



## PRIMCED Newsletter

No. 1 (May 2011)



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## Message from the Project Leader

Takashi Kurosaki (Project leader)

Let us offer our deepest sympathy to those who lost their lives and suffered from damages due to the earthquake and tsunami that hit eastern Japan on March 11, 2011.

We launched PRIMCED in June 2010, with the aim of the synthesis of knowledge on poverty reduction, economic institutions, markets, and policies in the process of economic development. The three major pillars of our approach are (i) microeconomic analysis of original microdata collected in contemporary developing countries, (ii) comparative historical analysis of economic development using both micro and macro data, and (iii) combining the two through quantitative empirical analyses with similar specifications for both contemporary and historical cases as well as through model building. Toward this goal, our first meeting was held in July 2010, followed by new household surveys in Asian and African countries. The first year of PRIMCED was to be concluded with an international workshop planned for March 24–25, 2011.

When the PRIMCED secretariat was busy finalizing the preparations for the workshop, Japan was hit by a devastating earthquake and tsunami. Fortunately, neither the PRIMCED researchers nor the secretariat was affected. Considering that it was difficult for foreign participants to visit Japan for the

workshop, we postponed it and rescheduled it for September 2011. However, frequent blackouts and uncertainties related to the Fukushima atomic power plant made it difficult for us to concentrate on our research. Personally, this occasion forced me to reconsider what kind of comparative advantage I have as a research economist. It took me several weeks to find a tentative answer: the PRIMCED research contributes to society indirectly through academic findings on the mechanism of economic development, including restoration and recovery from natural disasters. Thus, the second year of PRIMCED has already begun.

In December 2010, without any anticipation of such an earthquake, we held a research workshop on household vulnerability and resilience against natural disasters. A special issue of *Keizai Kenkyu* (Economic Review), Vol.62, No.2, April 2011, published four papers that were discussed in the workshop: the cases of tsunami victims in southern India, cyclone aid in Fiji, impacts of the floods in Pakistan, and rainfall-induced welfare decline in Zambia. In the workshop, we also discussed the case of pre-war Japan. We would like to extend this line of research further.

For the second year of PRIMCED, which began in April 2011, we are planning new research initiatives such as rainfall insurance experiments in rural India.



We are also excited to analyze the primary data collected during the first year. We hope our research over the next 12 months will bear fruit and provide a

platform for the emergence of novel findings evidenced through solid databases.

## Report on Field Surveys

The compilation of databases on economic development is one of the main objectives of PRIMCED. For this purpose, we conduct several field surveys in contemporary developing countries in Asia and Africa, as well as search historical documents that have not been previously analyzed in a quantitative manner. In this Newsletter, we will occasionally provide reports from such field sites. This issue contains two reports, one from Pakistan, and another from Zambia.

### Field Survey in Pakistan

Hidayat Ullah Khan (PRIMCED RA)

#### Background

Pakistan ranks as a low-income country, with over 30 percent of its population (the total population of Pakistan is approximately 170 million) living below the poverty line.<sup>1</sup> Most of its poor population has no access to efficient sources of credit (World Bank, 2002)<sup>2</sup>. Nevertheless, Pakistan has huge potential, as there is a large number of working-age adults who are poor. Further, that number is expected to grow, given the exploding population growth.<sup>3</sup>

There are a number of non-government organizations (NGOs) operational in Pakistan that employ community-based developmental practices targeting the poor. They provide credit access to those usually considered un-bankable, help in capacity building in terms of income-earning skills, and develop their localities through community-managed micro-infrastructure programs. The ultimate goal of these organizations is to alleviate poverty by providing a sustainable livelihood.

<sup>1</sup> The figure was provided by Mr. Shaukat Tareen, then Finance Minister of Pakistan in an address dated December 16, 2008, cited on [http://www.thaindian.com/newsportal/south-asia/poverty-rate-in-pakistan-soaring-shaukat-tareen\\_100131668.html](http://www.thaindian.com/newsportal/south-asia/poverty-rate-in-pakistan-soaring-shaukat-tareen_100131668.html), dated November 23, 2009.

<sup>2</sup> World Bank (2002) "Pakistan Poverty Assessment - Poverty in Pakistan: Vulnerabilities, Social Gaps, and Rural Dynamics," Report No. 24296-PAK.

<sup>3</sup> Burki, H., and G. Chen (2006) *Microfinance Performance in Pakistan 1999–2005: Growth, But a Structural Flaw Persists*. Islamabad: Pakistan Microfinance Network.



Open-air government primary school for boys & girls Bheki, Haripur

In order to study the targeting effectiveness of NGOs in terms of providing credit access to the poor and alleviating poverty in their project area, I selected an NGO called the Pakistani Hoslamand Khawateen Network (PHKN). PHKN is working in the Haripur District of Khyber Pakhtunkhwa (formerly known as N.W.F.P) for over 10 years. PHKN has adopted a community-based developmental approach under which dwellers of a village or rural community are organized into a community-based organization called "Community Organization" (CO) before any kind of intervention in the village. Due to social and cultural norms, there are separate COs for both men and women. The salient feature of PHKN is that almost 67% of its COs are those comprising women, which is rather unusual for a male-dominated society like Pakistan.

In order to facilitate a comprehensive empirical analysis of PHKN's programs, we implemented a three-tier—village-, CO-, and household-level—field survey as a PRIMCED research project with the aim of collecting micro-data. The survey program was implemented in the project area of PHKN (Haripur

District). In the first phase, I supervised village and CO surveys in September–October 2010. In the second phase, I supervised a household-level survey in November–December 2010.



*Training session for enumerators by the author, Haripur*

### Survey's Objectives and Design

The basic objective of the household survey was to complement existing village- and CO-level data and to help assess the socio-economic conditions of households that were covered by PHKN's programs in general and microfinance in particular. Further, the objective was to conduct a meaningful comparison between the households covered by PHKN's programs and those that were not (both within and outside its project area). Finally, and importantly, since household-level data are lacking for the region, the data collected from this survey will therefore form a part of a comprehensive and long-term database for the region.

We designed a structured questionnaire, which was used for data collection. The questionnaire comprised different types of open- and closed-ended questions. It was finalized after pretesting, and before the full-fledged survey, in order to redress field-related issues. In order to facilitate easy understanding and implementation of the questionnaire by local investigators, the final version of the questionnaire was in Urdu—the national language of Pakistan.

In the survey, 583 randomly selected households were successfully interviewed and their information was entered into the data file. The sample households are classified into three categories: households covered by PHKN's programs (called treatment group—T), those not covered by the programs in a village with a CO (called control group one—C1), and households in villages without COs (called control

group two—C2). Out of 583 sample households, 249 households were categorized as T, 234 as C1, and 100 as C2.

### Preliminary Results

According to the preliminary analysis of the collected data, it was evident that PHKN was able to target poorer villages. Villages with COs are characterized by lower adult literacy rates and less availability of gas for fuel. With regard to the household-level characteristics, information such as average income level, consumption, and the body mass index (BMI) of children aged less than 5 years is available in the dataset. It is found that households in CO villages were poorer in these attributes than households in non-CO villages. On the other hand, the difference between CO member households and non-member households in CO villages was insignificant. This may be due to mixing of the selection effect (poorer households are served by PHKN) and the causal effect of PHKN interventions to reduce poverty. This issue will be examined further in a forthcoming discussion paper.

## Field Survey in Zambia

Akinori Kitsuki (PRIMCED RA)

In September 2010, I conducted fieldwork in five villages of Zambia. The study area is located in Choma and Sinazongwe Districts, the Southern Province of Zambia; the following five villages were selected for the survey: Sianemba and Siameja (the lower flat land zone near Lake Kariba), Chanzika and Kanego (the middle slope zone), and Siachaya (the upper land zone on the plateau). I discovered several research topics in the course of this fieldwork.

The first topic is seasonal consumption variation, which cannot be explained by a simple version of the permanent income hypothesis. I am currently constructing a new model in order to attempt to verify the permanent income hypothesis model by using extensive weekly household panel data.

The second topic is the relationship between leisure and welfare. During my fieldwork, I observed two farmers whose annual consumption level was similar. One of them worked only during the farming season, but the other worked the entire year. I believe that there is a difference in the welfare level of these two farmers. Therefore, I would like to clarify the relationship between leisure and consumption for welfare analysis.



Survey scene at Chanzika

The third topic is low agricultural productivity due to low use of fertilizer. According to a World Bank report,<sup>4</sup> the reason for low use of fertilizer is the lack of a credit market. In the course of my fieldwork, I met a farmer who did not use fertilizer in spite of its high profitability. He told me that even if there was no credit constraint and he could have borrowed money, he would not have used fertilizer because he feared a

<sup>4</sup> World Bank (2007) "Zambia Poverty and Vulnerability Assessment," Report No. 32573-ZM.

catastrophic harvest and credit default. Thus, even if the government improved the credit market, farmers might not borrow money for fertilizers. Therefore, I would like to verify the reasons for low use of fertilizer.

Through this fieldwork, I realized many important aspects that I had not previously noticed. This fieldwork is a valuable experience in terms of focusing on practical research topics.



Experience the warm hospitality of farmers

## Discussion Paper Series (2010.10 ~ 2011.3)

- No. 1 (October 2010) Takashi Kurosaki, "Targeting the Vulnerable and the Choice of Vulnerability Measures: Review and Application to Pakistan"
- No. 2 (October 2010) Tue Gorgens, Xin Meng and Rhema Vaithianathan, "Stunting and Selection Effects of Famine: A Case Study of the Great Chinese Famine"
- No. 3 (January 2011) Yoshito Takasaki, "Tojokoku ni okeru saigaienjo no son-nai bunpai — ketsuzokushakai no sogofujo to kaiso" [in Japanese]
- No. 4 (January 2011) Masaki Nakabayashi and Tetsuji Okazaki, "The Role of the Courts in Economic Development: The Case of Prewar Japan"
- No. 5 (January 2011) Tetsuji Okazaki, "Boekijiyuk no seijikeizaigaku: sengo Nippon no kesu" [in Japanese]
- No. 6 (February 2011) Takashi Kurosaki, "Compilation of Agricultural Production Data in Areas Currently in India, Pakistan, and Bangladesh from 1901/02 to 2011/02"
- No. 7 (February 2011) Yutaka Arimoto, Kentaro Nakajima and Tetsuji Okazaki, "Agglomeration or Selection? The Case of the Japanese Silk-Reeling Clusters, 1908-1915"
- No. 8 (February 2011) Takashi Kurosaki, "Vulnerability of Household Consumption to Village-level Aggregate Shocks in a Developing Country"
- No. 9 (February 2011) Yoshihisa Godo, "Estimation of Average Years of Schooling for Japan, Korea and the United States"
- No. 10 (March 2011) Takashi Kurosaki and Hidayat Ullah Khan, "Vulnerability of Microfinance to Strategic Default and Covariate Shocks: Evidence from Pakistan"
- No. 11 (March 2011) Takashi Kurosaki, "Wages in Kind and Economic Development: Historical and Contemporary Evidence from Asia"

## Project Activities (2010.10 ~ 2011.3)

### Seminars and meetings

Kick-off Meeting (2010.7.3) "Poverty Reduction, Institutions, Markets, and Policies in Developing Countries: Toward a Theory of Comparative Economic Development"

Research Meeting (2010.10.9) "Informal Contract Enforcement Mechanism and Economic Development"

Research Meeting (2010.12.22) "Vulnerability of Household Economy and its Resilience"



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