is seen as an impediment toward achieving higher technology skills productivity and greater automation in the production process.

The increasing numbers of foreigners in poverty in the post crisis period have contributed to the increasing incidence of poverty. The non citizens as a proportion of poor household more than doubled between 1990 and 1997 from 7% to 15%. The presence of foreign workers exacerbates poverty problems especially in the urban areas with demand on amenities like housing health and education. In addition the presence of foreign workers intensifies the competition for employment in the informal sector and for low wage jobs. The easy availability of
unskilled workers at low wage rates intensified during the crisis contributed to wage rates being depressed and a reluctance on the part of employers to increase wage rates, invest in capital intensification and human resource developments thus resulting in low productivity.

The crisis has also intensified the vulnerability of foreign workers and long term solutions to resolving the foreign workers issues have to go beyond existing policies of regularisation and repatriation. These policies have to be formulated within the context of the various forces that impact upon labour mobility and regional solutions, which incorporate the human rights elements of foreign workers are needed.

The recent spate of ethnic violence in the poverty ridden areas of the Klang Valley of Peninsular Malaysia has sent shock waves throughout the country and while several reasons have been advanced for its occurrence poverty has consistently been identified as a major cause. While in the past rural poverty especially amongst the Bumiputra has been the major focus of poverty eradication efforts the ethnic conflict has brought relative and urban poverty to the forefront. Issues pertaining to relative and urban poverty have to be addressed within the context of the delicate nature of ethnic relations in the country and different policy prescriptions and programmes are needed to resolve poverty problems.

Poverty in Malaysia has generally been perceived as a rural problem with more than half the rural households being classified as poor. Strategies, programmes and development expenditure allocation reflect strong policy commitment to eradicating rural poverty. A paper notes that since the Colonial era the discourse on the notion and perception of poverty in Malaysia was that of rural poverty and because the Malays were dominant in the rural sector poverty among the rural Malays shaped the official national level conceptualisation of poverty. The NEP focussed on eradicating mainly Malay poverty and the policies and efforts for poverty eradication became highly ethnicised.

Poverty in Malaysia can no longer be treated as a rural Malay problem. The incidence of urban poverty had increased from 2.4% to 3.8% between 1997 and 1999 and the absolute number of urban poor household increased by 58.2% over this period. Rural urban migration and the influx of foreign migrants both legal and illegal exacerbate the increase in the number of urban poor households. This has important policy implications and resolving urban poverty problems require different approaches from those adopted for the rural sector.
The recent ethnic conflict in the poverty stricken neighbourhood of the capital is an indication that urgent measures are needed to address poverty irrespective of race. Deep rooted poverty arising from a host of factors like low educational and skill levels, low status employment and low incomes as well as poor housing and limited access to basic amenities all contribute to social and economic marginalisation of significant segments of the population in the urban areas and its peripheries. High levels of stress and the daily struggle to eke out a living can contribute to rising social tension which can escalate to ethnic conflicts with the slightest provocation. Policy efforts are therefore needed to address seriously and responsibly the underlying causes of poverty and neglect of marginalised communities so the development efforts do not continue to elude them.

The growing interest in urban poverty in developing countries has been brought about by various factors, the rural bias in past development strategies, rapid rates of urbanisation, rural urban migration and structural transformation of the economies of these countries. It is recognised that rural and urban poverty are interrelated and overall success of poverty eradication programmes requires a balanced approach.

Policies, Strategies and Programmes for Poverty Eradication in Malaysia: An Overview

Development policies that have been pursued by the Malaysian government since the seventies bear testimony to the critical importance of poverty reduction as a developmental objective. The New Economic Policy (NEP) that was enunciated in the aftermath of the racial riots of 1969 had poverty eradication irrespective of race as one of its twin objectives, with societal restructuring being the other. The NEP aimed at increasing the access of the poor to land, physical capital, training and other public amenities. Using a minimum poverty line as a cut-off point, several groups were identified in the rural and urban sectors as target poverty groups. The poverty reduction strategy of the NEP was premised upon the need to correct existing economic and social disparities amongst different ethnic groups in the country. Rural Malay poverty, its causes and manifestations became the provided the rationale for the various strategies and programmes for poverty eradication. Rural poverty was equated with low productivity and lack of access to factors of production.
The NEP strategy of poverty eradication has been described by Mehmet as a top down interventionist strategy using institution building, fiscal policy and large scale land development and settlement as its major policy instruments. The emphasis on poverty continued to be maintained in subsequent development policies the National Development Policy (NDP) continued the implementation of programmes for general poverty reduction but placed greater emphasis on the reduction of hardcore and relative poverty. The National Vision Policy (NVP) focussed on increasing incomes and the quality of life of the poor and low-income groups, on pockets of poverty amongst target groups in remote areas, among the Orang Asli and other Bumiputra in Sabah and Sarawak and poverty problems in the urban areas and its peripheries. The NVP also recognised the importance of reducing income inequalities by increasing the size of the middle income group and increasing the incomes and quality of life of the lowest 30 % of the population.

The strategy for poverty eradication under the NDP and the NVP changed from a target group-based approach to a more direct approach-based on the identification of the poor and hardcore poor. While this approach attempts to provide direct assistance to the poor in the form of income earning assets, skills and access to public it has also been argued that anti-poverty programmes create a complacency among policy planners and project implementers towards the much needed anti-poverty thrust in the mainstream of economic and social development. There tends to be a feeling that anti-poverty programmes alone are sufficient to take care of poverty problems and the remaining programmes and resources can be directed to the non-poor. This attitude if entrenched in the minds of policy makers can weaken the overall thrust of the implementation of institutional reforms and equity oriented programmes, which in turn can contribute towards worsening problems of relative poverty. The government’s programmes for hardcore poverty eradication are seen not to be significantly different from the broad based anti-poverty programmes that were in existence prior to the NDP. The programmes still constitute handouts in the form of economic and non-economic assistance. If the overall objective of poverty eradication is to encourage full participation of the poor in the process of their own development then programmes for poverty eradication should be geared toward creating a sense of self reliance and not perpetuating continued dependence on the government. Self reliant programmes should emphasise increased participation of the poor in income generating projects to increase employment and productivity and projects must be directed towards building the capabilities of the poor. The focus of poverty eradication should be human development encompassing attitudinal change, community development and enhancing self
help and diligence. The multi-faceted nature of poverty requires a multi-dimensional approach to poverty alleviation based on the development of human potential, creativity and resourcefulness of the poor and building upon their resources, capabilities and survival skills.

a) Poverty Programmes under the NEP

Under the NEP the programmes that were adopted by the Malaysian government to bring about rural development and eradicate rural poverty can broadly be classified into programmes that are directly geared towards increasing the productivity of the poor and programmes directed towards the problems of access to and control over productive assets. Other programmes in the paddy sub-sector included producer price support schemes, provision of input subsidies, extension services marketing, and credit and tenancy reform.

The first group of programmes included the adoption of the Green Revolution technology in the rice sector, replanting in the rubber sector and adoption of modern technology in the fisheries sector. The basic thrust of programmes to raise the productivity of paddy and fisheries sub-sectors has been the technological modernisation of these sectors. In the paddy sector there was massive investment in irrigation infrastructure to facilitate the adoption of the Green Revolution technology while in the fisheries sector efforts were made to modernise fishing boats, engines, gear and net.

The major component of the second group of programmes was the land development and settlement programmes undertaken by the Federal Land Development Authority (FELDA). Others included tenancy reform measures and the use of rural institutions to encourage the participation of the rural population in the development process. Felda's strategy has been described as a major redistributive instrument designed to improve rural living standards and a major vehicle for rural poverty redressal.

The Integrated Agricultural Development Projects (IADPs) based on the concept of in-situ or area development represents another strategy used by the Malaysian Government in its fight against rural poverty. The basis of the IADP strategy is the provision of an integrated package of inputs and technology, services and infrastructure to areas characterised by low-levels of productivity and high incidence of poverty and the objective of the IADP strategy is to focus development inputs in these areas through co-ordinated institutions.
Under the NDP, s programmes for poverty eradication the major emphasis was on eradicating hardcore poverty. Two programmes were implemented the government’s Development Programme for the Poorest, (PPRT) and the Amanah Ikhtiar Malaysia (AIM) programme of the non-governmental organisation.

(i) Development Programme for the Hardcore Poor (Projek Pembangunan Rakyat Termiskin [PPRT])

A direct assault on the hardcore poor using a multi pronged approach was launched under the auspices of the Development Programme for the Poorest or (Projek Pembangunan Rakyat Termiskin [PPRT]) . The PPRT operated on the premise that poverty was multi dimensional and its eradication therefore required a multi faceted strategy. The objectives of the PPRT programmes were to provide support to hardcore poor households to enable them to move out of poverty and the programmes were to be extended to all hardcore poor households in the country. The programme content of the PPRT was premised on the assumption of a need for a package of inputs to improve socio economic status of poor households. Priorities in the PPRT package were geared towards improving the health status of target groups, bringing about attitudinal change, improving housing conditions, increasing skill levels through training and education and the provision of economic (both agricultural and non agricultural) and social projects like health, welfare, education and community development. Indirect benefits were to be derived by the hardcore poor through the provision of infrastructural and basic amenities projects and the reorganisation of traditional villages.

The government mechanism has been largely ineffective in addressing hardcore poverty due to weaknesses in project identification planning and implementation.[12] . The majority of household targeted as beneficiaries of the PPRT programmes remained in poverty and those who managed to move out of poverty did so due to the availability of employment opportunities outside the PPRT programmes.

The PPRT programme has been the subject of public scrutiny in recent years with allegations of misappropriation of RM40million from the PPRT fund meant for the hardcore poor in the state of Kelantan which had the lowest mean monthly household incomes and the second highest incidence of poverty in the country in 1999
Under the Eighth Malaysia Plan an attempt was made to integrate poverty eradication efforts and to this end scheme known as Skim Pembangunan Sejahteraan Rakyat has been devised. All existing poverty eradication programmes including the PPRT were to come under the purview of the SPKR which addressed hardcore and general poverty issues as well as poverty amongst vulnerable groups in the rural and urban areas, as well as poverty amongst the Orang Asli.

(ii) The NGO Approach to Poverty Eradication: Amanah Ikhtiar Malaysia (AIM)

The Amanah Ikhtiar Malaysia (AIM) modelled on the highly successful Grameen Bank of Bangladesh began as a pilot project in 1986 to provide credit to the hardcore poor in the Northwest Selangor region of Peninsular Malaysia. The success of the pilot project in reaching out to the hardcore poor and commendable credit recovery rate propelled the government to establish a private trust called the Amanah Ikhtiar Malaysia (AIM) launched with support from the Malaysian Economic Development Foundation (YPEIM) which gave it an initial grant of RM120,000, the Asian and Pacific Development Centre (APDC) and the government of the state of Selangor.

The objectives of AIM are to eradicate hardcore poverty in its areas of operation through the provision of benevolent loans designed to finance income-generating activities and to attain financial viability through income generated from administrative charges.

The AIM has been lauded as one of the most successful replications of the Grameen bank and the scheme had provided loans worth RM287 million to about 298,864 borrowers by 2007. AIM outreach to the poor had increased from 17.3% in 1999 to 79.0% in 2007 thus making it one of the most successful credit and anti-poverty programmes in the country.

The success of AIM in reaching out to the poor and impressive loan recovery rates of almost 100% has resulted in an increase in development fund allocation from various sources including the government.

The specially designed credit delivery system with exclusive targeting on the very poor, specially trained professional staff and a supportive national policy framework are factors that have contributed to the success of AIM. The exclusive focus on the very poor is necessary to ensure that the target group is not missed and in order to maximise returns from a fixed and
limited amount of resources. The provision of micro-credit to the poor and hardcore is lauded as one of the most successful attempts to eradicate poverty. AIM's internal impact evaluation studies⁠¹ have showed that the very poor have been reached and they benefited substantially from the loans.

The phenomenal success of AIM has been attributed to several factors,[13] .the delivery of something of considerable value to the very poor households mostly represented by female members in a way they can participate and under conditions that make their participation worthwhile and the nature of their clientele which were largely women. In the case of AIM women made up more than 90 % of the beneficiaries. Women were seen to be more creditworthy than their male counterparts due to various factors. The pressures of poverty are seen to be more deeply felt by women who experience its manifestations within the e household in the form of insufficient food for the family. Opportunities to be freed from the poverty trap are highly valued by women who are more careful and diligent in investing the funds, more faithful in repayment and more likely to use the funds for projects to improve standard of living.

Despite being a phenomenal success there are indications that AIM is gradually becoming a government organisation given that its major source of finance is the government, AIM is heavily on dependent on the government and government agencies for funding for its loans and other operating expenses. The over dependence on the government funding for financial viability can have important implications for AIM and its operational efficiency. In Malaysia where the delivery of development inputs are already highly politicised government provision of funding can impinge upon AIM’s political neutrality and autonomy in credit delivery. In addition there is also a danger of a friendly take-over by the government which will not only compromise AIM’s effectiveness and efficiency in credit delivery but also deprive the poor who support the opposition political parties.

There have been attempts to consolidate programmes of AIM with those of the PPRT and as well as to merge the AIM’s list of hardcore poor with that of the Ministry of Rural and Regional Development (KKLW). These developments in AIM have important policy implications, which will undoubtedly impinge upon the fundamental philosophy and operations of AIM. The first issue that arises is the compatibility of these two approaches to poverty alleviation. AIM adopts a minimalist approach to poverty eradication by providing only credit to the hardcore poor. Its objectives are to reach large numbers of poor and ultimate objective is to facilitate self-reliance
and the development of survival knowledge and skills of the hardcore poor. The PPRT approach is integrative and essentially comprises handouts to the poor. In integrating both these approaches it is necessary to reconcile these two fundamental contradictions.

The second issue relates to the impact of the intended collaboration with the Ministry on the principle of political neutrality adopted by AIM. AIM’s success in reaching the hardcore poor can be largely attributed to its strict adherence to a rigorous means test to identify the hardcore poor and its neutrality in delivering credit to the needy.

There are also indications that AIM is facing critical operational problems. The low level of borrowers taking up second and subsequent loans is one major problem while another is the high dropout rate among borrowers which has an impact on its sustainability, [15].

Under the NVP, all the relevant programmes and projects for poverty eradication were to be consolidated under the SkimPembangunan Kesejahteraan Rakyat (SPKR). The SPKR included the Program Pembangunan Rakyat Termiskin (PPRT) and other related anti-poverty programmes to address issues of general and hardcore poverty, irrespective of ethnicity in both the rural and urban areas as well as economic sectors. The Program Sepadu Pembangunan Desa Terpencil was strengthened under the SPKR to address pockets of poverty, particularly in remote areas and among the Orang Asli and other Bumiputera minorities in Sabah and Sarawak. To further improve the well-being and quality of life of the poor and low-income households, the SPKR, through its Program Pembangunan Insan, will continue to inculcate the concept of self-esteem and self-reliance among the households and communities involved.

3.0 Conceptualisation, Definition and Measurement of Poverty in Malaysia: Need for Alternative Approaches

3.1 Introduction
Malaysia has made several significant strides in its efforts to eradicate poverty but challenges continue to be posed by the changing dimension of poverty which necessitates a different approach which focuses on relative rather than absolute poverty. At this stage of its development Malaysia can afford to move away from the conventional approaches which it had used in the past to deal with poverty to more micro level approaches as the poverty problem is not as pervasive as it used to be. Malaysia therefore has to adopt a more comprehensive
approach to conceptualizing and defining poverty. The monetary approach which was used in the past had served the nation well when more than half its population was in dire poverty and addressing the basic needs of the population was deemed to be of critical importance. Malaysia had also attempted to focus on relative poverty by focusing on the bottom 40% of the population and in more recent years issues pertaining to income inequality had been receiving policy attention. However for the most part the emphasis on the bottom 40% has been rhetoric rather than actually thought of ways to define this group and to formulate policies and programmes to benefit them. The recently launched New Economic Model (NEM) has the bottom 40% as its focal point in the interest of creating an inclusive society. The NEM has also included an absolute poverty element in this relative poverty definition by stipulating an income cut off of RM 1,500 as the average monthly incomes of this group. This move is laudable in terms of recognizing that poverty dimensions have changed and new approaches are therefore needed the real challenge would in defining and conceptualizing poverty and measuring it.

Malaysia has to move away from one size fits all approach to poverty reduction to specifically tailored approaches that are informed by detailed data from the ground on the causes, processes and manifestations of poverty. This will require data from the grassroots level from the different poverty groups which cannot be captured from a one off survey but requires a mixture of methodologies to obtain the kind of information that is needed. From this it is possible to obtain a better understanding of poverty from the perspectives of the poor themselves.

While it can be argued that obtaining this kind of information will be expensive and time consuming so are the current data collection exercises that have been used to create a registry of the poor. These data bases are not only expensive to build but often do not include the real poor and are highly politicized. In addition the data contained in them are not particularly useful for any meaningful analysis and policy formulation.

In order to arrive at a more meaningful definition and conceptualization of poverty that is tailored to meet the needs of modern day Malaysia a useful starting point will to inculcate awareness that all Malaysians irrespective of their race, gender, religion, political affiliation and location should be free from the shackles of poverty. This would require recognizing that freedom from poverty is a fundamental human right and that it is the responsibility of all Malaysians to ensure that fellow Malaysians do need not live in conditions of such abject poverty that still continues to be the way of life of some of the poor in Malaysia.
It will also be necessary to incorporate voices of the poor into policy and programme formulation and implementation. Perceptions of what constitutes poverty and consensus on how to overcome problems caused by poverty needs a bottom up approach incorporating the poor themselves and the wider community and other stakeholders who impact on the lives of the poor in one way or another.

Conceptualisation, definition and measurement of poverty have important implications for targeting and policy which in the Malaysian context not only has huge political ramifications but is further complicated by the ethnic and religious overtones.

3.2 Alternative Approaches to Conceptualising and Defining Poverty

In this section Sen’s capability approach, social exclusion, participatory, consensual and human rights approaches to conceptualising and defining relative poverty is briefly discussed.

3.2.1 Sen’s Capability Approach

The capability approach pioneered by the work of Sen circumscribes poverty as the failure to attain basic capabilities. The approach emphasizes functional capabilities as substantive freedoms such as the ability to live to old age, engage in economic activities or participate in political activities and these are construed in terms of substantive freedoms people have reason to value instead of utility of access to resources and poverty is seen to be a deprivation of these freedoms. In the capability approach well being is defined as the freedom of individuals to lives that are valued. Sen’s capabilities approach combines an absolute and relative definition of poverty in that poverty is absolute in the space of capabilities which include things like nutrition shelter and the capacity to move from one place to another which has to be valued in absolute terms while the commodities required to meet these capabilities need a relative approach and is dependent on a particular society at a particular time.

Issues pertaining to the capability approach include the definition of basic capabilities as well as how to measure these capabilities. Significant contributions to the measure of capabilities come from the work of Nussbaum who identifies ten basic capabilities that are deemed essential to a full human life.

3.2.2 Social Exclusion and Poverty
The social exclusion approach with its focus on multiple deprivations provides an attractive framework for conceptualising relative poverty. Its historical antecedents point to the work of Lenoir who used the term to describe people who did not fit into the norms of industrialised society were not protected by social insurance and were considered social misfits and it included the handicapped drug users, delinquents and the aged. The concept gained popularity in Europe and in the United Kingdom with the creation of the Social Exclusion Unit in the late nineties. The European Union defines social exclusion as the process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live. Social exclusion emphasises two central elements of deprivation, multi dimensionality and the process and social relations of deprivation. The multi dimensionality concept of social exclusion refers to the process by which people are excluded from livelihood, employment, earnings, property, housing, minimum consumption, education, welfare benefits, citizenship, personal contact or respect. People can be deprived of different things at the same time and exclusion can occur from exclusion from the economic, social and political spheres.

Social exclusion also focuses on the relations and processes that cause deprivation and individuals or groups can face simultaneous deprivations and exclusion can occur at all levels of society. The concept moves beyond mere descriptions and draws attention to social relations processes and institutions that contribute towards deprivation.

The notions of relative deprivation and vulnerability are closely related to social exclusion. Vulnerability in terms of insecurity, powerlessness and exposure to risk and shock are closely linked to social exclusion. Vulnerability like social exclusion focuses on the multi dimensionality of deprivation.

Levitas 1998 developed a model which identifies three different approaches to social exclusion, the first of these the redistributive discourse which derives from critical social policy sees social exclusion as a consequence of poverty. This resonates with Townsend’s view that poverty should not be viewed in terms of subsistence but in terms of people’s ability to participate in the customary life of society.

The second approach rooted in a model of exclusion that has labour force attachment as its key element and underpinned by a discourse on social integration in which paid work is seen to be
the channel of integrating individual into society and unemployment and economic inactivity is the basis of exclusion.

The third approach links to the moral underclass discourse and focuses on the consequences of social exclusion on for social disorder and on the particular groups like the unemployed, the potentially criminal as members of the underclass.

3.2.3 Participatory Approach
Chambers’ pioneering work on Participatory Rural Appraisal (PRA) constitutes the basis from which current Participatory Poverty Assessments (PPA) approaches have evolved. While PPA were initially intended for small scale projects the World Bank has up scaled these PPAs as the background for the Voices of the Poor publication of the World Bank in 2000/2001 which contained PPA of twenty three countries and currently Poverty Reduction Papers (PRSPs) of the World Bank and IMF constitute an important element of lending policies of these institutions. The PRSP are prepared by member countries through participatory process involving local stakeholders, Three types of participatory approaches have been discerned those pertaining to self determination and empowerment, those related to the efficiency of programmes and those that emphasize mutual learning. The participatory approaches try to understand poverty within the social cultural economic and political contexts and its methods focus on the poor themselves and their ability to understand and analyse their own conditions and realities. From the Voices of the Poor publication five types of wellbeing have been identified, material, physical, security freedom of choice and action and social well being.

The relative advantages of the participatory approach is that that it represents a departure from externally imposed standards and help to solve some of the problems perceived by the poor to be of critical importance to them.

The participatory approach while in theory is expected to reflect the bottom up view from the poor themselves often it is imposed by outsiders who are conducting these appraisals .The issue of heterogeneity within a particular community or poverty group poses particular problems for participatory approaches when dominant group most likely to form part of the appraisal process and the marginalized groups who may who are excluded and isolated from the mainstream of that community and have no avenues for making their voices heard.
The participatory approach’s usefulness in contributing to programme and project formulation may be limited by the poor’s clouded perception of their actual conditions and situation of poverty arising from their social conditioning, environment and lack of information. In addition, the small size of the sample that constitutes participatory approaches cannot be subject to rigorous statistical analysis.

3.2.4 Consensual Approach

The consensual approach to poverty was pioneered by the work of Mack and Lansley in 1985 in their Breadline Britain survey. The methodology for the Breadline Britain survey sought to establish a consensual view of poverty and a survey is undertaken of the general population to determine an inventory of socially perceived necessities. The questions posed not only pertain to goods and services which people have access to but also to those they perceive as necessary for full and meaningful participation in society.

The advantages of the consensual approach are that it allows for both the relative nature of poverty and its absolute core because as society changes socially perceived necessities will change and avoiding poverty depends on normal participation in society. Consensual definitions with its systematic way of deciding what constitutes necessities avoids the arbitrariness of other methods. Consensual definitions have a democratic element in that poverty is defined by the views of people rather that by the outsiders. The consensual approach can also incorporate many elements of social exclusion as they list of socially perceived necessities could be expanded to include the social activities that are deemed to be necessary to be part of mainstream society.

Several of the arguments posed in a paper for a consensual approach to poverty in South Africa can also be applied to the Malaysian context. It is argued that a consensual approach will not only reflect the common aspirations of the citizens but also provided insights into what are perceived to be acceptable standards. A pro poor agenda based on this definition would be helpful in improving the quality of life of all people and move towards an inclusive society.

Operationalising the consensual approach requires deriving a list of socially perceived necessities using a survey and then creating measures based on this list of necessities.

There are several difficulties that are likely to arise in using the consensual approach in developing countries when large segments of the population are not part of the mainstream it will be difficult to arrive at a consensus as to what the basic necessities are and those that are
marginalized have never been part of the mainstream and live at bare subsistence levels while the rest of the society enjoys standards of living that are compatible to standards enjoyed in developed countries. This leads to a second problem that is the lack of knowledge of marginalized groups who have limited exposure to what constitutes the average standard of living of the rest of the country.

3.2.5 Human Rights Approach
Freedom from the shackles of poverty is a fundamental human right that has to be accorded to all human beings irrespective of their gender, ethnic, cultural, religious, political, socio economic and regional differences. The effectiveness of poverty eradication efforts are compromised if these diversities are not properly managed and result in the exclusion and marginalization of members of society from the mainstream development process. A human rights approach to poverty reduction links poverty reduction to rights and obligation and moves away from welfare or charity as approaches to poverty reduction. Using such an approach compels moving away from national averages to the identification of the most vulnerable groups and designing strategies to help these groups. This approach points to the numerous aspects of poverty like vulnerability, the lack of dignity and stigma and the multiple deprivations faced by the poor like discrimination, the lack security and social exclusion. The human rights approach broadens the scope of poverty reduction strategies and help to focus on structures of discrimination that generate and sustain poverty. The Human Rights approach focuses on the dignity and worth of a human being. Incorporating a Human Rights approach provides a more comprehensive understanding of the root causes and consequences of poverty. A Human Rights Framework links a comprehensive analysis of poverty to a normative framework that guarantees results and accountability for efforts in the process of poverty reduction. A human rights framework is particularly useful in dealing with urban poverty which is increasingly becoming an important dimension of the poverty problem in Malaysia. The Human Rights Framework resonates well with Urban Poverty. Urban poverty with its multidimensionality has been described as more than a collection of characteristics; it is a dynamic condition of vulnerability or susceptibility to risks. Urban poverty can lead to multiple deprivations which turn can bring about cumulative impacts on the urban poor. Urban poverty in developing countries is increasingly becoming more critical due to rapid rates of urbanisation, rural urban migration and structural transformation of the economies of these countries.
Adopting a human rights approach to poverty reduction has the advantage in that it relates to the multi dimensional nature of poverty and this requires a broadening of the commonly used income based definitions of poverty. However incorporating a human rights framework into urban poverty reduction strategies requires more than rhetoric and fundamental changes have to take place. The UN guidelines for a Human rights approach to poverty reduction strategies provide a useful starting point for making these changes. These guidelines include 1) Identification of the poor 2) National and International Human Rights Framework 3) Equality and Non discrimination 4) Setting Targets, Benchmarks and priorities 5) Participation 6) Monitoring and accountability 7) International Assistance and Cooperation 8) Integrating specific human rights standards which include the rights to work, adequate food and adequate housing, health, education, personal security and privacy, equal access to justice and 9) Political Rights and freedoms.

3.3 Need for Alternative Approaches
In this section urban and rural poverty are discussed to understand the need for alternative approaches in conceptualising and defining poverty in Malaysia.

3.3.1 Urban Poverty
Poverty in Malaysia continues to be conceptualized in terms of the PLI which despite its refinements over time has serious limitations when used to reflect the changing dimensions of poverty in the country. The use of the PLI based on a single income level to conceptualise urban poverty will underestimate the scale of poverty in the urban areas and underscore its multi dimensionality as income is only one dimension of poverty. A single PLI cannot take into account the large variations in availability and access to food, shelter, sanitation, health and educational facilities. Urban households require higher incomes than rural households to avoid poverty and affordable public transportation, housing, access to basic amenities, food, health care and child care and children’s education are determinants of the poverty status of the household. The interrelationship between the health status of households and the quality of housing is often underscored in the PLI approach to urban poverty. Household living in poor quality housing are more susceptible to diseases and an enormous health burden has to be borne by these households due to lack of adequate water, sanitation drainage and poor quality, overcrowded housing.
Urban poverty is not caused by the lack of incomes alone but a multitude of factors deeply rooted in social, economic and political structures of the urban areas cause urban poverty and these are often linked to social, political and economic changes at a regional, national and international level.

Urban poverty results in multiple deprivations qualitative aspects like independence, security self respect, identity, close and non exploitative relationships and legal and political rights as well as vulnerability, powerlessness, isolation and humiliation all of which are not related to income levels feature prominently in determining deprivation of urban households xiv. In general urban poverty in Malaysia is caused by limited access to formal employment opportunities and possibilities for earning incomes, inadequate and insecure housing, violent and unhealthy health threatening environments, limited access to education and health facilities, lack of social protection and disempowerment and increased susceptibility to violence and crime.

Urban poverty in Malaysia manifests itself in several ways, widening the gaps amongst the haves and have-nots, leading to feelings of hopelessness, frustration, marginalization and resentments and has significant ethnic overtones correlated with social decay, dysfunction and the rupture of social bonds. The urban poor Indians are a case in point. The breakdown of the plantation economy resulted in the forced migration of large number of poor Indians into the urban areas. These migrants with low levels of education and skills were forced to compete with the foreign labour for the low paying jobs in the urban sector thus resulting in the further immiserisation of the community and their social and economic marginalization. This has led to the increased involvement of Indians in undesirable social activities like organised and serious crime, drug racketeering and gambling. In the case of the Malays migration to the urban areas was voluntary and in search for better employment opportunities.

3.3.2 Rural Poverty
The PLI when applied to rural communities is also limited in its usefulness especially when communities live at very low levels of subsistence and do not produce surpluses for the market. Geography and location, access to land, credit and markets are critical dimensions of rural poverty. Poverty amongst the indigenous communities of Sabah and Sarawak poverty is caused by isolation and lack of access to transportation and other basic amenities which result in these communities being physically cut off from the rest of the population and living at very basic
levels of subsistence. In the case of the Orang Asli in Peninsular Malaysia land issues play a significant contributory role in their poverty as do access to health and education while for the fishing communities the lack of access to boats, fishing gear and the deteriorating conditions of their resource base are contributory factors.

Poverty amongst the indigenous people, the Orang Asli of Peninsular Malaysia and the non Malay Bumiputra of Sabah and Sarawak is closely linked to the lack of ownership and access to land.

In the face of development traditional land belonging to indigenous communities have been acquired and the communities have been inadequately compensated and resettled into areas which are unsuitable for any economic and income generating activities. In Peninsular Malaysia The Aboriginal Peoples Act allows the Orang Asli of Peninsular Malaysia to live off land gazetted as reserves but this does not provide individual titles even on Orang Asli reserves and compensation is normally given only for the trees planted on the land but not for the land itself. The process of gazetting he land is slow and tedious and in some cases the land get degazetted. This has worked to the detriment of the community.. The non possession of valid land titles have led to claimants of land traditionally belonging to the Orang Asli In cases where the land is required for infrastructural projects, land development activities begin before the Orang Asli have been rightly compensated or given alternatives. This also creates problems as the Orang Asli have to live alongside workers on the new projects and this encroachment not only impinges upon their space and territory but also contributes to a deterioration of the village environment.

In addition to loss of autonomy the Orang Asli have to contend with diminishing control over traditional land and access to resources in it. Resource rights are crucial in that they allow the community to stay above subsistence levels. Resources with economic potential like timber and minerals are often given to non Orang Asli and the Orang Asli control and use of traditional land are also subject to control by other department like Forestry and state governments. . Access to basic amenities which are provide to other poverty groups as part of poverty eradication efforts are sometimes only given to the Orang Asli in return for their land rights.

A similar but even more complicated situation arises with the indigenous people of Sarawak where land is owned under Native Customary Right and it is the community rather than the individual who owns the land.
In the case of some communities that have been resettled close to four decades their land is classified as “state land” as no individual title has been given and are always at the threat of being disposed of their land. As most of the settlers are getting on in age this results in a great sense of insecurity as the feel that is the problem of individual titles is not resolved their successors will have problems inheriting the land and this can result in the intergenerational transfer of poverty.

Indigenous communities in Malaysia especially those that live in the interior sometime do not even have access to the basic amenities like electricity water and sanitation that the majority of Malaysian have been enjoying for the last four decades. Some of them live at such low levels of subsistence detached from the vast development that other fellow Malaysians are privileged to part of. In the interior of Sarawak access to these communities are only by river and the costs of transportation are huge. Access to health facilities and education come at a very high price for these communities who are at the bottom of the economic ladder. While Malaysia has excellent rural health programmes many of these communities have to travel very long distances to access them. Similarly in the case of access to education sometimes the students have to use waterways to go to school and often they travel in small old boats and without life jackets thus endangering themselves.

3.3.3 Perceptions of Poverty
Perceptions of poverty vary and this is influenced by the environment in which the poor live, their access to information and their exposure to the different lifestyle of other Malaysians. The urban poor Indians attribute their poverty to the failure of the political system to articulate their needs and the race based approaches to the delivery mechanisms of anti poverty programmes. The urban poor Malays feel that despite affirmative action policies they have not been able to benefit from these policies it as they do not have the right connections. In the case of the Orang Asli they perceive the government and the Department of Orang Asli Affairs as lacking the political will to seriously address their poverty problems. The lack of access to basic amenities and connectivity by road is perceived to be the cause of poverty amongst the indigenous communities of Sarawak.

Perceptions of what is needed to move out of poverty vary significantly amongst the poor communities. Some of the poor who have been receiving hand outs from the government want
even more hand outs while others feel some capacity building would benefit them. The urban poor in the low cost flats ask for space for religious and cultural activities and open space for sports. In one part of rural Malaysia for instance the poor perceive RM 1000 per month as their target income whilst in another they state income as low as RM 300 which is way below the hardcore PLI as sufficient monthly incomes. Some of the poor on the other hand who would be classified as hard poor using conventional measures of poverty feel that they have everything they need in their current environment and do not consider themselves as poor or in want of anything.

3.4 Moving On What Malaysia Needs to Do
In order for poverty eradication efforts in Malaysia to have a greater impact on the poor, poverty needs to be reconceptualized and redefined in terms of relative poverty and mainstreamed. Given that the poverty situation in Malaysia is so diverse the country has to devise its own methods of defining poverty. The PLI can continue to be used despite its shortcomings but its needs to be reinforced with the use of alternative approaches. Using a mixture of approaches has the advantage of ensuring that the various poverty groups who are left out when one approach is used has a chance of being included when another approach is used. The burden of the government to alleviate poverty will be reduced when the issue of poverty is "mainstreamed"

3.4.1 Re Defining Poverty
a) Approaches
The capability, social exclusion, participatory and consensual and human rights approaches to poverty that have discussed above can provide the framework to help re conceptualize poverty in Malaysia. The capability approach suggests that to overcome poverty the poor must be helped to enhance their capabilities so that they can join mainstream society and have a decent income. The social exclusion approach with its emphasis on multiple deprivations albeit difficult to define in developing countries is useful in providing insights into the processes of impoverishment, structural characteristics of societies responsible for deprivation and group issues. The participatory approach focuses on the need for a bottom-up "will" to overcome poverty while the Through the consensual approach we learn what the viewpoints of the poor are, i.e. what they themselves think that they need to overcome poverty.

b) Role of the Government
To re conceptualize poverty the role of government is extremely important. Without the support of government, through its policies and in creating, implementing and monitoring poverty development programs, it will be extremely difficult to achieve the objective of alleviating poverty. To convince the government, and society at large for that matter, that poverty must be alleviated, it must be emphasized that freedom from the shackles of poverty it is a basic human right and all human beings deserve to live a decent life out of poverty. In order for poverty eradication efforts to work effectively it needs the support of society at large, and hence, the need to "mainstream" the awareness that certain people in the society still live in poverty. To mainstream the issue of poverty, awareness of poverty must be created through media reports & programs and the private sector should be encouraged to contribute to poverty alleviation through its Corporate Social Responsibility programs.

c) How to Redefine?
In re defining poverty in Malaysia there is need to use a mixture of approaches and the outcome of this will be influenced by the heterogeneity of poverty in the country arising from geography and isolation, race and ethnicity, as well as inter and intra regional variations between urban and rural poverty, between Peninsular Malaysia and the Borneo states of Sabah and Sarawak and the new poor who are the elderly, single mothers, the disabled, foreign workers etc. In addition the persistent pockets of pockets amongst the Orang Asli (indigenous people of Peninsular Malaysia) and others who have been unable to exit from poverty despite four decades of policy attention also require novel approaches to make poverty history for this group.

It is therefore proposed that the definition of poverty should be specific for the different poverty groups. This can be done using a mixture of methodologies combing quantitative and qualitative tools like socio economic surveys, baseline studies, health and nutrition surveys, focus group discussions, key informant Interviews and social perception surveys to obtain better insights into the problems faced by the poor, what they want and need and engaging the different stakeholders including the poor themselves in these data collection exercises. The various approaches to poverty can be adapted to produce different lists of what each of these groups feel that they need to be part of the mainstream Malaysian society. It is proposed that individual poverty profiles be created for the various poverty groups which reflect the true situation of their poverty. The data thus obtained can be used as the basis for formulating polices strategies and programmes which are tailor made to eradicate poverty amongst these groups.
The process of re defining poverty can been done in stages and the exercise can begin with groups that are in dire need of urgent attention like the Orang Asli and the indigenous people of Sabah and Sarawak. Once the poverty profiles of these groups are developed, then these profiles can be used to disaggregate the poor into groups that need direct assistance in the form of handouts and groups that can be the focus of capacity building programmes. This would enable better targeting of policies programmes and projects to meet the needs of different groups of poor.

d) Empowering the Poor
Using participatory and consensual approaches to defining poverty can contribute to the process of empowering the poor as it is the poor ’s perceptive that is used in the formulation of policies and programmes. The poverty profiles derived can be used as the basis for adopting a bottom up participatory approach in the formulation and implementation of policies and programmes for poverty eradication. Policies and programmes should be tailored based on needs assessment of the poor and it is important to incorporate the poor from the inception stage. This will help inculcate a sense of ownership of the programmes and projects amongst the poor and contribute to its success as most people are likely to look after thing they own or have a vested interest in. The poor need to be made part of this process and be entrusted with responsibilities for ensuring success of these programmes and projects. Then there are questions of ownership and control of the programmes and projects as well as their sustainability which also need to be taken into account. As far as possible the ownership and control should rest with the poor and this is where vesting the ownership and control with the community rather than individuals can play a significant role. Mobilizing social capital to ensure success has worked well in the case of the micro credit programmes where borrowers working in groups of five are given access to small loans. The most needy borrower in the group is given the first loan and the rest of the members of the group have the responsibility to ensure that the borrower repays as their own loans are contingent upon the repayment behaviour of the original borrower. 

Capacity building is also part of the process of empowering the poor and this would require the traditional investments in infrastructure both physical and social infrastructure. The poor should be guaranteed affordable access to health, education, housing, transportation and other infrastructure.
Ensuring access to information and communication technologies (ICT) is important as information and knowledge are critical components of poverty eradication strategies. ICTs are effective tools in the fight against poverty, empowering the poor and enhancing their capacity. While the term ICT generally refers to computers and the internet the term can be broadened to incorporate traditional communication technologies like the radio, television and public address systems and newspapers. ICTs can help to narrow the digital divide that currently exists between the poor and non poor especially in the rural areas. However ensuring access by the poor to ICT can help narrow the digital divide that currently exists among the poor and non poor and contribute towards poverty eradication by a) distributing locally relevant information, b) targeting disadvantaged and marginalized communities, c) promoting local entrepreneurship, d) improving people’s health, e) strengthening education, f) promoting trade and e-commerce, g) supporting good governance, h) building capacity and capability, i) enriching culture, j) supporting agriculture, k) creating employment opportunities and m) reinforcing social mobilisation.

d ) Challenges Faced
There are several challenges that attempts to redefine poverty in Malaysia are likely to face. Poverty in Malaysia is highly political and its has ethnic and religious ramifications. In the past it was rural Malay poverty that was the focus of policy attention and this was in line with the affirmative action policies that were in place. To move away from a political process and a delivery mechanism that has been formulated in the context of strong affirmative action requires a major paradigm shift not only in the thinking of the policy makers but also in the implementation and delivery mechanisms. Policies, programmes and projects have to be more inclusive and non race based and this would require dramatic changes which may not be politically feasible in the short run. It would require strong political will at the highest level and changes in the operational framework and delivery mechanisms. An operational framework for an inclusive approach that is different from the existing framework needs to be worked out. All indicators, programmes, delivery institutions and agencies needs to remodelled. Delivery agencies and frontline workers need to change their values and mindsets to move away from a race based affirmative action basis of providing services to one based on human needs. Staffing patterns of the civil service and delivery agencies to reflect the multi ethnic and multi religious nature of the country.

\(^1\) For a detailed discussion of the ways in which ICTs can contribute to poverty eradication see Harris Roger, W. Information and Communication Technologies for Poverty Alleviation, UNDP- APDIP 2004
3.4.2 Mainstreaming Poverty

In order for the alternative approaches to poverty to work there is need to mainstream poverty and create awareness amongst all stakeholders of the changes that have been made which has implications for targeting, policy, programme and project formulation and implementation.

While poverty has always been the focus of policy and programmes attention in Malaysia there is need to mainstream poverty further to include all stakeholders. Poverty mainstreaming refers to the establishment of poverty as the central issue in the formulation and implementation of programmes and polices. In this context the state has to play a key role. Poverty mainstreaming has to occur at all levels, the national, and regional and district levels. At the same time the commitment to poverty alleviation has to be reflected in all policy documents including development plans and their mid-term reviews, annual budgets and economic reports.

Mainstreaming poverty has the advantage of ensuring that poverty reduction becomes a collective responsibility and not that of just the government or a single agency entrusted with the task of eradicating poverty. This would also enable the poverty eradication agenda to be integrated into all government polices and programmes and facilitate the formulation of pro poor policies and programmes.

Mainstreaming poverty serves as a vision for all stakeholders irrespective of the sector in which they work and conscientize stakeholders in minimizing the negative impacts of their activities on poverty groups. In mainstreaming there is a need to include all stakeholders from the beginning and this is necessary to inculcate a sense of ownership of the programme or activity from the beginning to the end and this will contribute towards programme success.

Mainstreaming poverty will also help to foster a common understanding and perception of poverty and this will contribute towards developing a shared commitment towards poverty reduction.

The role of the media is also instrumental in mainstreaming poverty through its impact on sensitising the public to poverty related issues. Increasing awareness of the prevalence of poverty amongst segments of society can serve as a reminder to the public that there are groups who are on the fringes of their own society and require a helping hand.
Mainstreaming poverty can also help bring together the various stakeholders and foster smart partnerships amongst them. For example there are several non-governmental organisations who work at the grassroots level, their services can be called upon by the private sector which may want to contribute towards poverty alleviation as part of their corporate social responsibility (CSR). The government can support the private sector’s efforts in poverty eradication by providing tax breaks and other incentives for activities that contribute towards poverty reduction.

There is a need for a mindset change amongst the NGOs and the government before a good working relationship can be established. The NGO sector should see the government as a important partner in attaining a common goal while the government in turn has to recognise the fact that it cannot by itself resolve poverty problems and the NGOs with their intimate knowledge of the grassroots can play a useful role.

4.0 Creative Ways of Dealing with Poverty
There is a need for a paradigm shift in the way in which development is brought to the poor. In the past the major driver for poverty eradication has been the government sector and despite many successes that have been achieved through government efforts, the poverty reduction currently requires a major push in order to enable the poor to be fully integrated into the mainstream and contribute and benefit from the development efforts Past efforts have had limited impacts on the poor due mainly to weak implementation, misidentification of targets leading to leakages to the non-poor, lack of information about entitlements lack of access and lack of knowledge about processes and mechanisms to obtaining inputs. In addition past experience in trying to bring inputs to the poor has been bogged down with the lack of clear focus on the poor, multiplicity of agencies, duplication of functions and wastage of resources.

Poverty eradication efforts in the future have to be carefully designed and targeted so that the poor can become a major contributor to the development process. The kind of dynamism that is currently required to pull the poor out of the doldrums requires key drivers that are unlikely to come from the government sector. Therefore a new approach incorporating the private sector as the key driver and the community as the custodian of the rights of the poor is proposed. This approach is premised upon creating a dynamic community amongst the poor imbued with the
desire to integrate with the modern sector and become key players in the global economy and move up the value chain.

The private sector can be engaged to play an effective role in poverty eradication through responsible contract farming and the creation of social businesses.

4.1 Responsible Contract Farming

A chilly farming project in Bukit Awang in the Eastern State of Kelantan in Peninsular Malaysia which showcases responsible contract framing is discussed as a creative approach to poverty eradication. The project started as a PPRT (hardcore poverty project) project with in 1994 with 4 farmers working 4 acres of land. In 1996 the Area Farmers’ Association entered into a contract farming arrangement with Nestle and the project increased in size to include 25 farmers operating 25 acres of land and a purchase contract of 120 metric tons of chillies with Nestle. The project which currently involves 250 participants has brought upon significant changes to the income levels and livelihoods of the participants and their families, where they have been able to generate a sustained income, improve their standard of living, purchase new land, invest in and upgrade their machinery and educate their children, a previously unattainable achievement. On average, the farmers earn a net income of US$2,200 per season (6 months), which works out to US$365 per month; double their original income. The project exemplifies the way in which a win-win situation can be created through a tripartite relationship between the hardcore poor, the Area Farmers’ Association and a private sector company each with their own areas of responsibility. The farmers are exposed to Good Agricultural Practices and modern technology like fertigation, the adoption of which enables them to obtain higher yields and improve the quality of production. The farmers on their part have to adopt modern technology, adhere to the prescribed farming practices and exhibit responsible behavior as a member of the Farmers’ Association. In return for this the farmers are guaranteed monthly incomes, sustainable employment, a ready market for their output and an opportunity to improve the standard of living for themselves and their family. The Area Farmers Association is responsible for ensuring that the framers adhere to the rigorous standards imposed by the Nestle in terms of agricultural practices and are responsible for ensuring that the welfare of their members are protected.
This project is a result of Nestlé’s sustainability-related policies aimed at creating new income opportunities for hard-core poor farmers. Nestlé’s objective for this project is to improve the yield and quality of the crops through maximum utilisation of agricultural resources by gearing the farming activities towards a commercial approach; with emphasis on more systematic and professional farm management systems that meet globally-acknowledged standards. Nestle is assured of a guaranteed supply of good quality inputs for their factories and at the same time is able to exercise its corporate social responsibility.

The project has also shown that age is no impediment to technology adoption as their exemplary farmer who has adopted fertigation is above ninety years of age. The project has enabled rural hardcore farmers to avail themselves of modern technology as all the chillies are grown using the fertigation method.xix

This project has not only enabled the farmers to improve their standards of living but also have linked them to the commercial world. In addition the this project has drawn in participants from both sides of the political divide which is very significant in the Sate of Kelantans which is ruled by the Islamic fundamentalist part (PAS). The Area Farmers Association has shown its ability to go beyond the normal roles and responsibilities s by addressing the consumption needs of the hardcore poor who are their members through the creation of a revolving welfare fund from which withdrawals can be made to finance emergencies alike the need to finance health care costs or start up cost for higher education.

4.2 Social Businesses as A Way of Eradicating Poverty xx

The evolution of social businesses arise from the recognition of the limited ability of government s to effectively address social problems like poverty given that governments are often inefficient prone to corruption, slow and inefficient, top heavy and entangled in bureaucratic red tape. The private sector is often not interested in taking on board poverty issues except as part of their Corporate Social Responsibility exercise or to receive tax exemptions. Non profit organizations while playing a useful role are often faced with financial problems and cannot make significant inroads into the poverty problem.

The concept of social businesses has been pioneered by Muhammad Yunus, the architect of the renowned Grameen Bank microcredit scheme. He states that "Social business simply defined is a business with a social benefit as the driving force rather than a profit. If a profit is
made, the funds are either reinvested into the company, or into a new social business” He further states that “Social Businesses have to have needs to have positive social objectives (help comes from the altruistic social services that the business provides to the poor): e.g. health, education, poverty, environment or climate urgency and there has to be non-profit distribution in that investors cannot take profits out of the enterprise as dividends”.

Yunus distinguishes between two types of social businesses, one that focuses on providing a social benefit rather than maximising profits for the owners and are owned by investors who are driven by social benefits like poverty reduction health care for the poor social justice and global sustainability. The second type of social business is the one owned by the poor or by the disadvantaged, and the dividends and financial growth generated by the business is channelled back to the poor to enable them to escape from poverty.

The first attempt of creating a social business was in March 2006, when Groupe Danone (Danone), a French food giant, and the Grameen Group, a Bangladesh-based group, came together to form a joint venture, Grameen Danone Foods Social Business Enterprise (GDF). This enterprise’s primary objective was to maximize the benefits to society rather than to maximize profits. The joint venture company with its plant in Bogra, Bangladesh commenced in November 2006 began producing low cost yoghurt, under the ‘Shakti Dohi’ (meaning ‘energy yoghurt’ in Bengali) brand. The yoghurt, priced at 5 Taka per 80 ml cup was enhanced with micronutrients sufficient to meet 30% of the daily nutritional needs of a child.

The GDF is an interesting example of an effort to fulfil an unmet need of the poor especially the children and an attempt to integrate existing activities of the one of the partners with the newly formed social business enterprise. The input for the factory comes from the milk that is produced from cows that are financed by micro loans given by the Grameen Bank, and the yoghurt produced is in turn sold the yogurt door to door by the Grameen ladies and bought by Grameen’s 6.6 million members for their kids.

Similar other Grameen joint-venture social businesses are making low-cost mosquito nets impregnated with insecticide to prevent the spread of mosquito-borne illnesses like malaria, and shoes that will sell for $1 a pair, to be unveiled at the July 2010 World Cup soccer finals.

A new social business based on a health care model that prioritizes girls’ health and prosperity as fundamental to ensuring the health of future generations and accelerating economic progress
was announced in 2009 and launched in 2010 as the Grameen Caledonian Nursing College. This new vision for the amelioration of female health through social business is seen to offer an innovative practice to the current health care marketplace in Bangladesh with a new approach to health education and service. The model will help address the health-related needs of the hardest-to-reach girls, while creating employment for thousands and will both benefit girls as recipients of health care services and information and position them as the future health care workforce by addressing the shortage of nurses focusing the health needs of adolescent girls, and creating a sustainable social business model with nurses, as opposed to doctors, as the central actors of the health care system. “The health of girls and women is a true indicator of the health of a nation and of the next generation. If girls and women are not healthy, we are all at a disadvantage.” “Girls have been invisible to the health care system far too long; they must be at the center of it. By engaging girls and young women to provide quality health care for those around them, we can address girls’ health needs while creating productive livelihoods and a healthier society overall.” (Muhammad Yunus)

5.0 Conclusion

The policy framework that is developed should reflect the commitment to poverty alleviation by all stakeholders and their sincerity in alleviating poverty requires the translation of this commitment in terms of strategies programmes and projects. There is a need to create a reliable and dynamic data base on poverty groups and programmes and projects that have been implemented. There is also a need for close monitoring of the implementation of poverty programmes and projects to minimize leakages and ensure that they reach their intended beneficiaries. A holistic approach to poverty alleviation is therefore required taking into account the multidimensionality of poverty, its varying causes and manifestations as well as the need for specifically tailored rather than blanket approaches to poverty alleviation.

The recently launched NEM appears to have the required characteristics such a policy framework with its emphasis on inclusiveness of the bottom 40% of the population in the development process and the recognition that excessive focus on ethnicity-based distribution of resources contributes to growing separateness and dissension. The NEM also recognizes that not having the opportunities to benefit from economic progress breeds resentment within marginalised groups in the urban and rural areas, especially those in remote locations of Sabah and Sarawak. The NEM incorporates a new approach to development which it defines as *inclusive growth*, which is pro-poor and concerned not only with the level but also the effect of
persistent inequalities along ethnic lines class, occupation, age, regional location on economic growth and poverty alleviation.

A key challenge of inclusive growth in Malaysia is the design of effective measures that strike a balance between the special position of bumiputera and legitimate interests of different groups. Under the NEM market-friendly affirmative action programmes are to be designed to a) target assistance to the bottom 40% of households, of which 77.2% are bumiputera the majority of whom are located in Sabah and Sarawak, b) ensure equitable and fair opportunities through transparent processes, c) allow access to resources on the basis of needs and merit d) enable improvements in capacity, incomes and well-being, e) have sound institutional framework for better monitoring and effective implementation.
Table 2.1: Malaysia: Incidence of Poverty and Number of Poor Households, 1970-2004

<table>
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<th>Year</th>
<th>Number of Poor Households ('000)</th>
<th>Incidence of Poverty (%)</th>
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<td>52.4</td>
</tr>
<tr>
<td>1976</td>
<td>879.3</td>
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</tr>
<tr>
<td>2007</td>
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Sources: Malaysia Plan (various issues), Ministry of Finance, Economic Reports (various years) and Economic Planning Unit, Prime Minister's Department.
Table 2.2: Incidence of Hardcore Poverty in Malaysia (%) 1985-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall</th>
<th>Rural</th>
<th>Urban</th>
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Source: Poon (2005)
Table 2.3: Malaysia: Profile of Poverty (%) by Regions and States, 1976-2002

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Notes: * Includes the Federal Territory of Labuan.
# Includes the Federal Territory of Putrajaya.
Data is only available until year 2004.
Table 2.4: Malaysia: Profile of Poverty (%) by Urban Rural Strata, 1976-2004

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Notes: - Data is not available.
Table 2.5: Malaysia: Profile of Poverty (%) by Economic Activities and Major Occupational Groups, 1970-1987

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Notes: * Includes households engaged in mining, manufacturing, construction, transport and utilities, and trade and services sectors.
- Data is not available.
- Data is only available until year 1987.
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Notes: - Data is not available
- Data is only available until year 1989.
Table 2.7: Incidence of Poverty and Hardcore Poverty by Ethnic Group, 1999 and 2004 (%)

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Notes: - Data is not available
Source: Ninth Malaysia Plan (2006-2010) and Ragayah Haji Mat Zin (2009), Poverty Reduction, Social Integration & Development: The Formula for PEACE?, Institut Kajian Malaysia dan Antarabangsa (IKMAS), Bangi, p. 36
### Table 2.8: Distribution of Household Income by Strata: Malaysia 1970-2007

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<td>Mean Household Income (RM)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Bottom 40%</td>
<td>13.1</td>
<td>11.8</td>
</tr>
<tr>
<td>Mean Household Income (RM)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Gini Ratio</td>
<td>0.469</td>
<td>0.500</td>
</tr>
<tr>
<td>Mean Household Income (RM)</td>
<td>200</td>
<td>392</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top 20%</td>
<td>55.0</td>
<td>55.9</td>
</tr>
<tr>
<td>Mean Household Income (RM)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Middle 40%</td>
<td>32.8</td>
<td>32.2</td>
</tr>
<tr>
<td>Mean Household Income (RM)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Bottom 40%</td>
<td>12.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Mean Household Income (RM)</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Gini Ratio</td>
<td>0.503</td>
<td>0.512</td>
</tr>
<tr>
<td>Mean Household Income (RM)</td>
<td>407</td>
<td>830</td>
</tr>
<tr>
<td>Disparity Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban: Rural</td>
<td>2.14</td>
<td>2.19</td>
</tr>
<tr>
<td>Chinese: bumiputera</td>
<td>2.25</td>
<td>2.28</td>
</tr>
<tr>
<td>Indian: bumiputera</td>
<td>1.75</td>
<td>1.56</td>
</tr>
</tbody>
</table>

Note: n.a.=Not available
Sources: Ragayah Haji Mat Zin (2009), *Poverty Reduction, Social Integration & Development: The Formula for PEACE?*, Institut Kajian Malaysia dan Antarabangsa (IKMAS), Bangi, p. 38
Table 2.9: Distribution of Household Income by Ethnic Group, Malaysia: 1970-2007

<table>
<thead>
<tr>
<th>% of Households</th>
<th>Percentage of Income Share</th>
<th>Malay/Bumiputra</th>
<th>Chinese</th>
<th>Indian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 20%</td>
<td></td>
<td>52.5</td>
<td>53.9</td>
<td>52.6</td>
</tr>
<tr>
<td>Middle 40%</td>
<td></td>
<td>34.8</td>
<td>34.3</td>
<td>35.3</td>
</tr>
<tr>
<td>Bottom 40%</td>
<td></td>
<td>12.7</td>
<td>11.8</td>
<td>11.9</td>
</tr>
<tr>
<td>Mean Income*</td>
<td>(RM per month)</td>
<td>177</td>
<td>342</td>
<td>213</td>
</tr>
<tr>
<td>Median Income*</td>
<td>(RM per month)</td>
<td>122</td>
<td>233</td>
<td>332</td>
</tr>
<tr>
<td>Gini Ratio - Overall</td>
<td></td>
<td>0.466</td>
<td>0.404</td>
<td>0.470</td>
</tr>
<tr>
<td>Rural</td>
<td></td>
<td>0.419</td>
<td>0.471</td>
<td>n.a.</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td>0.445</td>
<td>0.478</td>
<td>n.a.</td>
</tr>
<tr>
<td>Top 20%</td>
<td></td>
<td>49.5</td>
<td>50.8</td>
<td>48.7</td>
</tr>
<tr>
<td>Middle 40%</td>
<td></td>
<td>35.7</td>
<td>35.0</td>
<td>36.4</td>
</tr>
<tr>
<td>Bottom 40%</td>
<td></td>
<td>14.8</td>
<td>14.2</td>
<td>14.9</td>
</tr>
<tr>
<td>Mean Income*</td>
<td>(RM per month)</td>
<td>931</td>
<td>2038</td>
<td>1984</td>
</tr>
<tr>
<td>Median Income*</td>
<td>(RM per month)</td>
<td>677</td>
<td>1407</td>
<td>1423</td>
</tr>
<tr>
<td>Gini Ratio - Overall</td>
<td></td>
<td>0.429</td>
<td>0.448</td>
<td>0.429</td>
</tr>
<tr>
<td>Rural</td>
<td></td>
<td>0.410</td>
<td>0.408</td>
<td>0.397</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td>0.435</td>
<td>0.431</td>
<td>0.411</td>
</tr>
</tbody>
</table>

Note: n.a. = Not available

Sources: Ragayah Haji Mat Zin (2009), Poverty Reduction, Social Integration & Development: The Formula for PEACE?, Institut Kajian Malaysia dan Antarabangsa (IKMAS), Bangi, p. 39

*Bumiputra* ‘which translate literally as’ Sons of the Soil’ was used to distinguish the Malays who are one of the major ethnic groups in Malaysia from the non Malays. The Malays are defined in the Constitution Article 160(2) as persons who profess the Muslim religion, habitually speak Malay and conform to Malay customs. The term ‘Bumiputra’ has since the formation of Malaysia assumed a special legal meaning and currently included the Malay as defined by the constitution, the indigenous peoples of Sabah and Sarawak and the aboriginal groups or ‘Orang Asli’ of Malaysia”.

v*Third Malaysia Plan 1, 1976, p. 5).*


viii Chamhuri 2005
The major studies on income distribution in Malaysia are listed below:


Speech by Y.A.B Prime Minister Dato' Seri Abdullah Bin Haji Ahmad Badawi introducing the Motion to table the Mid-Term Review Of the Ninth Malaysia Plan 26 June, 2008.


The following papers are referred for the provide the content for this section:


c) Laderchi et al,


Fertigation which fertiliser + irrigation is the application of fertilizers, soil and other water soluble products through a precisely controlled irrigation system. In the case of the chilly fertigation method the chillies are grown in polybags using coco pith thus removing the constrains of having good soil. These polybags are connected to an intricate irrigation system made of fine plastic tubes similar to that used in hospitals for giving drips which dispenses the required nutrients in a precise manner to the chilly plants.

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__________ *Social Exclusion*, Answer.com Website: ([http://www.answers.com/topic/social-exclusion](http://www.answers.com/topic/social-exclusion))

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