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on

**International Conference on Agrarian Reform
and Rural Development (ICARRD)**

**From the Peasant Charter to the ICARRD: An Overview of the
Current Trends and Emerging Issues in Rural**

Development in the Asia-Pacific Region

Durga P. Paudyal

**Rural Infrastructure: A Critical Issue for
Farm Productivity in Asia**

B. Sudhakar Rao

**Rural Development and Poverty Alleviation through
Promotion of Rural Non-farm Activities in the**

Asia-Pacific Region: Review of Evidence, Patterns and Issues

Montaz Uddin Ahmed

A vision for the future

Editor: Durga P. Paudyal



CIRDAP

CENTRE ON INTEGRATED RURAL DEVELOPMENT

CIRDAP

The Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) is a regional, intergovernmental and autonomous institution. It was established in 1979 at the initiative of the countries of the Asia-Pacific region and the Food and Agriculture Organization (FAO) of the United Nations with support from other UN organisations and donor countries/agencies. The member countries of CIRDAP are Afghanistan, Bangladesh (host state), India, Indonesia, Iran, Lao PDR, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam.

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A vision for the future

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Editor's Note

When FAO announced the agenda items of the ICARRD, we from CIRDAP made a point that although rural development and poverty alleviation have continued to remain the main policy agenda, and therefore the main recipient of the annual budget as well as the international support to almost all low income countries, no significant achievement has been made to reduce poverty, or enhance self-reliant capacity of the countries to reduce poverty on their own. An important reason for the failure seems to be the institutional malfunctioning for equitable distribution of resources across regions as well as developing and capacity building of local governance system to regulate, coordinate and sustain the development process at the local level. Moreover, with the emergence of several new players in rural development (RD) and poverty alleviation (PA) arena such as INGOs, NGOs, microfinance institutions, civil societies and private companies with socio-economic agenda, and their increasing use by the international donors, the need for an effective coordinating mechanism among these stakeholders at policy, programme and project level is increasingly realised. Accordingly, the role of local government institutions for regulatory, coordination and participatory development process is increasingly felt.

Indeed, if one looks at the unprecedented economic growth of the Asia-Pacific region over the past decades, one finds the varied level of development across countries and geographic regions. The income distribution and other socio-economic indicators are highly skewed across indigenous communities, disadvantaged groups and remote territories. Similarly, there is an increasing disparity in rural and urban areas in income, literacy and other basic indicators of development. On the institutional front, area-specific problems and potentials require decentralised framework with a participatory mode. Institutional strengthening and empowerment and participation of the rural people continue to remain formidable challenges towards achieving equitable and sustainable rural development. Although decentralisation of authorities to local governments is emphasised and its different variants are also used to enable people's participation in the planning, formulation and implementation of area specific development programmes, the policies in several countries in this regard are seen to suffer from authority gap, manpower gap, resource gap, and management capacity gap for enhancing the local capability in local resource mobilisation, coordinating various agencies and regulating the local development process. Therefore, in an international conference such as ICARRD, along with the issues of agrarian reform (AR) for equitable distribution of productive resources, the interdependence between AR and RD for institutionalising the reforms for sustainable development should have also been discussed.

FAO accepted our concerns and requested CIRDAP to present an overview of the experiences on rural development in the Asia-Pacific region. The overview paper reviewed the experiences of the emerging economies of Asia-Pacific region. It particularly highlighted some of the ongoing rural development programmes that were

selected to illustrate the various dimensions of RD such as social mobilisation, capacity building, employment generation, decentralisation and rural industrial development. It identified some of the policy gaps that emerged over time and needed to be addressed to make agrarian reform and rural development inclusive, participatory and sustainable. Finally, the paper reviewed the follow-up action of World Conference on Agrarian Reform and Rural Development (WCARRD) 1979 – The Peasant Charter – which had proposed follow-up actions in several areas such as access to land, water and other natural resources; people’s participation; integration of women in rural development; access to inputs, markets and services; development of rural non-farm activities; education, training and extension and a number of international policies for agrarian reform and rural development. In fact, as a part of the WCARRD follow up, CIRDAP was also created to assist national actions, promote regional cooperation and provide services to rural development initiatives of member countries of the Asia-Pacific region. Accordingly, the paper highlighted the role of CIRDAP in following up the activities laid down in the Peasant Charter.

The Conference deliberated on the theme, ‘Agrarian Reform and Access to Land, and Rural Development and Poverty Eradication: Challenges and Opportunities’. On the agrarian reform, the Conference emphasised that there should be equal opportunities for women and men in access to land, water and other productive resources. Hence, there is a need for decentralisation for effectively institutionalising the policies in favour of the poor. While appreciating the overarching interdependence between agrarian reform and rural development for institutionalising participatory and sustainable development, the Conference underlined the importance of social, cultural, environmental, political and ethnic dimensions of rural development and the importance of organised local capacity to negotiate and manage social conflicts for ensuring effective participation, sustained rural development and accelerated poverty alleviation.

The Final Declaration adopted by the ICARRD invited all governments to adopt policies that promote agrarian reform and rural development to benefit the poor and the most marginalised. The Declaration reaffirmed that wider, secure and sustainable access to land, water and other natural resources related to rural people’s livelihood is essential to eradicate hunger and poverty, contribute to sustainable development and should therefore be an inherent part of national development process. The Declaration also emphasised the crucial role of the state to provide fair and equal opportunities and promote basic economic security for women and men as equal citizens. Side by side, the civil society organisation should play a fundamental role in developing organised capacity of the poor for agrarian reform and rural development.

The Conference also appreciated the role of CIRDAP in generating knowledge, creating awareness, exposure and capabilities in its member countries. It was recommended that technical support should be provided to strengthen regional organisations like CIRDAP to enable them to generate comprehensive knowledge at both national and regional

levels, facilitate interministerial and intersectoral coordination on rural issues at the national level, and support policy dialogue, cooperation, exchange of good practice, and monitoring at the regional level.

It is very important to note that during the Conference, several delegates, as well as participants of the side events of the Conference, raised their concern that the basic issue of access to land and other productive resources by the poor and disadvantaged groups/communities has not been adequately addressed. On the contrary, the market-led-globalisation policy has already taken agriculture sector under its commercial influence. Hence, there is a real danger that this sector, which is still the major employment provider, main contributor to the GDP and main export earner, may bypass the small and marginal farmers. Indeed, in the existing skewed distribution of productive resources, the main beneficiaries of the agricultural development policies have been large landowners, which, in turn, has further accentuated the income gap between the rich and the poor. Recently, while the FAO Regional Conference in Jakarta was debating on adjustment and restructuring in major economies and their implications on food security and poverty in the region, the concern that FAO's support to liberal economic and production policies has failed to meet its target of combating hunger in the region, was echoed in the statement of the simultaneously held conference of Asian Peasant Coalition. It noted 'Poor Asian farmers were further weakened and subject to increasing exploitation, which led to the worsening of hunger, poverty and landlessness' (The Jakarta Post, 17 May 2006).

Against this background, CIRDP has attempted to bring out this special edition of APJORD, with the lead focus on visualising ICARRD outcomes in a changing perspective. It contains the main paper, which was presented in ICARRD, with some of the comments from the eminent Bangladeshi scholars when it was discussed in the preparatory national seminar in Dhaka. There are two other papers that look into the future perspectives of rural development in the changing global context. Dr. Sudhakar Rao looks at the infrastructure development to make agriculture sector competitive in the emerging market forces. The term 'infrastructure' goes much beyond the conventional thinking of road network and includes other social and economic capitals to make the small scattered and unorganised farmers competent enough to raise their voice and remain competitive in the global market.

Dr. Sudhakar Rao argues that apart from infrastructural assets, innovative methods of their use become important in the present context in making small farming activity a productive enterprise. Pro-poor policies are yet to incorporate, replicate and even modify the methods to be regional specific or crop specific. The innovative methods adopted so far are localised in character and context and is not vastly geographically distributed. The programmes and policies adopted have not generated significant effects on creating social overhead capital to drive the forces of growth. The need for enhancing infrastructural investments and linking knowledge on infrastructure with the farming

community on a large scale is stressed in the context of WTO framework and a globalising world. He has listed out several innovative concepts and experiences that have emerged recently like the technology incubators, agro-clinics and agri-business centres, activity characters, rural technology parks, e-choupal, etc., as part of innovative interventionist strategies of governments, NGOs, business houses, etc.

Dr. Rao also mentions that rural infrastructure is not to be seen in isolation but as an essential ingredient of complex set of phenomenon that links the farming community with other sectors of growth and that contribute to expanding markets and facing competition. He quotes the results of recent studies that call for increasing investments on rural infrastructure and makes a case for improving non-conventional energy sources and technology applications and the need for a lead player in a region or in a specific sector to integrate research, education and extension for higher productivity levels. He calls for expansion of bank branches to draw private investments on a longer scale. The productivity gaps between countries, between regions and between farmers need to be bridged through proper innovative methodologies by all stakeholders. Rural infrastructural investments have to be brought to the level of 10 per cent of GDP in economies where agricultural produces employment to more than 70 per cent of the population.

On the other hand, Dr. Momtaz Uddin Ahmed goes beyond agriculture sector and reviews the emerging issues relating to the non-farm sector. This sector is viewed as an important instrument not only to supplement the employment and income-earning opportunities of the rural farmers, but also as a dynamic component of the rural economy contributing to rural development, reducing poverty and income inequality and enhancing national economic growth.

Dr. Ahmed's paper based on an extensive review of the current literature, highlights economic contributions of the rural non-farm activities (RNAs), outlines the drivers of their past growth, analyses the current policy support and institutional back-up and indicates the roadmap for future growth of these activities in the countries of the Asia-Pacific region. The RNAs are found to form an integral part of rural economies in the Asian countries, providing roughly 30 to 60 per cent of jobs and rural household incomes. Given their diverse composition, locational dispersion and varying productive capacities, the RNAs demonstrate varying prospects for future growth. However due to suffering from multiple operational constraints, their full growth potentials still remain to be unleashed through providing pro-active policy support and promotional incentives.

Thus, the RNA contributions and their future growth prospects need to be properly assessed, through further in-depth research, explicitly recognised and further enhanced through providing pro-active and comprehensive policy support. However, because of their high degree of heterogeneity and wide ranging operational constraints, there can be

no 'one size fits all' strategy for promoting their activities. As such, the policy interventions have to be designed and fine-tuned to suit the specific needs of the RNA sub-sectors. The overtones of such interventions should be to create a favourable investment climate in the rural areas and ensure effective delivery of promotional services by putting in place an effective institutional delivery mechanism, based on strategic partnership between different stakeholders.

At the moment, FAO is in the process of developing the follow-up action plan of ICARRD. It is very important to realise that the AR and RD policies and programmes are interdependent, in which AR should ensure access to productive resources such as land, water and forest to the poor, women, indigenous communities and tribal groups, while RD should empower local institutions and communities to institutionalise the reform processes, ensure equitable distribution of resources and inculcate participatory development process. Moreover, with the emergence of globalised market economy, there is a need to keep in mind that the development process will not bypass the poor and disadvantaged communities. Hence, rural areas need to be connected and equipped with all types of institutions, infrastructure and opportunities to increase their employment and income. However, such policies and programmes cannot be developed and implemented without national policy support and political commitment of the individual country. Hence, while developing the follow-up actions of ICARRD, FAO should make a proper balance between the contents and the strategies to achieve them.

In order to elaborate these follow-up action programmes in the respective country context, harmonise with the national policies and programmes and review their progress from time to time, CIRDAP could play an important role at the regional level. Its link institutions and ministries, which are the main rural development policy-making institutions of CMCs, can be utilised for knowledge generation and review of AR and RD at the national level. Similarly, at the regional level, the three policy bodies of CIRDAP i.e. the Technical Committee (TC) represented by the head of the national level rural development institutions/departments; the Executive Committee (EC) represented by the permanent secretaries of the ministries related to rural development and the Governing Council (GC) represented by the ministers of rural development of CMCs, can review the progress at the regional level. Hence, CIRDAP can effectively be used as the lasting platform for policy dialogue on AR and RD processes at the regional level.

Durga P. Paudyal
Director General, CIRDAP

From the Peasant Charter to the ICARRD: An Overview of the Current Trends and Emerging Issues in Rural Development in the Asia-Pacific Region¹

Durga P. Paudyal*

Abstract

Over the past three decades, countries of Asia-Pacific region have followed a participatory endogenous development approach. However, recently, particularly after 1990s, a renewed emphasis on poverty reduction was emphasised through fostering growth oriented programmes, enforcing higher investments in basic services and social sectors leading to accelerated human capital formation and improved living standard of the poor. As a result, the region made impressive progress in poverty reduction.

The countries of the region has emphasised particularly on promoting targeted income and employment generating programmes designed to support the vulnerable poor, particularly those left out of the mainstream in the market-based development process. In most countries, labour intensive growth and improved social services were considered to offer a powerful and viable route to poverty reduction. Consequently the Asian Countries have experienced changing focus on poverty as the development paradigms underwent changes, marked by new insights into poverty and generating innovative programmes especially in rural development. The forces shaping these changes are likely to intensify further now as the countries in the Asia-Pacific region continue their efforts to bring about desirable adjustments, restructuring and reforms in their economies to benefit from the dynamic global environment.

The continuing high incidence of rural poverty in the countries reflects the need to further intensify the efforts at poverty reduction in the years to come. The prevention of environmental degradation and achievement of other social objectives are also closely linked to success in reducing poverty. This calls for further emphasis on increasing agricultural growth, encouraging non-farm activities and accelerating the diversification and growth of the economy particularly in the rural areas. It is also important that the requirement of investments in human capital increases significantly in order to improve the skills of the labour force and enable them to work with the new generation of technologies. This requires substantial efforts at reforms in the structure of existing institutions and buildings of new one with adjustments in strategies and policies to reallocate public expenditures to priority sectors and ensure increased involvement of the NGOs and the private sector in rural development.

The paper has been organised in three parts. Part I gives the overview of the progress of economies of Asia-Pacific region after WCARRD in 1979. It also highlights some of the ongoing rural development programmes, ranging from social mobilisation, capacity building, employment generation, decentralisation and rural industrial development. Part II identifies some of the policy gaps which need to be addressed to make rural development inclusive, participatory and sustainable. Finally, Part III recommends some important issues for inclusion in the ICARRD follow-up action and elaborates on the role of CIRDAP in the process.

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¹ The paper has been presented at the International Conference on Agrarian Reform and Rural Development, held on 7-10 March 2006, in Porto Alegre, Brazil.

Part I: Progress of Economies of Asia-Pacific Region: An Overview

1.0 Macropolicy Framework and Rural Development Agenda²

Broad based rural development cannot take place in isolation. A concerted public policy action through both macrosupport and microintervention is required to tackle numerous structural and institutional barriers impeding rural development in the developing countries. This involves the crucially important task of mainstreaming rural development and poverty alleviation efforts into the overall national development policies rather than expecting that the so-called ‘trickle-down’ strategy will do the trick if there is high growth in the national economy.

The enviable growth in the countries of East and Southeast Asia is generally attributed to stable and prudent macroeconomic policies, outward-oriented development strategies, a pro-market orientation, export-oriented trade policies and significant public investments in education and infrastructure. While these factors have been instrumental in spearheading the growth process in most of the Asian countries, the strong economic growth in most of them was built on a foundation of rapid transformation of the agricultural sector. Rapid agricultural growth resulting from increased investments, crop diversification and high productivity became instrumental in dynamic growth of the rural non-farm sectors and urban sectors of many of the East and Southeast Asian countries. A high rate of agricultural growth of around 4 per cent per annum was being enjoyed by the Southeast Asian countries in the 1970s, while China experienced an exceptionally high growth rate of 5.3 per cent per annum primarily as a result of the economic reforms (APO 2001).

Some of the East Asian countries such as South Korea, Taiwan, Thailand, Indonesia, China and Vietnam are noted by Cleaver (2004) to have experienced significant agricultural and rural development. Higher allocation of public investments for agricultural research and extension, water, irrigation, electrification and rural roads etc. demonstrating strong commitment and policy support has helped strong agricultural growth and faster development of the rural economy in these countries. However, due to deceleration in investments from both governments and individual farmers, agricultural growth could not be sustained in most countries during 1990s.

A common feature of the rural development efforts in these countries was the triggering-off the growth in the rural non-farm sector since mid 1980s. A shift in public policies towards diversification of agriculture and emphasis on enhancing the exports of agro-industry products (processed food products, vegetables, fruits, beverages etc.) through promoting rural industrialisation became particularly effective in achieving a breakthrough in the growth of the overall rural non-farm sector. Modernising transformation of the rural economy in Taiwan in 1970s and in China in 1980s and 1990s is attributed

² A discussion on the policies of CIRDAP member countries at individual country level would have been ideal, but the major thrust of the paper being on a broad review at the regional level, falls outside the scope of this paper.

primarily to successful rural industrialisation in these countries. The other Southeast Asian countries noted for adopting rural industrialisation as a strategy for rural poverty alleviation through raising incomes, creating employment opportunities and enhancing exports are Malaysia, Vietnam, South Korea and Indonesia.

However, despite achieving notable high growth of the national economy and structural transformation of the rural economy, equity in the distribution of benefits between rural and urban areas and alleviation of rural poverty still leave much to be desired. Institutional strengthening, organisational capacity building and empowerment and participation of the rural people continue to remain formidable challenges towards achieving equitable and sustained rural development required for poverty alleviation and improvement of quality of life of the rural people in general and disadvantaged groups and indigenous regional communities in particular.

Within the Asia-Pacific region, South Asia presents contrasting experiences in many ways in respect of both macro policy framework and rural development perspectives. Predominance of agriculture in the national economy, widespread unemployment and poverty especially in the rural areas and unacceptable levels of income inequality between rural and urban areas etc., make rural development a core issue of national development in the countries of South Asia.

In South Asia which is home to nearly half of the 900 million poor people in Asia, along with high rates of unemployment, the major objectives of the national development policies have been to increase levels of productivity and incomes in the rural areas, alleviate poverty, reduce income inequality and improve general living conditions. However, the overall development policies and strategies adopted to achieve these goals have been generally deficient and often inconsistent with the objectives and targets set; the resources made available have been inadequate and the institutional framework put in place has been inefficient.

Until mid-1980s and early 1990s when economic reforms began to be introduced favouring pro-market policies and liberalised trading regimes, the national development policies of South Asian countries were highly skewed in favour of the urban areas. Because of following highly capital-intensive import-substituting industrialisation strategies, exchange rate policies, credit and interest rate policies, tax policies etc. led to serious price distortions in both domestic and international market which created urban bias and consequent neglect of the rural sector, and impeded structural transformation of the rural economy.

After mid-1980s, significant shifts in the economic policy environment have taken place under the structural adjustment programmes, market economy framework and globalisation. Since then, rural development started receiving renewed emphasis with the major thrust being on poverty alleviation, especially through the preparation and adoption of poverty reduction strategy papers (PRSPs) and achievement of Millennium Development Goals (MDGs). However, the policy implementation scenario aimed at alleviation of rural poverty still remains fuzzy and needs reorientation.

Most South Asian nations have been experimenting with wide ranging approaches and models (ESCAP 2003) of rural development and poverty alleviation. These may be categorised broadly into three distinct paradigms falling into three sub-periods: (a) productivity-oriented community development programmes of the period 1950-1970, (b) integrated rural development programmes of the period 1975-1980, and (c) social mobilisation, participation and empowerment of the poor, especially women and other vulnerable groups during 1980s and beyond. The rural development programmes designed and implemented during two previous periods prior to 1980 are characterised by centralised bureaucracy driven state-led programmes, formulated in a 'sector-centric' framework which is devoid of decentralised, participatory and beneficiary-driven approaches. The results were modest reductions in rural poverty accompanied by deepening and widening of the endemic problems of the rural-urban divides and disparities in most countries.

The second generation programmes having diverse agenda and supported by the NGOs are characterised by the distinguishing features of participatory approach, social mobilisation and empowerment of the poor and the disadvantaged. The basic tools used have been microcredits, training, and social mobilisation for enabling the poor to engage in self-employment generating and income-earning activities.

However, the NGO-run programmes are generally project-oriented and address the poverty issues at the microlevels, i.e. household levels as opposed to community levels. While there have been examples of remarkable successes (i.e. Grameen Bank and BRAC in Bangladesh) at the levels of households and/or individual projects of rural development, their coverage and impacts continue to remain limited with the rural poverty situation remaining bleak.

As commonly agreed, poverty in the developing countries comes out of the structural features of societies and hence needs macroapproach for its mitigation. It cannot be changed dramatically by tinkering with the project, micro- or sectoral levels. Unfortunately, the present 'statist' as well as 'participatory' approaches suffer from the problems of upscaling, lack of coordination and consistency in their uncoordinated and fragmented interventions.

While there remains a strong case for the government in playing a critical role in the context of agricultural and rural development, the governments of the developing Asian countries must accord high priority in allocating adequate funds for rural development and implementing the RD programmes by effectively decentralising the management system, strengthening capacity of the local level institutions and enhancing participation of the rural communities³.

³ The concluding remarks made in these few paragraphs on the nature and consensus of RD policies in the South Asian countries are well substantiated by many research studies and succinctly summarised in earlier quoted ESCAP report (2003).

1.1 Institutional Development

Rural development with focus on local level and area specific activities requires decentralised decision making framework with a participatory mode. Our experience in the CIRDAP Member Countries (CMCs) shows that despite wide variations in the structure of local institutions and the decentralised functioning mechanisms across countries, effective decentralisation of rural development administration is yet to emerge in most CMCs. Though repeatedly emphasised by most government in the South Asian countries, their ambivalence in introducing a truly decentralised local government system provided with administrative and financial autonomy continued to remain a far cry⁴. Without full devolution of power and functions and development of capabilities at the local level, the required participatory management and decentralisation framework is unlikely to function properly to serve the needs of rural development in the CMCs.

1.2 Progress/Achievements

1.2.1 Demographic transition

a) Land area

The 14 CIRDAP member countries cover an area of 11.0 million sq km which constitute 7 per cent of the total global land area. Within the CIRDAP countries, significant differences exist in terms of land area. Bangladesh, Lao PDR, Nepal and Sri Lanka may be categorised as small (less than 0.3 million sq km); Afghanistan, Malaysia, Myanmar, Pakistan, Philippines, Thailand and Vietnam as medium (between 0.3 to 1.0 million sq km); while India, Iran and Indonesia as big (more than 1.0 million sq km) in terms of physical size.

b) Population dynamics

The aggregate population of the CIRDAP member countries stands at 2.02 billion in 2003 representing about 32 per cent of the world total. Available estimates suggest that the total population of CMCs is likely to increase by 44 per cent to 2.53 billion, in 2020. Significant diversity, however, exists among the countries in population size and its growth. Lao PDR has the smallest population with 5.7 million in 2003 compared to 1070.8 million in India (Table 1). During 2003, six South Asian CIRDAP countries e.g. Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka accounted for nearly 70 per cent of the total CMC population which is likely to marginally increase to 74 per cent in 2020. For the total population of the other eight CIRDAP countries, the share of Indonesia was 40 per cent in 2003, which is expected to decline to 38 per cent in 2020. The population of Afghanistan and Pakistan is likely to double during the period (CIRDAP 1999).

⁴ An exhaustive survey of evidence on this point is available in Khan (2002).

Based on the projected values estimated by CIRDAP (1999), the population trends in the CIRDAP countries largely reflect their growth rates although the significance of migration and other demographic movements has been increasing during recent years. The annual compound growth rate of population for the CIRDAP countries is estimated at 2.4 per cent during 1990-2000, 2.8 per cent for the South Asian and 2.0 per cent for the Southeast Asian CMCs. The average annual population growth rate in the CIRDAP member countries is expected to decline to 1.4 per cent over the 2010–2020 period, 1.6 per cent for South Asian and 1.3 per cent for Southeast Asian CIRDAP Member Countries. For several countries, the annual additions to the total population due to natural increase are, however, not likely to decline at least until 2010 (CIRDAP 1999). The effects of decline in fertility in these countries will be more than offset by the number of women entering the reproductive age. For individual CIRDAP member countries, the timing of decline in the absolute number of additional population varies depending upon the pace and pattern of fertility decline and trends in mortality and postponement of marriage in countries such as Sri Lanka due to higher education, employment etc.

c) Rural population

It can be seen from Appendix Table 1 that during mid-70s, 78 per cent of the population in the CIRDAP member countries lived in rural areas which declined to 58 in 2003 and is expected to decline to 55 per cent in 2020. The average, however, marks significant differences that exist among the countries. The share of population living in the rural areas varies from 79 per cent in Lao PDR to about 27 per cent in Malaysia in 2003.

d) Urban population

It was estimated that the CIRDAP member countries as a whole will experience a rapid growth of the urban population. For instance, the percentage of the urban population in the CMCs is projected to increase to 45 per cent by 2020. This would imply an increase in the urban population from a total of 0.8 billion in 2003 to around 1.13 billion in 2020, representing almost double of the urban population. It also suggests that nearly 80 per cent of the estimated increase of 0.8 billion in the total population in the CIRDAP countries during 2003-2020 will have to be absorbed in the urban areas. Such a significant increase in the level of urbanisation is likely to be accounted for by high rates of rural-urban migration and reclassification of selected rural areas as urban in addition to natural increase in urban population. In particular, with rural population still accounting for more than 55 per cent of the CIRDAP countries' population, the extent of rural-urban migration is likely to emerge as an important determinant of the level of urbanisation.

Table 1: Trends of Demographic Changes: CIRDAP Member Countries (CMCs), 1975-2003

Country	Total Population (Million)			Rural Population (%)			Rural Population (million)		
	1975	2003	Percentage Change 1975-2003	1975	2003	Percentage Change 1975-2003	1975	2003	Percentage Change 1975-2003
Afghanistan	...	...	...	...	...	...	...	...	...
Bangladesh	73.2	136.6	86.61202	90.1	75.5	-16.2042	65.95	103.13	56.37604
India	620.7	1070.8	72.5149	78.7	71.7	-8.89454	488.49	767.76	57.17005
Indonesia	134.4	217.4	61.75595	80.7	54.5	-32.4659	108.46	175.44	61.75549
Iran	33.3	68.2	104.8048	54.2	33.4	-38.3764	18.05	36.96	104.7645
Lao PDR	3	5.7	90	88.9	79.3	-10.7987	2.67	5.08	90.26217
Malaysia	12.3	24.4	98.37398	33.6	26.7	-20.5357	4.13	8.2	98.54722
Myanmar	30.1	49.5	64.45183	76.1	70.5	-7.35874	22.91	37.67	64.42601
Nepal	13.5	26.1	93.33333	95	85	-10.5263	12.83	24.8	93.29696
Pakistan	68.3	151.8	122.2548	73.6	65.9	-10.462	50.27	111.72	122.2399
Philippines	42	80.2	90.95238	64.4	39	-39.441	27.05	51.65	90.9427
Sri Lanka	14	20.4	45.71429	78	78.9	1.153846	10.92	15.91	45.69597
Thailand	41.3	83.1	101.2107	76.2	68	-10.7612	31.47	63.32	101.2075
Vietnam	48	82	70.83333	81.1	74.2	-8.50801	38.93	66.5	70.81942
Total CMCs	1134.1	2016.2	77.77974	77.78	57.94	-25.5078	882.13	1468.14	66.43125
Total World	4073.7	6313.8	54.98932	62.8	51.7	-17.6752	2558.28	3264.23	27.59471
Total Developing Countries	2967.1	5022.4	69.26966	73.6	58	-21.1957	2183.79	3415.23	56.39004
CMCs as % of World	27.83956	31.93323	141.4452	85.32609	89.13793	4.467384	117.1486	95.57863	-18.4125
CMCs as % of Developing Countries	38.22251	40.14415	112.2854	105.6793	99.89655	-5.47202	40.39445	42.98803	6.420623

... data not available

Source: UNDP 2005; CIRDAP Newsletter (various issues, Author's own calculation)

e) Youth vs. old population: Demographic implications

Over the next two decades, several CIRDAP member countries are likely to experience a temporary surge in the working-age population relative to older and younger generations. Such a growing working-age population opens up new windows of opportunities for development, particularly in the rural areas where the majority of them live. An estimation showed that the youth population (>18) is going to rise to around 40 per cent by 2005, that means job creation is to be on the top of the agenda in non-farm/service activities, as the youth generally avoid farm-based income/employment and other traditional activities (CIRDAP 2005). With adequate emphasis on investments in health, education, skill upgradation and other areas to develop the human capital, an accelerated pace of rural development can be generated and sustained. The demographic transition can thus be used to accelerate the pace of economic development through creating an enabling economic and policy environment to ensure functioning labour markets and expanding productive employment opportunities.

f) Population density

There is also diversity among CIRDAP member countries in terms of density of population per sq km Bangladesh has the highest density of population of 889 per sq km in 2002; followed by India, 321 person for sq km; Sri Lanka, Philippines and Vietnam have also medium type of density of population estimating 303, 213 and 245 persons per sq km, respectively. Southeast Asian CIRDAP countries (Indonesia, Myanmar and Malaysia) have low density of population with 112, 79, 75 persons per sq km, respectively. In South and Southwest Asia region, Afghanistan and Iran have even lower density of population at 33 and 40 persons per sq km, respectively. In 2003, the average density of population in the CIRDAP countries was 183 per sq km. Assuming unchanged land area, this will increase to 270 in 2020.

During 2020, the number of population per sq km is likely to increase to 38 in Lao PDR and 1286 in Bangladesh. The average population per sq km is below 100 in Afghanistan, Malaysia and Myanmar while, for the remaining CIRDAP countries, it is between 100 to 320. Another important factor in rural development of the CIRDAP countries is the rural-urban distribution of the population.

The emerging pattern of demographic dynamics and the rapidity of associated transformation have significant implications for rural development in the CMCs. These are likely to be manifested through several channels e.g. rural-urban migration, female employment, need for basic services and labour absorption potentials, and role of access to knowledge and information. The opportunities to meet the challenges differ across countries which require appropriate policy responses.

1.2.2 Socio-economic profile

The Asia and Pacific region attained unprecedented economic growth over the past decades which are expected to continue also in the coming years despite some setback in the mid-1990s. Between 1983 and 1992 and 1993 and 2002, the global economy grew by 3.4 and 3.6 per cent respectively, but the long term economic growth achieved by the developing countries of the Asia and Pacific region during 1982 and 1991 was over 6 per cent (Tables 2 and 3). As seen from the tables while the first half of the 1990s was characterised by remarkable economic achievement, the second half was adversely affected by the financial crisis. In fact, the decades before the 1990s (i.e. 1965-1990) was also one of great economic accomplishments when the eight best performing economies of the region (i.e. China, Hong Kong, Indonesia, Korea, Malaysia, Singapore, Taiwan and Thailand) grew at an average annual rate of more than 5.5 per cent. Unfortunately, this unparalleled record of a prolonged high economic growth was neither repeated by all countries of the region nor the sluggish economies (i.e. South Asian countries) could sustain it for a long time. As a result of this varied growth, there has been huge divergence of income levels and other important indicators of socio-economic progress (Table 4). Besides diversity and uniqueness at the national levels among countries, the region has experienced remarkable diversity of economic growth and social progress also within the countries. For example, the per capita GDP is US\$4,187 in Malaysia during 2003 compared to US\$237 in Nepal. Between these two extremes, wide differences exist among the remaining CMCs. In terms of GDP per capita criterion adopted by the World Bank for classifying countries, Malaysia belongs to upper middle income group; Indonesia, Iran, Philippines, Sri Lanka and Thailand to lower middle income group; and the remaining CIRDAP countries to low income group. The HDI value as shown in Table 3 is marked by wide disparities persist in human development in the CMCs (for example, Malaysia has to make up a shortfall in human development of 20 per cent while Bangladesh, Pakistan and Nepal, the lowest performers in the CIRDAP countries, have shortfalls of 48 and 47 per cent respectively). If we compare the HDI and the GDP per capita, we will find that several CIRDAP countries (such as Bangladesh, India, Pakistan, Nepal and Indonesia) have performed better in translating economic progress into human development compared to others.

Table 2: Growth of Real GDP of Selected Economies in Asia and the Pacific Region, 1982-1999

	<i>Average</i>								
	<i>1982-1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
Developing economies	5.2	5.8	6.0	6.1	5.3	3.7	1.1	4.1	5.1
South Asia	4.9	4.4	5.8	5.1	5.2	4.5	4.3	4.8	5.5
Bangladesh	4.8	4.3	4.5	4.8	5.0	5.3	5.0	5.2	3.9
India	4.2	5.0	6.7	7.6	7.1	4.7	6.3	6.5	6.4
Nepal	4.1	3.8	8.2	3.5	5.3	5.0	3.0	3.9	6.0
Pakistan	7.3	1.9	3.9	4.1	4.9	1.0	2.6	4.3	5.1
Sri Lanka	4.3	6.9	5.6	5.5	3.8	6.4	4.7	4.3	6.0
Southeast Asia	6.4	7.7	8.2	8.0	7.6	4.9	-2.7	4.3	5.7
Cambodia	4.8	7.5	7.0	7.7	7.0	1.0	1.0	4.0	5.0
Indonesia	7.2	7.3	7.5	8.2	8.0	4.5	-13.0	0.9	4.9
Lao PDR	7.0	5.9	8.1	7.1	6.9	6.5	5.0	5.0	5.7
Malaysia	8.9	9.9	9.2	9.8	10.0	7.3	-7.4	5.8	8.5
Philippines	0.3	2.1	4.4	4.8	5.8	5.2	-0.6	3.3	3.0
Singapore	6.5	12.7	11.4	8.0	7.5	8.4	0.4	5.9	9.9
Thailand	8.1	8.4	9.0	8.9	5.9	-1.7	-10.2	4.2	4.3
Vietnam	8.6	8.1	8.8	9.5	9.3	8.2	3.5	4.2	5.5
Northeast Asia	4.6	5.7	7.0	7.1	5.8	5.9	0.8	5.9	7.2
China	14.2	13.5	12.6	10.5	9.6	8.8	7.8	7.1	8.0
Hong Kong, China	6.3	6.1	5.4	3.9	4.5	5.0	-5.1	3.1	10.1
Mongolia	-9.5	-3.0	2.3	6.3	2.4	4.0	3.5	3.2	3.0
Republic of Korea	5.4	5.5	8.3	8.9	6.8	5.0	-6.7	10.9	8.8
Taiwan (Province of China)	6.8	6.3	6.5	6.0	5.7	6.8	4.7	5.4	6.0
Pacific islands	5.0	5.3	3.0	4.0	2.5	-0.6	1.9	1.4	2.0
Fiji	4.8	3.5	4.2	2.4	3.3	3.6	4.0	4.5	5.0
Papua New Guinea	11.8	16.6	1.9	-2.6	2.9	-2.4	1.4	3.2	-1.2
Samoa	4.1	1.7	00.1	6.8	6.1	1.6	1.2	2.5	3.5
Solomon Islands	9.5	2.0	5.4	10.5	3.5	-2.3	0.5	-0.5	-1.0
Tonga	0.3	3.7	5.0	4.8	-1.4	-4.4	-1.5	...	1.5
Vanuatu	-0.7	4.5	1.3	2.3	0.4	0.6	6.0	-2.5	4.0

... data not available

Sources: ESCAP 2004

Table 3: Growth of Real GDP of Selected Economies in Asia and the Pacific, 2001-2005

	2001	2002	2003	2004*	2005*
Developing economies	3.2	5.1	5.4	5.7	5.5
South and Southwest Asia	4.6	4.5	5.8	6.2	6.5
Bangladesh	5.3	4.8	5.2	5.7	...
India	5.6	4.4	6.0	6.5	6.8
Iran	4.8	6.5	6.7	6.8	...
Nepal	4.9	0.8	2.5	3.5	...
Pakistan	2.5	3.6	4.5	5.0	5.5
Sri Lanka	-1.4	3.0	5.3	5.9	6.3
Turkey	-7.4	6.0	4.2	3.7	4.2
Southeast Asia	2.2	4.0	4.7	4.7	4.5
Cambodia	5.5	4.5	6.4	6.0	6.5
Indonesia	3.3	3.2	4.1	4.4	4.3
Lao PDR	5.7	5.8	5.9	6.3	...
Malaysia	0.4	4.2	6.3	5.4	5.3
Myanmar	10.5	5.5	5.8	5.4	...
Philippines	3.2	4.6	4.6	4.9	5.5
Singapore	-2.4	2.2	4.2	4.9	5.0
Thailand	1.8	4.9	4.5	4.4	3.4
Vietnam	6.8	7.0	7.5	7.5	7.5
Northeast Asia	3.3	5.7	5.6	6.0	5.7
China	7.3	7.9	7.7	7.8	7.7
Hong Kong, China	0.6	1.7	2.5	4.5	3.9
Mongolia	1.1	3.9	5.0	...	...
Republic of Korea	3.0	6.1	5.3	5.4	4.3
Taiwan (Province of China)	-2.1	3.2	3.6	4.4	4.9
Pacific islands	-0.8	1.1	3.2	3.0	2.4
Cook Islands	-3.3	1.4	2.4	...	...
Fiji	4.3	4.4	5.7	3.6	3.7
Papua New Guinea	-3.4	-0.5	1.8	2.7	1.6
Samoa	6.45	1.1	6.0	5.0	5.0
Solomon Islands	-13.0	3.0	2.5	2.0	2.0
Tonga	3.0	-0.4	1.3	2.2	2.6
Vanuatu	-0.5	-0.3	0.5	0.9	1.3
Developed economies	-0.1	-0.3	0.5	0.9	1.3
Australia	2.7	3.3	3.2	3.6	3.8
Japan	-0.3	0.6	0.3	0.7	1.1
New Zealand	2.5	3.8	2.6	2.8	3.1

* Projected

... data not available

Source: ESCAP 2004

Table 4: Trends in per Capita Income and Human Development

<i>Country</i>	<i>GDP per Capita (1987 \$)</i>					<i>Human Development Index (HDI) Value</i>					
	<i>1980</i>	<i>1990</i>	<i>1995</i>	<i>2003</i>	<i>Changes over 1980 (%)</i>	<i>1980</i>	<i>1992</i>	<i>1995</i>	<i>2000</i>	<i>2003</i>	<i>Changes over 1980 (%)</i>
Bangladesh	144	179	202	376	161.0	0.234	0.309	0.371	0.506	0.520	122.22
India	262	374	425	564	61.6	0.296	0.382	0.451	0.577	0.602	103.38
Indonesia	349	537	720	970	177.9	0.418	0.586	0.679	0.680	0.697	66.75
Iran	...	...	2066	...	...	0.570	0.650	0.694	0.721	0.736	29.12
Lao PDR	...	310	363	375	20.9*	...	...	0.465	0.522	0.545	...
Malaysia	1688	2301	3108	4187	148.0	0.687	0.794	0.834	0.790	0.796	15.87
Myanmar	...	...	...	...	...	0.356	0.406	0.481	...	0.578	62.36
Nepal	148	182	206	237	60.1	0.209	0.289	0.351	0.499	0.526	151.67
Pakistan	259	350	381	555	114.2	0.287	0.393	0.453	...	0.527	83.62
Philippines	679	628	630	989	45.7	0.557	0.621	0.677	...	...	...
Sri Lanka	328	438	512	948	189.0	0.552	0.665	0.716	...	0.751	36.05
Thailand	718	1291	1843	2305	221.0	0.551	0.798	0.838	...	0.779	41.37
Vietnam	...	610	816	482	-21.0	...	...	0.560	0.695	0.704	...

... data not available

* with respect to 1990

Source: UNDP 2005

Thus despite being the most vibrant in the world and dubbed as the ‘locomotive’ of world growth, the Asia-Pacific region is also fraught with many weaknesses. With more than 60 per cent of the world’s population, the region is also home to nearly two-thirds of the estimated 1.2 billion worlds extreme poor, three-fourths of the world’s agricultural households and a sizeable number of structurally weak countries including the least developed and landlocked poor nations, small island developing states and economies in transition⁵. More importantly, 75 per cent (or 900 million) of the poor in the region live in the rural areas and a large proportion of them are termed as shockingly poor, especially in the South Asian countries. While the long-term trend indicates a modest decline in the population below the poverty line (Table 5), the absolute number of the poor is still on the rise in many countries. Thus the efforts and achievements in poverty alleviation, particularly rural poverty alleviation have been far below expectations. Although rural development and poverty alleviation have been continuously emphasised and spelt out in the national development plans and programmes of the Asia and Pacific region, they have not always been pragmatic and implemented efficiently. Some brief observations on the macropolicies and rural development policy framework are made in the subsequent section to substantiate this remark.

Table 5: Trends in Poverty in CIRDAP Member Countries

Country	Headcount Index			International Poverty Line	
	Year	First Year	Last Year	Year	Population below \$1 a day (%)
Afghanistan	...	...	...	...	...
Bangladesh	1974-2004	83.0	44.2	2000	38.0
India	1978-2000	51.0	28.6	2000	34.7
Indonesia	1970-1999	58.0	27.1	2002	7.5
Iran	...	...	...	1998	<2
Lao PDR	1997-1998	...	38.6	1997-98	20.3
Malaysia	1973-1989	45.0	15.5	1997	<2
Myanmar	...	...	...	...	...
Nepal	1977-1996	40.0	42.0	1995	37.7
Pakistan	1979-1999	31.0	32.6	1998	13.4
Philippines	1971-1997	52.0	36.8	2000	14.6
Sri Lanka	1963-1996	37.0	25.0	1995	6.6
Thailand	1975-1992	30.0	13.1	2000	<2
Vietnam	... -1993	...	50.9	1998	17.7

... data not available

Source: ESCAP 1998; UNDP 2005

⁵ This element of diversity among and within the countries of the Asia-Pacific region is succinctly brought out by UNESCAP (2005 and 2003).

1.2.3 Poverty and inequality across CIRDAP member countries

In so far as poverty is concerned, the CIRDAP member countries, except for Thailand and Malaysia, exhibit poverty ratios between a quarter and over half of the population (Table 5). An important consideration, particularly from the policy point of view, is the changes in poverty over time as revealed from the table are due to improvement in the living conditions of the population. There exist, however, specific groups who have benefited marginally because of disadvantaged socio-economic conditions resulting in increased gaps among different segments of the population. Undernourishment is significant in most of the CIRDAP countries, except for Malaysia, Iran, Indonesia, and Myanmar. Similarly, there are significant gaps in most of the countries in relation to children's underweight for age, infant mortality, under-five mortality, and maternal mortality. The income distribution is also highly skewed, with the Gini-coefficient ranging from 0.318 to 0.498. However, the relatively richer countries such as Malaysia, Thailand, Iran, and the Philippines exhibit a significantly larger income or consumption disparity compared to the other CIRDAP member countries where per capita income is much lower (Tables 6 and 7).

Table 6: Selected Social Development Indicators in CIRDAP Member Countries

Country	Life Expectancy at Birth (Years)		Infant Mortality Rate (per 1000 Live Births)		Adult Literacy Rate (per cent)		Daily per Capita Calorie Supply	
	1975	2003	1970	2003	1970	2003	1970	2002
Afghanistan	...	...	215		8	...	1914	1579
Bangladesh	45.2	62.8	145	46	25	41.1	2177	2205
India	50.3	63.3	127	63	34	61	2078	2459
Indonesia	49.2	66.8	104	31	56	87.9	1859	2904
Iran	55.2	70.4	122	33		77	...	...
Lao PDR	40.4	54.7	145	82	32	68.7	2154	2312
Malaysia	63.0	73.2	46	7	57	88.7	2518	2881
Myanmar	49.2	60.2	122	76	72	89.7	1997	2937
Nepal	44.0	61.6	165	61	14	48.6	1933	2453
Pakistan	51.9	63.0	120	81	20	48.7	2198	2419
Philippines	58.1	70.4	60	27	84	92.6	1670	2379
Sri Lanka	63.1	74.0	65	13	80	90.4	2229	2385
Thailand	61.0	70.0	74	23	78	92.6	2148	2467
Vietnam	50.3	70.5	55	19	73	90.3	2122	2566

... data not available

Source: CIRDAP 1999; UNDP 2005

Table 7: CIRDP Member Countries: Nutrition, Mortality, and Disparity

Country	Nutrition		Mortality			Disparity		
	Population Under-nourished (% of Total 2000/02)	Children Underweight for Age (% under Age 5) 1995-2003	Infant Mortality Rate (per 1000 Live Births 2003)	Under-five Mortality Rate (per 1000 Live Births 2003)	Maternal Mortality Rate (per 100000 Live Births 2000)	Share of Income or Consumption 1997-2002		
						Poorest 20%	Richest 20%	Gini
Afghanistan	...	...	...	...	...	...	...	...
Bangladesh	30	48	46	69	380	9.0	41.3	0.318
India	21	47	63	87	540	8.9	43.3	0.325
Indonesia	6	26	31	41	230	8.4	43.3	0.343
Iran	11	11	33	39	76	5.1	49.9	0.430
Lao PDR	22	40	82	91	650	7.6	45.0	0.370
Malaysia	2	15	7	7	41	4.4	54.3	0.492
Myanmar	6	35	76	107	360	...	...	...
Nepal	17	48	61	82	740	7.6	44.8	0.367
Pakistan	20	38	81	103	500	8.8	42.3	0.330
Philippines	22	31	30	36	200	5.4	52.3	0.461
Sri Lanka	22	29	13	15	92	8.3	42.2	0.332
Thailand	20	19	23	26	44	6.1	50.0	0.432
Vietnam	19	33	19	23	130	7.5	45.4	0.370

... data not available

Source: UNDP 2005

Table 8: Inequality in CIRDAP Member Countries

<i>Country</i>	<i>Real GDP per Capita (PPP\$)</i>			<i>Adult Literacy Rate (%)</i>			<i>Life Expectancy at Birth</i>			<i>Access to Safe Water (%)</i>			<i>Access to Hygienic Sanitation (%)</i>		
	<i>Rural</i>	<i>Urban</i>	<i>National</i>	<i>Rural</i>	<i>Urban</i>	<i>National</i>	<i>Rural</i>	<i>Urban</i>	<i>National</i>	<i>Rural</i>	<i>Urban</i>	<i>National</i>	<i>Rural</i>	<i>Urban</i>	<i>National</i>
Bangladesh	1,133	2,444	1,382	36.7	44.1	38.1	56.1	59.0	56.9	96.0	99.0	97.0	44.0	79.0	48.0
India	1,047	2,435	1,422	45.0	70.9	52.0	59.0	68.5	61.6	79.0	85.0	81.0	14.0	70.0	29.0
Indonesia	3,073	5,568	3,971	78.8	92.7	83.8	60.0	71.2	64.0	54.0	79.0	62.0	40.0	73.0	51.0
Lao PDR	1,766	5,600	2,571	50.6	79.1	56.6	49.5	62.4	52.2	41.0	60.0	44.0	16.0	98.0	28.0
Malaysia	6,808	11,926	9,572	75.0	90.7	83.5	68.2	74.1	71.4	56.0	96.0	78.0	88.6	98.6	94.0
Myanmar	1,014	1,478	1,130	81.4	88.2	83.1	58.5	59.9	58.9	50.0	78.0	60.0	36.0	56.0	43.0
Nepal	1,004	2,287	1,145	25.6	42.9	27.5	54.0	71.3	55.9	60.0	88.0	63.0	12.0	58.0	18.0
Pakistan	1,767	3,030	2,209	28.0	56.0	37.8	60.1	67.8	62.8	69.0	82.0	74.0	22.0	77.0	47.0
Philippines	1,678	3,649	2,762	92.5	96.3	94.6	64.6	69.7	67.4	80.0	92.0	84.0	63.0	89.0	75.0
Sri Lanka	2,793	5,590	3,408	88.1	97.6	90.2	70.0	81.4	72.5	52.0	88.0	57.0	62.0	68.0	63.0
Thailand	2,959	15,286	7,742	90.8	98.6	93.8	66.9	73.6	69.5	88.0	94.0	89.0	95.0	98.0	96.0
Vietnam	1,055	1,917	1,236	92.5	98.2	93.7	63.8	76.2	66.4	30.0	70.0	43.0	17.0	47.0	24.0

Note: Data for this table were used from the Human Development Report 1998 and extrapolated for Lao PDR and Vietnam where segregated data for rural and urban areas were not available.

Source: CIRDAP 1999

1.2.4 Rural-urban disparities

The rural urban disparity index (RUDI) computed by CIRDAP as provided in Table 9 for twelve CIRDAP countries except Afghanistan and Iran in 1999, brings into limelight several rural development concerns. The information is likely to fill an important niche in the policy dialogue among rural development planners and help to monitor progress and identify areas where specific focus is required. A comparison of the indicators of the rural urban disparity index reveals the distribution pattern of the average progress in individual countries across rural and urban areas. It can be seen from Table 10 that the case of income index, the disparities are quite high except for Malaysia. For Bangladesh, India, Lao PDR, Nepal, Philippines, Sri Lanka and Thailand, the average per capita rural income is less than half of urban income. The literacy rate in rural areas is only half of that in urban areas in Pakistan. Similarly, glaring disparities exist in terms of access to basic facilities between rural and urban areas in most countries. The figures suggest that, even with similar levels of national achievements, the rural urban disparities that exist in the CIRDAP countries differ both in nature and magnitude. While rural urban income disparities are substantial in all CIRDAP countries except Malaysia, other dimensions of deprivation of the rural areas highlight the uneven progress in the quality of life along rural urban divide achieved in the CIRDAP countries. This calls for accelerating progress in rural development and strong commitments for action to promote the rural sector as a dynamic element of the national economy in these countries.

1.2.5 Social development

Another dimension of development related to the above is the human development characteristics of CMCs as revealed in the Rural Development Report 2005 by CIRDAP. The development priorities in the CIRDAP countries have put more emphasis on social issues since 1990s. Within the multi-dimensional and intersectoral efforts that such a people-centred approach demands, social and human development has increasingly emerged as the key element in rural development in the CIRDAP countries e.g., creating avenues to promote income growth of the poor; raising their capability through education, health, nutrition and other human development intervention; and providing social security and safety nets for the vulnerable poor. With such an emphasis on growth with equity, the CIRDAP countries have achieved significant success in social development.

In terms of adult literacy, the South Asian CIRDAP countries are much behind the Southeast and East Asian CMCs. Over the period of 1970-2003, the average life expectancy at birth has consistently increased in all countries. The average longevity has crossed 70 years in six countries (i.e. Malaysia, Sri Lanka, Iran, Philippines, Vietnam, and Thailand) and the figure is in the 60s in other six countries except Afghanistan and Lao PDR (Table 9). The adult literacy rate has increased in all CIRDAP countries

although more than half of the population are still illiterate in Bangladesh, Nepal and Pakistan. The infant mortality rate has declined substantially, with spectacular success achieved in several countries. The daily calorie supply has significantly increased in many countries.

Table 9: Expenditure on Education and Health in CIRDAP Member Countries

<i>Country</i>	<i>Public Expenditure on Education 2000-02</i>		<i>Proportion of Public Expenditure on Education by Level 2000-02</i>		<i>Expenditure on Health (% of GDP) 2002</i>	
	<i>As % of GDP</i>	<i>As % of total govt. exp.</i>	<i>Pre-primary & primary</i>	<i>Secondary</i>	<i>Public</i>	<i>Private</i>
Afghanistan	...	...	...	...	...	...
Bangladesh	2.4	15.5	45.4	45.5	0.8	2.3
India	4.1	12.7	38.4	40.1	1.3	4.8
Indonesia	1.2	9.0	37.1	39.3	1.2	2.0
Iran	4.9	17.7	25.1	36.0	2.9	3.1
Lao PDR	2.8	11.0	47.0	19.0	1.5	1.4
Malaysia	8.1	20.3	32.0	33.5	2.0	1.8
Myanmar	...	...	...	...	0.4	1.8
Nepal	3.4	14.9	61.5	22.1	1.4	3.8
Pakistan	1.8	7.8			1.1	2.1
Philippines	3.1	17.8	57.6	22.2	1.1	1.8
Sri Lanka	8.1	...	...	...	1.8	1.9
Thailand	5.2	28.3	42.3	20.5	3.1	1.3
Vietnam	3.1	18.6	23.0	48.0	1.5	3.7

... data not available

Source: UNDP 2005

Despite the commendable economic and social progress, the gains are still associated with widespread incidence of poverty, particularly in the rural areas, in most countries. The progress, measured in average terms, does not reflect the large variations that exist between the poor and the well-off, between rural and urban areas, between females and males, and among various regions or ethnic groups in the countries. South Asia, East Asia and the Pacific account for 524 (63%) million undernourished out of 831 million in the world. Four million children in South Asia (compared to 1 million in East Asia and the Pacific) under age 5 are dying each year, 32 million in South Asia (compared to 14 million in East Asia and the Pacific) not going to school at the primary level and about 100 million without access to sanitation and more than six times of this figure are without access to safe drinking water. At the disaggregated level, the figures reveal how much of rural development and poverty alleviation efforts are needed to tackle this problem of social

(HRD) and economic deprivation. For example, Nepal has high figures for accessibility to improved sanitation, maternal mortality rates, under 5 mortality, life expectancy at birth, etc. The same applies to Afghanistan, especially for maternal mortality, under five mortality, life expectancy at birth, gender issues, etc. Though there is a progressive improvement, the variations inbetween the countries are still a matter of concern.

Health sector remains largely neglected, which generally receives between one and two per cent of GDP, while it is about 3 per cent in Thailand and Iran but as low as 0.4 per cent in Myanmar (Table 9). In so far as access to improved sanitation is concerned, some countries have done very well, while others have done rather poorly as revealed from the Table 10. The latter include Lao PDR, Nepal, India, Vietnam, and Bangladesh. The CIRDAP countries have generally done quite well in relation to sustainable access of the population to an improved water source. While the proportion of the population receiving this service is low in Lao PDR (43%), the other CIRDAP countries have achieved a level ranging from 73 per cent to 95 per cent. However, in respect of both water and sanitation, there are problems in most CIRDAP Member Countries, arising as a result of increase in population, pollution caused by industrialisation, overuse of some of the water sources including aquifers, and continuing exclusion of segments of population from equitable access to these facilities.

Table 10: Access to Water and Sanitation

<i>Country</i>	<i>Population with Sustainable Access to Improved Sanitation %, 2002</i>	Population with Sustainable <i>Access to an Improved Water Source %, 2002</i>
Afghanistan	...	...
Bangladesh	48	75
India	30	86
Indonesia	52	78
Iran	84	93
Lao PDR	24	43
Malaysia	96	95
Myanmar	73	80
Nepal	27	84
Pakistan	54	90
Philippines	73	85
Sri Lanka	91	78
Thailand	99	85
Vietnam	41	73

... data not available

Source: UNDP 2005

1.3 Selected Major Ongoing Rural Development Interventions Popularly Acclaimed as Success Stories in Rural Development

1.3.1 Microcredit: National pride of Bangladesh

Microcredit is a Bangladeshi invention for collateral-free small loan to the poor for undertaking self-employment generating and income-earning activities to escape from poverty. Since the small loans provided with the provisions of savings generation and technical assistance work as life-saving funds for the poorest of the poor, microcredit is also viewed as fundamental human right and an outstanding financial instrument ensuring availability of bank loans to the door steps of the millions of the poor and the deprived who need them most. Microcredit operations began initially in the late seventies as modest financial and business services being provided to the poor have now come off their 'palliative syndrome'. It is estimated that microcredit reaches around 60 per cent of the poor households, with 14.34 million active borrowers being serviced by microfinance institutions (MFIs). The sector is dominated by three NGOs (BRAC, ASA and Proshika) and one specialised bank (Grameen Bank) that account for over 85 per cent of the active borrowers and over 90 per cent of the US\$1.35 billion total outstanding loan portfolio (Safi Khan 2006).

Microcredit has proven to be an effective instrument of poverty alleviation, self-employment generation, women's empowerment, and participatory socio-economic development, achieving exceptionally high rate of expansion not only in Bangladesh but in other countries also. It has turned into a 'global movement' through replicable models for fighting poverty and promoting socio-economic well-being of the common people in many of the developing as well as developed countries. It is indeed a matter of great national pride that once a very poor nation pioneered the development of an innovative poverty alleviation approach replicable throughout the world and can, therefore, rightly claim intellectual property rights for its wide application by others.

The microcredit movement went global, transcending Bangladesh's national boundaries with the first World Microcredit Summit being held in Washington, USA in February 1997 which set a target of reaching microcredit to 100 million poor households all over the world by the year 2005. It is claimed that microcredit facilities benefited nearly 70 million households around the world by the end of the year 2004.

Contrary to popular view, the MFIs in Bangladesh are now steadily moving from the margins of the financial system towards the mainstream of the financial and economic systems to be able to make important contributions to poverty alleviation as well as overall national economic growth. However, a lot more still remains to be done especially through upscaling their operations, marketing more and more new financial products, diversifying their activities into high value added areas and mainstreaming into the national economic system through establishing backward and forward linkages. Linking the microcredit operations with the PRSP implementation process, for

example, may be a top priority area to facilitate faster rate of poverty alleviation and achievement of MDGs.

Four factors are regarded for the success of microcredit programmes in Bangladesh. Firstly, the charismatic and visionary leadership like Prof. Yunus and Mr. Abed, among others, who were able to convince the sceptical audience regarding the potentials of their models along with building motivated and dedicated team. Secondly, this sector welcomed and encouraged competition towards improving service delivery and product choice for the poor. Thirdly, the sector took calculated risks, focused on continuous innovation and learnt from mistakes to further refine and standardise the models. Fourthly, organisations understood the importance of investing in human resources and developing systems for greater accountability (e.g. internal control, audits, computerisation).

1.3.2 Employment guarantee and other self-employment programmes in India

Government of India has been implementing various target oriented anti-poverty programmes and the integration of poverty alleviation programmes with other development programmes in the rural areas since its First Five-Year Plan. The present strategy for eradication of poverty has three aspects—generation of wage employment and self-employment; provision of basic amenities; and creating durable assets within the community. Along with the above, the government is also committed to make available food for all. All the recent initiatives taken by the government are related to this strategy.

The ‘National Rural Employment Guarantee Act 2005’ (NREGA) has been passed in the parliament with unanimous consent to herald a path breaking law for securing the livelihood of the people in rural areas by guaranteeing 100 days of employment in a financial year to a rural household. The Act was notified on 7th September 2005. The NREGA marks a paradigm shift from all earlier and existing wage employment programmes because it is an Act not just a scheme. It provides a legal guarantee. The Hon’ble Prime Minister of India has consented to launch the NREGA on 2nd February 2006.

The NREGA provides a social safety net for the vulnerable groups and an opportunity to combine growth with equity. Its objective is to ensure that local employment is available to every rural household for at least 100 days in a financial year and that in the process of employment generation durable assets are built up that strengthen the livelihood resources base of the rural poor, thus transforming the ‘Geography of Poverty’. The launch will mean the notification of the act in the 200 districts identified for implementation of first phase. The 200 districts for the first phases have been decided by the Planning Commission on certain criteria for backwardness. However, within five years, the NREGA will be extended to the whole country.

For the development to be in consonance with the people's wishes and aspiration, the emphasis has also been shifted towards participation of people in development process through self-help groups (SHGs) and Panchayati Raj institutions. Gram Sabhas have been assigned important responsibilities and aim is to make it a vibrant forum of self-governance. Two main schemes, one to provide wage employment – 'Sampoorna Grameen Rozgar Yojana' (SGRY) and other for providing self-employment 'Swarnjayanti Gram Swarozgar Yojana (SGSY)' to rural poor are under implementation to face the biggest challenge of unemployment in the rural areas of the country.

With the objective of providing additional gainful employment in the rural areas as also food security, alongside the creation of durable community, social and economic infrastructure in the rural areas, the 'Sampoorna Grameen Rozgar Yojana (SGRY)' was launched on 25th September 2001 by merging the ongoing schemes of Jawahar Gram Samridhi Yojana and Employment assurance scheme. The programme is self-targeting in nature with special emphasis to provide wage employment to women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations.

The promotion of self-employment amongst the rural poor for their socio-economic uplift has been long an integral part of the strategy for poverty eradication and development in rural areas. It is a strategy for social mobilisation of rural poor for economic upliftment. Swarnjayanti Gram Swarozgar Yojana (SGSY) is the largest self-employment programme for the rural poor. The assisted families (*Swrozgaris*) may be individuals or groups (self-help groups). However, the emphasis is on the group approach. The objective of the SGSY is to bring the assisted poor families above the poverty line by providing them income generation assets through a mix of bank credits and government subsidy. It is a holistic programme covering all aspects of self-employment such as organisation of the poor into SHGs, training, credit, technology infrastructure and marketing. In order to provide incentives to rural artisans fairs are also organised in various parts of the country to promote sale of products produced by SHGs.

1.3.3 One Tambon One Product programme of Thailand

The Government of Thailand, following the One Village One Product Programme of Japan, initiated a similar model named 'One Tambon One Product (OTOP)' in 2001 to identify and promote unique products made by village communities as a means of expanding domestic and international trade. Since then it has become a leading economic development programme for Thailand. Locally made products, including handicrafts and traditional foods, are sold nationwide and around the world through e-commerce. Now, Sri Lanka and Kuala Lumpur appear poised to follow Thailand's lead. Both countries have recently adopted versions of the OTOP programme while Pakistan, in addition, is actively considering the concept.

The One Village One Product movement was originally started in Oita Prefecture in Japan. The purpose of this campaign was to strengthen the locally available resources and produce goods that are acceptable internationally. Inspired by this idea, the Thai government has been promoting the local industry through the manufacturing of attractive speciality products based on the abundant native culture, tradition and nature. This campaign is called 'One Tambon One Product (OTOP)' in Thailand because the target area is the administrative unit called Tambon, which is the equivalent of village or town in English. The One Tambon (village) One Product or 'OTOP' initiative helps in developing rural expertise on a particular product and boosting Thailand's rural economy by increasing income of people at the grassroots level. Once fully materialised, over 20,000 Thai villages under the programme will be able to offer many products.

1.3.4 National solidarity programme of Afghanistan

The National Solidarity Programme (NSP) is the primary vehicle used to build social capital by promoting good local governance thereby empowering rural communities to take control over their lives and livelihoods. Empowered rural communities collectively contribute to increasing human security. The programme is inclusive and supports entire communities including the poorest and most vulnerable people. The strategies of NSP are (1) by facilitating the establishment of a framework for village level consultative decision making and representative local leadership; (2) by developing community capacity to identify, prioritise and implement development needs at the village level.

The NSP is a World Bank sponsored \$600 million development programme that is working through the Ministry of Rural Rehabilitation and Development (MRRD) to build national capacity in all districts of Afghanistan by providing:

- the opportunity for Afghans to discuss and decide how they want their country rebuilt, along with a say in how it should be done;
- the funds for such reconstruction efforts; and
- the political and social infrastructure for the programme to foster a sense of 'Afghan national unity'.

The major aims of the project are to create a series of freely elected representative bodies in nearly one hundred districts across every province in Afghanistan. A consortium of eighteen implementing partners, working in close cooperation with government agencies, is expected to help empowering the representative bodies with the capacity to design, select and implement development projects to serve their local communities. As a country-wide undertaking spanning thousands of villages and incorporating the full-breadth of Afghanistan's systems of governance and civil society, the NSP stands to usher in a new era of self-determination for the country's war-worn yet resilient communities.

1.3.5 Sarvodaya Movement of Sri Lanka

The Sarvodaya Movement in Sri Lanka is one of the most successful self-help organisations in the world. Its concept of rural development links the Buddhist principles of loving kindness, compassion, the joy of living derived from making others happy, and equanimity, with concrete grassroots work that addresses the needs of the rural population.

The founder of the Sarvodaya Shramadana Movement, Mr. Ahangamane Tudor Ariyaratne, interprets the name of the movement as sharing of time, thoughts and energy for the awakening of all. The movement attempts to bring Buddhist values into development work. The birth of the movement goes back to the year 1958, when Ariyaratne, who was then teaching sciences at a tertiary institution, went to a poor village with a group of colleagues and students to do eleven days of development work. His intention was to give members of the urban upper class insight into the actual living conditions of their fellow citizens. The movement has undoubtedly been influenced by Mahatma Gandhi and Vinoba Bhave, but it purports to be an independent Buddhist development.

To define development goals in the villages more clearly, the Sarvodaya movement worked with 660 villagers to identify the following ten fundamental human needs in rural Sri Lanka:

- a. A clean and beautiful environment
- b. Adequate supply of clean water
- c. Minimal supplies of clothing
- d. An adequate supply of food
- e. A modest house
- f. Basic health care
- g. Basic communication facilities
- h. A minimal supply of energy
- i. Holistic education
- j. Spiritual and cultural needs.

However, the Sarvodaya Movement does not promote the ideal of the homeless monk, but tries to bring Buddhist ideals (e.g. the *brahmavihâras*) into social work. Sarvodaya is convinced that meditation is not the only path to awakening the personality: human development can also be fostered by offering one's time, thoughts and energy for the good and the development of all.

The concept of social development propounded by the Sarvodaya Movement is a holistic one and defines development as a task to be undertaken across all sectors: cultural, economic, social, ecological, and political sectors. Today the movement is active in over

12,000 villages in Sri Lanka and has significantly contributed to the success of the 'Sri Lankan Development Model'. Sri Lanka has now better social indicators than all developing countries with a similar level of income, although its per capita income is very low and its north-eastern region is being shaken by a terrible civil war.

1.3.6 Decentralisation in Nepal

Heterogeneity in geographic location, climate and area specific comparative advantage; presence of various ethnic communities with their own language, culture and skills; and variation of the level of development are some of fundamental reasons for decentralised development of Nepal. Its experience in decentralisation spans over more than four decades to involve people for rural development and reducing poverty. The Panchayat period experiment during 1960-90 was severely constrained by the centralised and authoritarian nature of polity. Hence, decentralisation was limited to the delegation and deconcentration of administrative functions to the district branches of sectoral offices. The elected local Panchayat bodies were largely centrally guided and controlled.

After the restoration of democracy in 1990, the local bodies were renamed as the Village Development Committee (VDC), Municipality and District Development Committee (DDC). The VDCs and municipalities operate at the bottom level and DDCs as intermediary institutions between the central government and VDCs/municipalities. The office-bearers of VDC/municipality level are elected by all eligible voters while the office-bearers of DDC are elected by the electoral college of the elected leaders of VDC/municipalities of a district. In recent years Nepal has emphasised strengthening of decentralisation and local governance, empowerment of women and disadvantaged groups through social mobilisation and to increasing participation of people in the process of governance.

However, the following issues are the main constraints of decentralised development of Nepal. Firstly, the country is following uniform planning cycle, budget and fiscal calendar, in which: planning cycle is from November to March, budget approval from May to June and fiscal calendar from 15 July to 14 July. However:

- Over 18 northern districts will be under the snow during November–December, and hence they will miss the planning cycle.
- Over 25 districts of the south will suffer from flashflood during June–July, when the old budget will be frozen and new budget will not arrive.

So, should there be one program, budget and time table to be disaggregated from centre to local level or several programs and timetable to be aggregated from local to the national level?

Secondly, in spite of some ethnic domination in specific locations, the society is essentially a mixed one. In the past, there has been, demand, particularly from Maoist insurgents, for ethnic based territorial division. However, such idea does not look feasible. Even then equitable participation of all communities in local as well as central government has always been an issue. Thirdly, ideal point for devolution of power at the local level is another point of debate. At VDC level, leaders are directly elected from the people but have a limited territorial coverage. At district level, which has a viable territorial size, the leaders are indirectly elected. Finally, decentralisation has continued to be the source of patronage of the central-level leadership for resources, opportunities and power. Hence, political leaderships do not give serious consideration to develop the institutional and management capability of local governing bodies.

1.3.7 Saemaul Undong in Korea

Saemaul Undong is one of the most significant achievements in modern history, attesting to the people's unswerving belief in the movement. As a behavioural philosophy, it practices diligence, self-help and cooperation. Its ultimate goal is to establish social welfare through the development of friendly and cooperative neighbourhoods, pleasant surroundings, a healthy society and a proud country. Overall, Saemaul Undong brought about revolutionary changes in the agricultural base of Korea by expanding agricultural roads, restructuring arable lands, building bridges, and developing agricultural water supply systems. It also contributed to the continued increase in farming household income by raising agricultural income and expanding non-agricultural income sources. Improved housing and kitchen facilities in agricultural and fishing communities helped construct a more pleasant living environment. Wider entry roads, streamlined local roads, newly opened farming convenience facilities, and the increased opportunities to use public facilities allowed rural residents to enjoy more convenient lives.

Rural Saemaul Undong is a movement of loving country and people, sacrificing private interest and devoting to the welfare of the nation was launched in the early 1970s. The aim of the programme was to achieve stability and prosperity through hard work and cooperation. Rural Saemaul Undong was dedicated to rural development and matched the desire of the rural population for a better future.

The model had five principal components: ignition and stimulation through material supply, project selection by village assembly, community participation in planning and execution, and the development of community confidence, pride and empowerment. The effort has visibly contributed to progressive changes as well as sound lifestyles in society.

Each village elected its own men and women as leaders to motivate and aid the community. Construction of village roads, small reservoirs, channels, communication networks and village halls in 18,633 villages exceeded all targets. Gross investment totalled won 2.8 billion; community contributions accounted for 49 per cent.

Part II: Peasant Charter and Thereafter

2.0 Peasant Charter

The Peasant Charter refers to the principles and programmes of action adopted by the World Conference on Agrarian Reform and Rural Development (WCARRD) in 1979 which conceptualised agrarian reform and rural development and also provided broad guidelines for achieving the fundamental objectives of agricultural and rural development. The Charter also emphasised a broad-based strategy for national progress based on growth with equity and participation. It emphasised the redistribution of economic and political power, fuller integration of rural areas into national development efforts, expanded opportunities of employment and income for rural people and development of farmers' associations, cooperatives and other forms of voluntary autonomous democratic organisations of primary producers and rural workers. In order to implement the broad principle, it laid down several plans of action in the areas of access to land, water and other natural resources; people's participation; integration of women in rural development; access to inputs, markets and services; development of non-farm rural activities; education, training and extension and a number of international policies for agrarian reform and rural development. Indeed, Mr. Edward Souma, the then Director General of FAO rightly termed the Conference '...a turning point in the history of man's struggle to conquer poverty'.

However, after WCARRD, there have been profound changes on macrolevel policy environment at national, regional, and international level. Firstly, the fast growing East and Southeast Asian countries are addressing rural poverty by improving farm productivity, product development and profitability in agriculture which required a great source of investment for processing, marketing, rural industrial revolution and also new technology. These changes required different types of policy and institutions at macro and microlevel. Secondly, the macrolevel paradigm shift towards globalisation coupled with information superhighway revolutionised the whole concept of national boundary, availability of information and market linkages. Thirdly, in the institutional part, several other players such as NGOs, INGOs, microfinance institutions, private sectors have emerged, with a market friendly flexible working mechanism. Donors also increasingly prefer these institutions as they are efficient and handy. As a result the government and its servicing institutions have been weakened; some of them have also been closed. In this scenario, there is a need to see how the government institutions can be developed as efficient, responsive and accountable to facilitate, coordinate and regulate broad based development process. Therefore, in this part, an attempt has been made to review some of the areas of rural development, focused in the Peasant Charter, and identify issues that need to be addressed now.

2.1 Agrarian Structure and Land Relations

Farm sizes in the CIRDAP member countries are typically small. In Indonesia and Bangladesh, for instance, around two-thirds of the total farms representing one-fourth of the total cultivated area have sizes of less than one hectare. The prevalence of tenancy also varies substantially among the CMCs. The importance and implications of land redistribution and tenancy reforms, therefore, differ substantially across the countries. In the past, the land reform policies in the countries have addressed three major issues e.g. tenancy reforms, land redistribution and institutional development. Tenancy reforms in the CMCs have often involved the prohibition of share tenancy, regulation of leasehold rent to low levels, and conferment of tenancy rights. The land redistribution programmes have usually tended to focus on distribution of public estates and the transfer of private lands in excess of the legislated ceiling. Farmer-centred institutions were formed at grassroots level to ensure productivity and safeguard their rights.

While the impact of past reforms on productivity and equity is still debated, it is important to recognise that land reform is one of the constituents of a comprehensive strategy for promoting rural development in the CIRDAP countries. Land reform is necessary but not sufficient in accelerating rural development and in sustaining rural poverty alleviation efforts in the countries. The economic and political environment is required to be conducive in achieving the goals of land reform. With emphasis on more reliance on the market, the CIRDAP countries need to devise mechanisms of achieve the redistributive objectives of land reform through market-facilitated programmes.

2.2 Mainstreaming Rural Development in Asia-Pacific Region

In spite of various poverty alleviation efforts, significant sections of the population in different CIRDAP countries are still suffering from acute poverty. In most countries, poverty is predominantly a rural phenomenon, and a large population live in the rural areas. In varying scale, in all countries it is reported poverty is on the decrease except occasional vicissitudes.

Limited employment opportunities and poor skill and educational level are the macro-factors underlying low-economic performance. In the context unequal distribution of resource and opportunities across territories and communities are reported commonly. Environmental degradation, unplanned exploitation of resources for the market, political turmoil and corruption are also important issues.

At the level of policy, macroeconomic stability and economic growth received priority along with targeted programmes for poverty alleviation. As an issue, poverty alleviation remained a part of rural development and gradually occupied the central place in the development agenda. Accordingly, top priority to this issue is a common policy approach

in all the countries. In each country different ministries are engaged in it, and the involvement of the NGOs is also an emerging trend. Notion of poverty is not confined to economic deprivation; social deprivation is also adequately echoed. A variety of interventions are understood to be in place to create enabling environment with an increased emphasis on rural-finance and other developmental inputs, including social and economic architecture. But a lot remains to be done to alleviate poverty, improve distribution of income, achieve human development and raise productivity to improve economic and social well-being especially of the rural poor in many of the CIRDAP countries. Judicious policy intervention for attending faster, sustainable and equitable economic and social development is thus called for.

In the recent years, there has been a failure in articulating rural development policies in the changing context as well as developing and capacity building of local governance to regulate, coordinate and sustain the development process at the local level. Increasingly, rural development is interpreted and understood as poverty alleviation programmes, and the existing institutional and policy framework of RD is weakened by I/NGOs and donors through their PA activities.

2.3 Development of Non-farm Rural Activities

The Peasant Charter emphasised that rural development requires rapid growth of non-farm economic activities and opportunities for employment, especially through rural industrialisation and expanded infrastructure for power supply, transport, communication, housing, water supply, marketing and storage facility. The experience of Asia-Pacific region in this regard has been varied. As noted earlier, most of the East and Southeast Asian countries adopted appropriate policies and provided effective support measures to develop rural agro-based and agro-industries. On the contrary, the South Asian countries, except India, neglected development of the non-farm sector despite having tremendous potentials for contributing towards rural development and alleviation of rural poverty through creating employment and more earning opportunities in this sector.

2.4 Infrastructural Support for Agriculture

Some countries in the Asian region have surplus food production, but it does not mean total food security (due to distributional and price distortions and allocation problems). There are also countries which have not been able to utilise all cultivable land and not been able to achieve optimal production levels, by using new technologies and new varieties of seeds. Land and water are nature's gifts. However, in spite of perennial rivers and high precipitation of rainwater, several countries have not been able to utilise the maximum potential of land and water. The utilisation of available water in some countries is only about 16 per cent; the remaining is going to the sea. Such lopsided progress is mainly due to the lack of infrastructure. In some big Asian countries the

requisites of rural development—roads, communication, power, etc. and the basic needs in health and education, housing and sanitation have not received proper attention. With the advent of WTO and the challenges before the rural communities, infrastructure has become more important. Agriculture infrastructure like market connectivity, farm clinics, farm technologies, training schools, demonstration plot, farm technology incubators, privatised extension services, market yards, processing facilities for value addition etc. are more important than ever in a globalising world and Asian perspective abound with those opportunities.

Poverty alleviation is possible, at the shortest time, by improving farm productivity and profitability in agriculture. The profits generated, the surplus created can become a great source of investment for processing, marketing, rural industrial revolution and can place demands on technology and competition. However, the general trend is decline in profitability, due to escalating costs on labour and inputs, without a corresponding improvement in productivity. This will have an adverse effect on general incomes of the rural poor and shrinkage of agriculture in GDP growth. For productivity improvements in large scale and to sustain long-term growth and to fit into a global perspective, capital investments in the agricultural sector have to grow fast in the Asian region (in some countries like India, it is stagnant and in Malaysia it is optimal, whereas in countries like Vietnam, Myanmar, etc. it is growing fast). The public sector contribution in capital formation and private sector motivation to invest are crucial. If one takes agricultural capital formation, the agonising fact comes to the fore, and this has its reflection on poverty and infrastructural assets in the rural area.

In some countries of Asia, the private sector contribution to capital growth comes from the banking system. However, the banking system is not ready for such kind of expansion, as the modern banking system is not fine-tuned by policies, to venture out. Thus the cooperative banking systems need to be revitalised. In this scenario, self-help groups in banking and informal systems can be of relevance. Asian experiences are abound in this method. Millions of such groups of farm families, linked to the modern banking system, can eliminate poverty via the farm front. This requires a national policy, a financial policy on credit and expansion of budgetary requirements.

This has also some implications for the design and monitoring of interventions. The inflexible, uniform and rigid designs and intervention will not work. Geography at local levels plays some importance in the design of development. A three dimensional approach—where, when and what—is important in sectoral development. This broadly refers to geographical dimension, time dimension and activity dimension (this is taking place in Vietnam with set targets for horticulture, etc.). Rainfall in one place may destroy a crop (say cotton in a particular month) but may be helpful in other place (groundnut in

a drought area). Some countries in Asia are not following regionally differentiated kind of approaches. Awareness building is critical to this approach. It is generally observed that the small and marginal farmers are not aware of the systems that work for them—the policies and institutions that work for them. That means in Asia the systems, policies and institutions should work, guided by a macrolevel determination and a microlevel intervention.

Another issue is technology push for poverty alleviation via farm and non-farm sector growth. That calls for employment generation and productivity push via technological interventions. By participation, through their own indigenous knowledge, farmers can become entrepreneurs, as it is happening in some countries of Asia (India, China, Malaysia, etc.). The formation of farmers clubs is a case in point.

The rural areas (or a part of it) in Asia are getting ready to receive foreign direct investments (as it is happening in China for example). If a part of FDI, through a clear cut defined policy at the national level (it did happen in India in 1992 as a proclaimed policy but not put firmly on ground) is channelised (certain prescribed percentage) towards infrastructure suitable for rural industrialisation it would automatically reduce migration and industrialise the rural area (particularly energy sector has to take the lead).

Also there are experiences of NGOs, whose work is mostly related to economic and social sectors. In some countries of Asia NGOs are encouraged and in some cases their presence is minimal. The NGOs offering micro-credit in Bangladesh have gained popularity. But we need NGOs in infrastructural and agricultural fields also. For example, the Tarun Bharat Singh in drought-prone Rajasthan (India) worked in 750 villages spread over 6500 sq km, and once identified as ‘dark zone’ is now declared a ‘white zone’, through water conservation approach of the NGO. Water Conservation demands social action, and if such works are undertaken by government through external agencies, they cannot become sustainable. The same is the case of Ralegaon Siddi, a village in Maharashtra, where social action led by Anna Hazari became highly successful. The governments can build supportive infrastructure like (1) agro technology parks, (2) technology transfer centres for farming activity, (3) practical training facility, etc. to supplement the NGO efforts for better results.

Agricultural extension machinery is another area that needs to be brought into uniformity in Asia. There is a need to shift from ‘maintenance’ to ‘management’ and from ‘supply side’ to ‘demand side’ interventions. There has to be a transition to an accountable regime of user supported demand driven system for partnership initiatives. Coupled with this a state of art environment scanning apparatus and a fast track mechanism necessary to access on line/real time threats and opportunities signals from the agricultural system that has to be put in place by the governments.

There are also second generation issues—soil fatigue, water logging, young farmers' reluctance etc. and methods like integrated pest management, integrated nutrient management, plant quarantine system, etc. have to be taken in a big way. There is a need for speeding up formulation of the proposal to upgrade plant quarantine facilities in Asia with the assistance of FAO.

2.5 IT in Rural Transformation

Recent developments in the field of information and communication technology (ICT) are indeed revolutionary in nature. This significantly helped share information and knowledge across boundaries leading to emergence of nations that depend upon information-based economies. Rapid innovations in telecommunication, semi-conductors, microprocessors, fibre-optics and microelectronics brought about unprecedented growth for development. This gave rise to a debate on the potential of ICT to enhance rural development.

It is noteworthy that ICT is revolutionising the world on an unprecedented scale, spreading its network wider everyday. However, the process is uneven, with wide variation in participation of countries and people, even within a geographical boundary there are inequitable development trends among states, districts and various sectors.

The process is leading to a digital divide between 'haves' and 'have nots', 'knows' and 'know-nots'. Only way to bridge this divide is through the adoption of pro-active policy on the part of the governments. Infrastructure problems such as lack of reliable connectivity, lack of adequate literacy, etc. are problems that require some imaginative thinking. Though infrastructure is one of the necessary conditions that is a crucial for exploitation of ICTs, it is not a sufficient condition. Innovative software solutions that address the needs of the government as well as those of the people of rural areas are equally important. Realising the potential of ICTs, many countries in the region have launched several projects each with a different approach such as e-governance, information villages, Grameen phones, wired villages, rural information kiosks, tele-centres, agriculture marketing portals, knowledge networks and many such initiatives.

ICT, particularly PC applications are broadly categorised into the following aspects specific to rural development:

- systems for decision support to administration
- systems for improving delivery system of services to citizens
- systems for empowering citizens to access information and enable network sharing.

Decision support system focuses on improving planning and implementing rural development programmes. Providing PCs in the district rural development agencies primarily intended to improve monitoring of rural development programmes, public grievance redress, video conferencing, network etc. to address various issues for decision support and monitoring.

The second type of application focuses on automating the process of delivering services to citizens, and in the process, brings transparency. A good example is the Bhoomi–Land Record Management programme in Andhra Pradesh, India. It is self-sustained e-governance project for the computerised delivery of 20 million land records to 6.7 million farmers. These centres provide two critical services to farmers i.e. procuring land records and requesting changes to land records. Now more than 35,000 farmers collect land record documents daily from 177 kiosk centres. This has led to reduction in the number of litigations and disputes related to land.

The last type of application is concerned with empowering the poor through access to information and knowledge. The Information Village Project (IVP) set up by M.S. Swaminathan Research Foundation is an example in this respect. (It won Stockholm Challenge Award under the Global Village category in 2001). These serve in four ways: (1) integrating the poor into the mainstream economy by expanding their market, eliminating the middlemen in their business, and creating international job opportunities through service outsourcing; (2) bringing information, educational programmes, skills training, and health-care services, etc. all in a very user-friendly way; (3) empowering the poor, particularly poor women, with a stronger voice that can be heard beyond the borders of their village; and (4) improvement in the democratic process.

Yet the resources a country can invest in ICT depend on the strength of its economy. For example in India ICT projects for rural development have received a place of prominence in the Tenth Plan period with the government envisaging an outlay of Rs.12,000 crore (approx. US\$3 billion) with both private and public sectors partnership for e-governance. But not all the countries in the CIRDAP member countries can afford that kind of investment. The Economist editorial on 12-18 March 2005 says that, ‘Rather than trying to close the divide for the sake of it, the more sensible goal is to determine how best to use technology promote bottom-up development. And the answer to that question turns out to be remarkably clear: by promoting the spread not of PC and the Internet, but of mobile phones’.

Plenty of evidence suggests that the mobile phone is the technology with the greatest impact on development. A London Business School research paper has pointed out that an extra ten phones per 100 people in a typical developing country increase GDP growth

by 0.6 percentage point. Now, even the world's poorest nations are already rushing to embrace mobile phones. A classic example is the Grameen Telecom (GTC) of Bangladesh.

Grameen Telecom is a company dedicated towards extending the benefits of the information revolution amongst rural people of Bangladesh. Currently GTC provides GSM 900 cellular mobile phones to villagers. Their corporate vision is to provide telecommunication services to 100 million rural inhabitants in the 68,000 villages in Bangladesh. Grameen Bank plays a vital role in implementing and expanding the village phone programme. The villagers' phone (VP) concept was developed by combining Grameen Bank's experience with village based micro-enterprise and the latest digital wireless technology and the well tested/ process idea of public call office and the private phone centres.

Here, each village phone remains under the custody of a village pay phone operator, who is responsible for extending the services to the customer for both incoming and outgoing at prescribed rates and proper maintenance of telephone set. Grameen Bank has specific criteria for selecting VP operators. (Women are usually selected for this position.) She must have a very good repayment record of Grameen Bank loans, should have a good business, preferably a village grocery store and has the spare time to function as VP operator. From the phone, average net income of the phone lady is around Tk.2500 to Tk.5000 per month (US\$50 to 100). The amount is quite attractive when compared to other rural occupation. Today there are approximately 100,000 telephone ladies providing telephone services in 80 per cent of the villages of Bangladesh.

In a resounding endorsement of Grameen Bank's efforts to bring information and communication technology (ICT) to the benefit of the poor, the Development Gateway Foundation in USA has awarded it inaugural Petersburg prize for 2004.

2.6 Socio-cultural Concern

The Peasant Charter emphasised full integration of women in access to land, water and other natural resources, inputs and services and equal opportunity to develop and employ their skills. In the Asia-Pacific context, there have been profound changes for enactment of legislation such as Special Statutes and Acts for protecting Women's rights and interests and adoption of numerous policy measures for mainstreaming woman's participation in the development process. Eminent examples in this regard include: Philippines, Indonesia and Thailand. However, gender discrimination and equitable social development have still become a serious concern in several countries. Similarly there are increasing evidences across the countries that ethnic and indigenous communities and tribal groups are marginalised in the development process. The Human

Development Report 2004 of UNDP has emphasis this issue with hard facts and glaring examples. Moreover, the issues and concerns of women, children and elderly citizens are well documented but not adequately addressed. Hence, there is a need to go beyond the economic perspective, to take explicit account of the socio-cultural concerns and focus more on poverty at the grassroots level. It is seen in a number of countries that unequal distribution of resources, opportunities and participation across communities and geographic regions leads to social tension and conflict which is a threat to national and international security.

2.7 Trade in Agriculture, Food, and Agro-based Products

Realisation of economic gains from regional integration depends on securing an effective increase in competition in the regional market. Increasing openness to trade with the outside world is a key ingredient in maximising the gains from regional trade agreements. Realising scale effects may require abolition of antidumping, cooperation on customs practices, product standards, and liberalisation of investment regimes and service sectors. Strenuous effort is required for the low-income developing countries to be able to integrate into world trade.

Trade in agriculture, food, and agro-based manufactures remains imperative for the least developed countries, because most (70%) of the world's poor are employed in agriculture, trade reform has effect on agriculture and the rural poor will critically influence its overall impact on poverty reduction. In the context of the South Asian region, the full-fledged implementation of the South Asian Free Trade Agreement (SAFTA) designed to boost up regional trade flows should go a long way towards stimulating broad-based economic growth including sustained growth of agro-based exports with positive impact on diversifying the rural economy and strengthening agriculture-industry linkages, creating employment opportunities especially in the rural areas.

The international community needs to enhance the trade capacity of developing countries. In contrast to decisions to liberalise access to markets, building trade capacity, and upfront investment of resources in order to reap longer-term gains. It is up to governments to work with the private sector and civil society to set priorities in the context of an overall development strategy and to allocate scarce resources. To pay for vital social benefits such as health and education systems in the future, a country may need to invest now in building trade capacity.

There is a need of the international community to respect their commitment to support developing countries with more aid and assistance to eliminate internal barriers to trade expansion, such as inadequate infrastructure and know-how on the basics of trade

development. This is particularly important since implementing WTO agreements can be costly, and developing countries need support.

Moreover, it is important to recognise that due to the free market regime, many products produced by the rural poor of the least developed countries can face steep competition from imports. This is a very tricky area, given that all the CIRDAP member countries are now pursuing the paradigm of free market and globalisation, which prescribes no government interventions in the markets. However, the government cannot abdicate the responsibility of undertaking policies and programmes to alleviate poverty and reduce disparity. It is important, therefore, to find balanced roles of the state and the market in addressing all the relevant issues towards achieving the goals of rural development and poverty reduction.

2.8 Tri-partite Alliance between GO, CBO and Private Sector

In the recent past, self-help groups (SHGs) are emerging as a separate institution to interact with the private sector. The process is expected to gain momentum and strength in the coming years as awareness and awakening deepen among the people. But most of the institutions are operating in isolation. Increasing need is felt for greater formal and informal interface and interaction among these bodies, the community-based organisations (CBOs) and government and private sector. Considerable variations, however, exist in the nature and significance of such collaboration across countries.

Given the imperatives of rural development and efficacy of the CBOs and private sector in dealing with specific issues, increased government-CBO-private sector collaboration is considered a pragmatic way of addressing many problems of rural development. What is required is to build on the successes and ensure an increased collaboration in other areas. The development of a sustainable collaboration and partnership requires the acceptance of some fundamental propositions among the partners.

A variety of approaches and programmes have already been initiated, jointly by the government, CBOs and private sector, to promote direct interventions for poverty elimination in many countries of the region, e.g. SHGs in Andhra Pradesh in India; One Tambon One Product in Thailand, Tripartite Partnership for Agrarian Reform and Rural Development (TRIPARRD) in the Philippines. The main purpose of these programmes is reduction of poverty with active participation of the private sector in the form of trading of inputs and marketing of products. Under such a situation, government-CBO-private sector partnership in poverty elimination can be an effective step. However these organisations have not yet acquired statutory sanctity and recognition for their existence, growth and functioning. For making CBO-GO-private sector partnership effective, vigorous linkages and standardised procedures among them are absolutely necessary.

2.9 Institutional Issues

2.9.1 Building local capacity/capability

The Peasant Charter underlined the importance of decentralisation of authorities to local governments, particularly the planning machinery, within the framework of national policy, to enable people's participation in the planning, formulation and implementation of area specific development programmes. Although several countries have decentralisation policy, the policymakers tend to assume that policy implementation is a simple and routine administrative and technical process. Hence there is usually a tendency to give inadequate attention to implementation aspects while designing policies and programmes. The following are some of the gaps that undermine the local capacity/capability in management of rural development process:

- **Authority gap:** in many cases the lower-level offices are given authority to 'propose projects' but important decisions such as allocation of resources or deployment of manpower are retained at the higher level. Hence, local-level offices do not take any initiatives at their own risk.
- **Manpower gap:** rural institutions are mostly understaffed with inadequate trained manpower and insufficient incentives to retain them in the rural areas.
- **Resource gap:** unless the political leadership is committed for rural development, it does not attract their attention for greater allocation of resources. Similarly, local resources can be mobilised mainly in kind i.e. local materials and labour contribution. Hence, there is always a resource gap for rural development programme.
- **Management capacity:** in the dispersed and remote geographic setting coordination among various actors and stakeholders, sequencing of activities and time management for rural development are always a big challenge, which is in sharp contrast with the low level of management capability of local-level institutions.

2.9.2 Coordination and regulatory authority

The local governments are not authorised and equipped to coordinate and regulate various agencies, such as NGOs, CBOs, microfinance institutions, working for poverty alleviation and rural development to synergise their efforts.

At the national level, there is a need to build an effective coordination mechanism to coordinate and regulate the agrarian reform and rural development efforts, which are carried out by several agencies of governments, non-government and private sectors. Such agency can exchange experience, knowledge and information to contribute

improvement of planning and implementation system. Similarly, there is also a need for coordination mechanism at the donors' level like that of inter-agency coordination committee for rural development in Latin America.

2.10 Regional Cooperation

There are important regional organisations in Asia–ASEAN, SAARC, etc. and agreements like SAFTA (South Asian Free Trade Area), SAPTA (South Asian Preferential Trade Agreement), apart from bilateral agreements on particular issues. But adequate cooperation between organisations and countries involved is still to be achieved. Similarly, there are a number of issues such as human trafficking; HIV/AIDS, bird flu pandemic etc. which need regional level knowledge development, periodic dialogue at the professional level and harmonising pertinent issues.

2.11 Knowledge Generation and Networking of Entire Asia-Pacific Region

The agrarian reform and rural development programmes are implemented by several ministries, departments and agencies of government. Recently several donors, INGOs, NGOs, civil societies and private sectors are also involved in these sectors. Hence, there is a problem of holistic understanding of achievements and issues of multi-sectoral policies. Moreover, with the emergence of competent knowledge development and training institutions in private sectors and their increasing use by the donors, the competence of the government supported policy monitoring and knowledge development institutions have further weakened. In this area CIRDAP has been debating how it can help the member countries in developing and institutionalising a comprehensive mechanism for collection of information from all agencies and generating a comprehensive knowledge based on progress and issues leading to policy formulation in rural development, poverty alleviation and achievement of the MDGs. In fact CIRDAP has link institutions in each CIRDAP member countries which are the national-level institutions mandated and equipped for RD research, training and information documentation. CIRDAP is also linked with the ministry related to rural development. At the regional level, CIRDAP has Technical Committee (TC), Executive Committee (EC) and Governing Council (GC) which are represented by the head of the link institutions, and secretaries and ministers of contact ministry respectively. These institutions are to be strengthened at national and regional level for information generation, policy development and regional cooperation. With this purpose, CIRDAP is arranging regional level policy dialogue on RD and PA at least once every two years, to discuss the emerging issues on rural development.

Part III: Role of CIRDAP in the Follow-up of ICARRD

3.0 Implementation of WACARRD

As a part of the strategy for implementation of WACARRD, the role of the regional level intergovernment organisation was envisioned, and accordingly, CIRDAP was established under the aegis of FAO in 1979. The objectives of the Centre were laid down as to assist national action, promote regional cooperation and act as a servicing institution for its member countries for rural development through research, action research, training and documentation and information dissemination. In fact, FAO had a vision to establish such regional organisations in four regions viz. Asia-Pacific, Middle-East, Africa and Latin America. However, only CIRDAP has been functioning till now.

3.1 Role of CIRDAP

CIRDAP, over the past 26 years, has implemented 289 projects, of which 80 are research, 38 are pilot projects, 134 are training and 37 are ICD projects. These projects cover various aspects of agrarian reform and rural development, which were, among others, poverty alleviation, gender, institutional and infrastructure development, agrarian development, participatory approaches, GO-NGO collaboration, local resource mobilisation, microcredit, GIS, M&E mechanism, environment and natural resource development and food security. Many of these project concepts were taken from Peasants' Charter. For example, rural industrialisation, development of non-farm activities, strengthening local government, access to land, M&E of agrarian reform and rural development, group farming etc. were taken from the Peasant Charter and elaborated and analysed by the country-level researchers and discussed at the regional consultations. Such exercise helped them to understand the concept in their own context. Some of the findings were even utilised for policy development. A few examples can be cited here.

Evaluation of agrarian measures in selected countries of Asia-Pacific region has been used widely in Pakistan as a policy input for the National Taxation Commission and Agriculture Commission in the processes of formulating land tax policy. Ideas of the Multi-level Information System for Integrated Rural Development have been utilised in improving Pakistan's television and radio broadcasting system. Findings of the studies Landlessness in Asia, Non-farm Employment, and Small-scale Farming have been taken into consideration at the macrolevel in formulating national policy thrust for the upliftment of conditions of the rural poor in Sri Lanka. Recommendations of the project Development of Monitoring and Evaluation Mechanism for Impact of Cooperatives was incorporated in policy by the Bangladesh Government. Certain technical aspects

of M&E in Agrarian Reform and Rural Development project were synchronised with the national policy efforts for the development of databanks in Bangladesh, Malaysia and India.

Regular meetings of the Government Consultation for Asia and the Southwest Pacific on the follow-up of WACARRD used to be held, in which CIRDAP regularly participated and presented its position paper until 1987. CIRDAP also conducted a number of study as recommended by the meeting.

In the training side, CIRDAP conducted around 134 programmes for about 5,000 participants drawn from the member countries. Recently, exposure visits have been organised to show the successful cases. These cost-effective activities have immensely helped the member countries to raise awareness, exposure and capabilities of the implementing agencies.

In Information and Communication Division (ICD) of CIRDAP is performing a number of activities like (i) dissemination of IRD information emanating from CIRDAP, CMCs and elsewhere; (ii) database development; (iii) greater deployment of information technology; (iv) development support communication through video documentation and other AV presentation; and (v) implementation of information communication projects. The main achievements are dissemination of IRD information/activities through CIRDAP Development Digest, Asia-Pacific Journal of Rural Development and occasional mimeographs; documentation of success stories and innovative experiments in IRD; and other related activities.

In this age of communication, we have to expedite the communication process. So the situation demands setting up a regional IT based information network. The objectives of the proposed project are to have easy access of CMCs to each others information, programmes, activities, organisations and experiences on RD through IT networks, with the components of databank, library/documentation unit, and media and public relations unit. Simultaneously we are building up our links with global networks such as CAB International, UK, to share our experiences on RD and PA globally. Attention is also now focussed on skills development in different information and communication activities. A library internship programme has also been introduced.

It may not be exaggeration to claim that these efforts of CIRDAP could have contributed, albeit, in a small way for the success of rural development and poverty alleviation efforts in the Asia-Pacific region.

Recently CIRDAP prepared a new strategic framework which emphasised to take advantage of the unique organisational structure of CIRDAP. It was discussed in the meetings of the three policy level bodies (i.e. Technical Committee, Executive Committee and Governing Council) represented by the top officials and policymakers of rural development in CMCs. These meetings endorsed the idea that CIRDAP policy bodies could be instrumental for continuous interaction and policy dialogue on the past experiences of RD and PA initiatives and emerging areas for regional cooperation. The first policy dialogue on emerging policies, needs and priorities was held in Dhaka, Bangladesh on 1st October, 2005, where ministers and secretaries of 14 CIRDAP member countries and eminent experts of the region participated in. CIRDAP is also trying to establish institutional linkages with other regional organisations such as SAARC and ASEAN to enhance the regional cooperation among CIRDAP countries in the areas of experience sharing, capacity building and human resource development. CIRDAP is developing itself as a regional network for knowledge building, experience sharing and regional cooperation in RD and PA.

3.2 Follow-up of ICARRD

Hence CIRDAP could be a useful and effective forum for follow-up of ICARRD declaration, especially in the Asia-Pacific region in the following areas, among others:

- Development of country specific follow-up action plans.
- Capacity building through training and exposure visits.
- Periodic monitoring of progress and regional consultation.
- Knowledge development and dissemination.
- Policy dialogue on emerging issues.

Moreover, the 15th Governing Council meeting of CIRDAP held in Dhaka, 2005 has mandated CIRDAP to provide consultancy services, in the areas of rural development, to Asia-Pacific region and beyond. Hence, FAO can utilise the services of CIRDAP especially in developing policies in decentralisation, building local-level institution, participatory development, capacity building, exposure visits etc. in the area of rural development.

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Comments on ‘From the Peasant Charter to the ICARRD: An Overview of the Current Trends and Emerging Issues in Rural Development in the Asia-Pacific Region’⁶

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I have read the paper prepared by CIRDAP and I think that it raises many useful issues about the CIRDAP programme and the forthcoming ICARRD meeting in Porto Allegre. You may have already discussed these issues. I will, therefore, offer my own remarks on the forthcoming meeting in Brazil, but without having the benefit of sharing in the earlier discussion. In my comments I will attempt to address the issues of agrarian reform and its impact on rural societies. Such issues as agrarian reform were on the agenda of the international community some years ago but now no longer remain a major issue of discussion.

For the Asian region we have to take into account the relevance of the guiding philosophy of the WCARRD programme which was designed to bring about a greater role for the rural poor in the development process. In the old days the issue about ensuring participation for the poor, was linked to the issue of giving the rural poor access to land, whether as owners or through permanent tenancy rights, to give them a stake in the rural development process.

When WCARRD was under discussion, I had an occasion to make some inputs into the WCARRD programme on the issue of agrarian reform in the Philippines. In the 1980s, agrarian reform was not a major issue on any government’s agenda. The Philippines, in Asia, had carried out some agrarian reforms during the period of the Marcos administration, in which the main emphasis was on tenancy reform, where they had given permanent tenancy rights to the tenants. I had pointed out the limitations of this reform process based on tenancy rights and suggested some ways to add value to the process. In the South Asian region, the only significant reforms which had been carried out were in West Bengal and in Kerala, where again the main emphasis had been on giving permanent tenancy rights to the cultivators. Many of you may be familiar with *Operation barga*, which was one of the first actions carried out by the CPM Government in West Bengal after they came to power in 1977.

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⁶ The comments on the paper came at a discussion meeting in CIRDAP on 26 February 2006, which was attended by the academicians, development practioners, high government officials of Bangladesh and representatives from diplomatic missions of CIRDAP member countries in Dhaka.

Most of the other countries in Asia, I think, had not really put the issue of agrarian reform on the table. Nowhere in the Asian region was there any mention of broadening land ownership rights for the rural poor. Asians appeared to have forgotten that the major agrarian reforms in the world, which had brought a transformation in the rural economy and society, had been carried out in Asia. The most dramatic of these reforms had been in Japan after the Second World War in 1945, and then also in South Korea and in Taiwan. In these three cases, the main force behind the reform was the fact that the war had led to the defeat of countries where a landed elite had been part of the ruling coalition which had led the country into war. Japan had also been the colonial super power in both Korea and Taiwan. The occupying power in all three countries, the United States, wanted to break the power of the landed elite which had been a major influence in pre-war society. The landed elite of Japan had been part of the ruling class whilst in Korea and Taiwan, this class had been the main collaborators of the Japanese colonial regime. The aim of land reforms in all three countries was to bring about a change in power relations.

The largest and most radicalising of the agrarian reforms in Asia, took place in China, which came at the end of a social revolution which brought the Communist Party to power under the leadership of Mao Zedong. After that similar reforms took place in North Vietnam under Ho Chi Minh. Since those days agrarian reforms in Asia and elsewhere have not been on the agenda of any national government in the Asian region.

If we look at South Asia, no country, to the best of my knowledge, is talking about reform, yet rural inequality and poverty remains a major problem. Look at Nepal, where, for the last few years, a major Maoist insurgency has taken large parts of the rural areas out of the control of the government. In Nepal, the issue of injustice and inequality in rural society is a driving force behind the Maoist insurgency. This would suggest that the issue of agrarian reform is still relevant because it touches on problems which are affecting the lives of the rural poor and even those of the poor outside the rural areas, throughout South Asia.

Elsewhere in the developing world, agrarian reform is also off the agenda. In the countries of Latin America, there is a need for agrarian reform which has been a major part of the democratic struggles in these countries for many years. Agrarian reforms of varying radicalism have taken place in Mexico, Guatemala, Chile, Peru and more recently Nicaragua. But the distributive outcomes of the reforms, have, over the years, been largely undone and in some countries completely reversed. Today agrarian reform had virtually disappeared from the development discourse in Latin America.

In South Asia and in certain parts of Southeast and East Asia, a major structural transformation is taking place in the rural economy. In all these areas where agriculture has become progressively less important, in structural terms, within the economy, there has been a significant structural shift in the economy: first towards the urban sector and within it towards the manufacturing and service sector, whilst within the rural sector the shift has been towards non-farm activities. Therefore, the focal point of any agrarian reform, has moved away from relations of production on the land to the nature of social relations in rural society because of the structural changes in the rural economy.

I am not an expert on Asian agrarian problems. So I will not say much in this particular area beyond pointing out that in spite of these structural changes, there is a need for significant social changes within rural society which would be relevant to the process of agrarian reform. In China itself, which was the source of a major agrarian reform that brought about a social revolution in rural China, a major shift has taken place over 60 years. Since 1978 the institutions of collective action in rural society have been progressively dismantled and farm lands have been relocated, under the *household responsibility system*, with the household itself. However we may evaluate the post-1978 process, these changes represent a significant change in the ethos of agrarian reform. What we should, however, keep in mind is that even the reversal of reforms in China towards individual farming within the framework of the household has kept intact the existing egalitarian distribution of land which had emerged out of the major land reforms carried out by Mao Zedong during the period of Communist rule after 1948. Even today the ownership of land or the farming of land is still being carried out on a very large scale by small-holder agriculture within a relatively egalitarian pattern of ownership of the land. As a result, agrarian society in China, unlike its urban sector, is a relatively more equal society, in spite of the major changes which are bringing about inequality in China. This egalitarian rural structure provides one of the main strengths to sustain the dynamism of the rural economy.

I don't know whether this would come up in a discussion on China. But one of the significant features in the 1980s, after the agrarian reforms in China, was the emergence of a process which you may term as integrated rural development. I do not know if it was conceived as such, but the rural economy was exposed to a much more balanced development process, through the emergence of the *village and township enterprises* (VTE) in the rural economy. In China, after the redistribution of land to the household, it was found that the family farming unit was too small to sustain the labours of the entire family for 365 days in the year. The surplus labour of the rural household was then canalised into the VTEs, which became the major dynamic of the double-digit growth rate of the Chinese economy during the period of the 1980s. I remember when I visited

rural China in the 1980s, as participant of an ILO-organised conference, I had spent about a week in the rural areas. What was interesting was the production structure of the rural economy where I found that both the husband and wife who worked on their farm also worked in the factory in the township or the village enterprise in their area and where many such enterprises were located. In fact there was such a degree of industrialisation in the rural economy, some of the African delegates who were travelling with us observed, when we were visiting one particular rural area, that in this village they had seen more industries than those were in existence throughout some of the less developed African countries. In the VTEs we came across a range of fairly low-tech industries from cement to iron and steel and brick making, to other manufacturing products of a fairly basic nature which were meeting the daily needs of the rural economy. The same people who worked in the factory, come home in the evening to till their plots. During harvest time, the factories would be closed down and the workers would be permitted to spend all their time in harvesting their land. Earlier they would be given time for the preparation of the land during the season when the land had to be prepared for sowing. This process of integrated rural development through combining agricultural production with the development of rural and small industries led to much fuller utilisation of household labour.

This process could be sustained because most rural townships managed to practise some form of local protectionism of the rural economy through their control over the channels of trade and distribution which could keep out the products coming in from the urban areas, and even the imported products. This local protection helped to create a captive market for the produce of the local industries. As a result local schools were built with cement of a lower quality, produced in local VTE cement factories, or using the steel products or bricks, manufactured under rather primitive technology, all made locally.

My latest information indicates that this process is now breaking down because the Chinese economy has become much more integrated and more liberalised. As a result, the practice of invisible protectionism to the local economy has been rendered much more difficult. This means that goods from the large modern industries in the urban sector are entering the rural economy, and it is much more problematic for the small township enterprises to remain viable. Those VTEs that survive have had to become more competitive. One of the consequences of the decline of the VTEs has been a high rate of out-migration from the rural areas into the urban sector and a considerable increase in urban unemployment which was much less visible in the period of 1980s, when they were pursuing a more rural oriented and balanced development process.

China is going to soon overtake the United States as the largest economy in the world. Eventually even their rising unemployment is going to be absorbed by the fast growing and highly competitive manufacturing and service sectors in the Chinese economy. The original model which might have some relevance to other South Asian countries or countries with surplus labour may no longer be entirely viable today, because, even in China that model is not effectively being sustained.

The relevant point which, therefore, needs to be considered is that one of the major elements of structural change that will compel the ICARRD process to rethink their agenda is the changing direction of structural change in the rural economies towards out-migration and also diversification of the rural economy towards non-farm activities. This means that the agrarian reform processes can no longer be perceived in the same economic context as we visualised it during the 60s, 70s and 80s.

Since the conference is being held in Brazil, where massive inequalities in land ownership still prevail, a constituency in favour of agrarian reforms still remains active. Thus, within Brazil, as in many other Latin American countries, a genuine old-fashioned agrarian reform may still remain relevant. Today many Latin American countries still have the most unequal ownership of land in the world. A sizeable part of these large holdings are owned by big corporate firms, many of which are multi-nationals or large national capitalist enterprises. As a result, at least in Brazil, there have been some programmes committed to taking over some of the surplus land from these big landowners and selling the land, through the market mechanism, to the land poor. World Bank has supported some of these programmes because it is meant to be market-friendly. But the resources committed to such programmes remain modest so the amount of land being distributed is not large.

In Zimbabwe we are witnessing an ongoing agrarian reform, which has been carried out in a rather haphazard manner as part of a broader political agenda of the ruling party. Under this process the big capitalist farms, owned by the white settlers, are being expropriated by the Zimbabwe Government and have been redistributed to the land poor, who are mostly Africans. But since the process was carried out in a completely unplanned way, it led to a major disruption in farm production. Since these large scale farms had also been the backbone of Zimbabwe's export sector, this disruption in production has also had an adverse effect on the national economy. I am told by my friends in South Africa that patterns of land ownership prevail in South Africa, where the big capitalist farms are still owned by the whites. But the land redistribution programme in South Africa is very modest and is being implemented on a small scale, so it is not really doing much to solve the problem of massive rural inequality.

In Bangladesh there is not much talk of agrarian reform. Some economists argue that the prevailing distribution of land and the contracting size of the average land holding provide little scope for a redistributive land reform. However landlessness is growing. The focus of discussion has shifted to reforms relating to distribution of *khas* land, which is directly owned by the state. Professor Abul Barkat of Dhaka University has done commendable research in identifying such illegally occupied *khas land*, where and how much is available and has come up with suggestions about how this land could be more productively used for purposes of supporting the rural poor. I would certainly recommend this work to those of you who are not familiar with the literature. The issues raised by Barkat in his book should be very much a part of our thinking in any discussion of agrarian reform in Bangladesh. This *khas* land is actually owned by the government but in most cases it is quite illegally occupied, in fact criminally occupied, as the people who are occupying this land in Bangladesh are mostly doing so by exercise of physical force. In many cases these elements are attempting to manipulate the law by bribing the Department of Land Administration to register this land in their names. Today the re-appropriation of the *khas land* and its relocation in the hands of the rural poor and even the urban poor remain a very important part of the agenda of land reform and should not be overlooked in any study of agrarian reform in Bangladesh.

Again in the Bangladesh context, it should be remembered that we have a significant government title to resources in the form of the *jolmahals* or waters for fisheries where, opportunities for the small fisherfolk are available. Now these fishery rights are traditionally auctioned, where they are then appropriated by selective people with the money and the influence to capture these leases on favourable terms. But these *jolmahals* are a public resource and should be relocated in the hands of poor fisherfolk. We should therefore create appropriate institutional arrangements in Bangladesh for utilising *jolmahals* and for generating earning sources for the poor fisherfolk. Similarly, in terms of water use there are a large number of ponds scattered all over Bangladesh where the title is in the public domain. Usufructory rights for these ponds could be reappropriated by the state and reassigned to groups of poor people to be used both for supporting irrigation and for various forms of fisheries activities.

Another major asset that is available to the government is to give title for the exploitation of underground water to the rural poor. Today the privately owned shallow tube-well has become the main instrument for exploiting sub-surface water by a class of better-off landowners. This resource has been heavily overexploited and is generating ecological problems, possibly contributing to the arsenic contamination of the acquifers. The old deep tube-wells (DTW) that were part of the *integrated rural development programmes*

or other state-led programmes of the 1970s and the 1980s for DTW irrigation, have now become virtually defunct. In the DTW programmes which were controlled by BADC and those which were controlled by the Water Board, few of the tube-wells are even working today. Nor has the government been able to privatise the deep tube-wells because there have been no effective takers of the deep tube-wells even from amongst the private sector. These DTWs thus remain a major potential resource available for groups of poor people. I remember, in the 80s, *Proshika* had a programme in which they sank a number of deep tube-wells and then vested these in the control of groups of the rural poor. This was a good idea but, as far as, I know that programme didn't work very well. Later on, in North Bengal, when the government was attempting to get rid of publicly owned deep tube-wells, it offered Grameen Bank the opportunity to take over the control of a large number of these DTWs. Grameen Bank did manage the DTWs for a while, but could not effectively work out the appropriate managerial arrangements with the farmers to make this into a viable venture and eventually returned the DTWs to the government.

In the specific context of Bangladesh, whether you are looking at *khas land*, whether you are looking at *jolmahals*, whether you are looking at sub-surface water through the installation of deep tube-wells or the utilisation of existing tube-wells, these are major opportunities for placing productive resources at the disposal of the rural poor. Similar opportunities exist with regard to forest resources. Social forestry provides a reasonably effective programme for the poor but, in fact, there is no national strategy to sustain such programmes. In fact, this could become a major intervention by the government to both regenerate tree plantation for environmental reasons whilst placing forest resources in the management and control of the rural poor. This programme which has been carried out by many NGOs through deploying the rural power, where they are planting trees along the main highways of Bangladesh, has been quite an effective programme.

Another area of reform worth revisiting is the issue of permanent tenancy rights for people who are cultivating land under tenancy arrangements. The big problem in Bangladesh is that from the 1980s to date, the whole system of fixed tenancy of land seems to have broken down. Today in all lands, we have a mixed tenancy arrangement in which the farmer who is owning a big area of land, may for one crop in the year, lease out the cultivation of parcels of land on *borga* and in another season, he himself may cultivate the same plots by hiring labour and managing it. In the next season the land leased out may not be tenanted by the same person who had previously earlier cultivated the land. I need to be better informed in this matter. I am told that for the *Boro* crop, the owners prefer to lease out land on a crop-sharing arrangement or at least on a fixed rent arrangement, but for the *Aman* crop, they prefer to cultivate the land themselves using hired labour. Those who have some expertise on this may explore this pattern of land use.

But the relevant point is that in Bangladesh, where it is very difficult to identify a regular lessee to the land, it is going to make the classical programme of tenancy reform a much more difficult proposition. What I would, therefore, recommend for CIRDAP is to consider a research programme where each Southeast Asian, East Asian and South Asian country can be encouraged to revisit the issue of agrarian relations relating to the modes under which farm lands are cultivated.

In many areas in Bangladesh various forms of tenancy prevail. This has been historically recognised both by social reformers as well as economists as a rather inefficient way of farming because it does not give the actual cultivator a permanent stake in the land where he can make long-term investment to upgrade the quality of land for enhancing its productivity. In these circumstances, it is important to give the farmer a permanent stake in the land, and to do so through a process of agrarian reform. One approach being practised in some countries is to request a donor agency to finance a programme for buying land which is not being directly cultivated by the farmers and to then lease out or sell this land to the small farmers. Such a programme may not work in all countries of the region. Certainly in Bangladesh we may face a potentially serious problem, because a some of land in the rural areas which is being leased out is now owned by small holders who are now no longer living in the rural areas and are working in the urban areas as drivers or as office workers or at some level of wage-earning activities. They still have some small ancestral plots in the village, which they periodically lease out on *borga*. Such a class of people may be persuaded to sell their lands but also have strong sentimental attachment to the land and may be reluctant to surrender ownership rights. They may, however, be willing to make their land available on a permanent leasehold basis to a particular tenant but this option also needs to be explored.

I remember this was the same problem that I identified in the Philippines in the 1980s when I was researching agrarian reform there where quite a bit of leasehold land was not owned necessarily by big landowners but by small holders who had moved to the urban areas. In looking at agrarian reform we have to deal with the socio-political implications of giving tenants permanent leasehold rights to land owned by small owners.

Now the second major issue, which I think, CIRDAP should revisit both within the framework of the programme in Porto Alegre on agrarian change and also in terms of its own agenda to take account of the structural changes which are taking place in all the Asian economies. A significant part of the rural economy is, in fact, being redeveloped in the form of non-farm activities in the form of the service sector or small industries or through non-crop agriculture. A wide range of such activities are coming up

in the rural areas which are redefining the structure of the rural economy and its links with the urban sector.

We now need to further examine the appropriate institutional arrangement, which could enhance the opportunities for the poor and to relate this to the structural change that is taking place in the rural areas of Asia. One idea which comes to my mind is for instance in the fast growing agro-industrial sector. This has been a very important industry in our lifetime, because, after all, the original lead industry in Bangladesh, jute manufacturing, was an agro-industry linked to our principal cash crop. The jute industry was linked up with the livelihood of millions of small farmers who grew jute. Even today when the jute industry is in decline, both in the Bangladesh economy and globally, it is still a big source of employment and of income generation for small farmers who remain the principal jute growers. In addition to jute, we have the sugar industry. We now also have shrimp-farming, which is a major export industry. We have rice milling, which is a major industry in the rural economy. If you go around Asia, they are very large agro-industrial enterprises and a major agro-industrial economy, which, is still an important part of the economies of South and Southeast Asia.

Now what might be the appropriate agenda for work by CIRDAP? I would argue that a very important area of work is to explore opportunities for the small farmers who are linked to the agro-industrial sectors. As suppliers of agro-inputs, they should be linked directly to the value addition process in these industries by giving them opportunities for becoming equity partners in the agro-enterprises. What would this mean in practice? We have big corporations such as Bangladesh Tobacco company (BTC) who enter into contract farming arrangements with large number of tobacco growers in North Bengal and in other parts of Bangladesh. I would like BTC to create opportunities, and I would like a policy to be put in place, for the small farmers who are supplying tobacco to BTC, to be given an equity share in Bangladesh Tobacco whereby they would participate in the value addition process and share in the direct profitability of such a big corporate enterprise. PRAN is another up-coming Bangladesh business house who is engaged in the process of contract farming.

Corporate enterprises such as BTC and PRAN should go to the small farmers and should move beyond having an occasional relationship with the small farmers and invest in a long-term partnership with them by giving them a share in PRAN or BTC. These corporate enterprises could then make a major investment in helping the small farmers to modernise their farming practices and growing techniques which would raise their productivity. This would also enhance the company's profitability whilst the growers will

also be able to share in the profitability of the company. This would provide small farmers with a stake in the modernisation and growth of the rural economy.

Providing opportunities for small farmers and workers to share in the value addition process in the agrarian sector remains a further area in which agrarian reforms can be carried out, I would certainly like to see this as part of the agenda of the ICARRD conference in Porto Alegre. In the agro-industry sector, we are dealing with the global multinationals engaged in plantation agriculture. I would like to visualise the plantation workers all over the world being offered the opportunity of becoming equity partners in the big corporate entities processing sugar, soya bean, rubber or other important cash crops.

The possibilities for sharing in value addition have been provided in India where the Amul Cooperative has, in fact, made several million small cattle-farmers partners in the biggest dairy industry in India. I would like to witness a similar process in Bangladesh, as indeed was carried forward by Milk Vita, which provides a good example of milk producers sharing in the process of value addition.

The Milk Vita example needs to be broadened. BRAC has recently set up Aarong Dairy to ensure a better price for small milk producers, but they have not yet taken the Milk Vita or AMUL route. In practice, what is happening is that the milk which is being produced at the moment with one or two cows, is being sold by the cow owner to the traditional milk traders, known as *Ghosh*, who gather the milk and wholesale it to Aarong Dairy. This means that even if milk producers obtain a slightly better price from the *Ghosh*, they deal with Aarong through a trading intermediary and do not share at all in the value addition process. Given the fact that BRAC is a major organisation for the poor, mainly serving the poor women who obtain microcredit from BRAC, it should link these cow-owning women to a major agro-industry such as Aarong Dairy. This would provide opportunities for thousands of poor women to share in the value addition process by providing them with the opportunity to become equity owners of Aarong Dairy. Such an initiative by BRAC could serve as a showcase for a new model for poverty reduction in Bangladesh which ties the beneficiaries of microcredit to the modern growth generating sectors of the economy.

A major part of the empowerment process through agrarian change is to encourage small producers in the rural economy engaged in rural, small and medium enterprises (SMEs) to come together as collective participants in a bigger enterprise. There is already a big weakness in the SME agenda which has constrained their competitiveness and undermined their sustainability. After all programmes and studies on SME in Bangladesh have been ongoing since the 1970s. BIDS research studies on SMEs, carried out in the

late '70s and then in the early '80s, under the leadership of Dr. Q.K. Ahmed, provided both facts and policy advice for the sector. But SMEs remained condemned to live a precarious existence with little policy or institutional support. Now once again I am told that a new programme is underway, sponsored by ADB and possibly some other donors, to support SMEs. It remains to be seen whether the supporting studies and policy advice will address the structural constraints which hold back the SME sector. If you ask me why it remains a backward sector I would argue that in a globalised economy, small entrepreneurs cannot survive on their own. They have to compete with the bigger enterprises within the country and also have to face the challenges from a liberalised trading regime operating in a globalised system.

So what can we do for SMEs? What we may examine is the scope for capturing the gains from external economies to be realised by bringing together SMEs, producing a common range of products and aggregating them into a single larger corporate enterprise. Such a process may bring together 1000 or 10,000 or 20,000, small enterprises integrated as part of a large corporate entity, which provides the scale economies of procurement of intermediate inputs, marketing, quality control, technological upgradation, which can generate the necessary external economies associated with bigger enterprises. We can get them to produce their products individually but we can also make them part of an efficient, large-scale production entity competing in the global market. The SMEs can become corporate shareholders in the corporate entity.

Such an approach to SMEs is not a theoretical proposition. One of the best examples of such an entity, in India, is known as Lijjat. Now what does Lijjat do? It has got together one hundred thousand women who produce *Papad* at home for Lijjat which is a single corporate entity, owned by those women, which is today the biggest supplier of *Papad* in the Indian market. Lijjat provides their women owners/partners with credit, technology interventions, procurement of inputs, quality control, packaging, and marketing. All these processes are performed at the corporate level in order to generate external economies to enhance competitive efficiency.

This approach of collective action for SMEs provides infinite possibilities when we apply it to the rural economy, to rural industry and to small industry. If we can get a hundred lathe operators in *Dolai Khal* and aggregate them into a bigger enterprise which does the technology upgradation, quality control and marketing, such a corporate entity can operate in the national market as a big enterprise which will be able to compete with larger machine tool manufacturers. Such an entity can also be set up in a rural Upazila headquarters, owned by 200 or 500 or 1000 small lathe operators. Similarly, small rural oil refineries or iron foundries or handloom weavers can come together in a single

corporate enterprise which can provide the necessary external economies to enhance their competitiveness. The opportunities in this area remain infinite but these need to be studied for their policy, institutional and financing implications.

I will conclude by observing that I firmly believe that agrarian reform issues are still very much alive. Within the specific circumstances of countries, all around the world, this issue should be revisited because without a major effort to integrate the small farmers and the landless into the productive and growth-generating sectors in the economy, we are never going to fully eradicate rural poverty. We may alleviate poverty but we will not end it without transforming the non-farm sector through providing opportunities for small people to become big people through aggregating their collective capacities. Nor are we going to bring about major structural changes in either the rural economy or in societies at large. Promoting structural change both in the economy and society which directly integrates the rural poor into the growth process, I believe, should be the broader agenda at ICARRD in Brazil and should certainly be part of the programme which should be within the terms of reference of CIRDAP.

Dr. Q.K Ahmad*

The first comment that I would like to make is about the agrarian reforms, which Mr. Rehman Sobhan has elaborated. In the hemisphere where the conference is going to be held, agrarian reforms were carried out there with the support of the World Bank. I would urge you that don't go down the line the World Bank is proposing, nor you go down the line, down the road, that Zimbabwe has done. I was in Zimbabwe. I did three UN missions there. I know that looked a mess. And what World Bank is doing is that they are purchasing the land at market price from the rich people and then selling it to the poor people at market price. The poor people have to borrow money and they cannot pay enough. So they all become destitute in fact. I got the report very recently. So that is the line I think. That is the road that must be avoided. If you are not doing agrarian reform here, land redistribution here, you are, in fact, making poor farmers even worst than before through this process.

CIRDAP has a difficult role as we see it. Because its member states vary in terms of geographical size, in terms of population, in terms of rural population, in terms of level of development, in terms of poverty ratio and can mention other indicators also. However, it can be grouped into East Asia, South Asia and South West Asia probably, to identify some of the activities which can relate to one country to more than three/four

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countries. And they have mentioned four things in the paper: *Development of country specific follow-up actions*. Some of those that the ICARRD will propose, they would like to take up those. *Capacity building* is one of the CIRDAP's mandated area. *Monitoring* is perhaps another, not quite in the agenda ideas but it is developing as a part of the agenda. *Knowledge development and dissemination*, of course, is CIRDAP's role. *Policy dialogue* is another new area.

I think all of these are very important ways of trying to help. But let me remind you of some of the slogans, and then we will see where we are going. In 1996 when World Conference on WCARRD was held in Rome, Edouard Saoma said that 'this is a turning point in the history of man's struggle to conquer poverty.' This year Jeffrey D. Sachs has written a book namely *The End of Poverty*. Bono, the Rock Musician, has written a song 'making poverty history', which has also been taken up by the G-8 leaders. Then we have MDGs (Millennium Development Goals). Now more or less I can assure that most poor countries will be nowhere near achieving the targets, because of various reasons. Just to mention that you would not get the required investments available. Jeffrey Sachs deviated from it. He is now the Under-secretary General in charge of MDGs. Globally US\$78 billion would be needed in 2005 for MDGs alone, and all together ODA (Overseas Development Assistance) of US\$140 billion. But the availability was about US\$60 billion. And he mentioned it would go up to US\$180 billion in 2015 and nobody knows how close we will be. Since then there have been some improvements but very little. So MDG is a framework that has been discussed, and I am sure there will be a lot of discussions in the conference about MDGs.

But what is actually driving the global economy? Is it Washington's conscience? Leaving everything to the market! No intervention by government! So, are these slogans! These are not slogans but these are realities. Slogans are the other things, which have not been achieved. But the realities are not coming out as slogans. So one has to find a way-out of these impressions that are coming from that conscience. And the leading agencies are, of course, World Bank, IMF and the bilateral donors led by the USA. Many countries can do perhaps without foreign aid. Some countries may not. But then, in any case, if it is possible, I think, one has to get out of it as soon as possible, and this is something people have been saying yes and yes.

I will just share with you another statistics that I have come across very recently. In 1996 the number of estimated undernourished people was 840 million, FAO estimates. And in 2004 it was 852 million. The number of undernourished people has gone up from 1996 to 2004. So what are we doing? Also the number of people in poverty is

1.20 billion, according to UN estimates, and rural sector accounts for 80 per cent of it. So rural development, in a larger context, has to be focused in country. And intergovernmental organisations like CIRDAP can be of assistance in that process. Professor Rehman Sobhan has elaborately talked about agriculture and also non-agricultural sector. We need *investments*, *institutions* and we need *policies*. So these are the three things we have to focus. Where do we get funds? How these institutions will be developed and which will be effectively corruption-free and focused on the goals set? So these are the challenges before us. In many countries, the institutions are not effective. In many other countries, they are not only ineffective, but also corrupt, and, of course, policies, in some places, do exist. In Bangladesh, we have very good policies in many respects. But they are not implemented. So there has to be a political culture of doing all of those things. But what can CIRDAP do? If they try to change the political culture, I think, they will be illuminated themselves. They can make some contribution to agricultural research, which is lacking in many countries. What new varieties are within the crop sector? How do you change the agricultural sector, make balance between crop and non-crop sectors? How do you develop the non-farm sector, which is contributing to agriculture as well as industry both. There are agro-industries and the agro-processing industries, both types. So these are the areas, I think, a lot of research has been done, but still more specific research is necessary. The second thing, CIRDAP can do, is to bring in a very important element, I believe, that is the consequence of environmental changes. Climate change is developing. Already it has started and many of the things have to be done even if the policies and programmes are right. And unless we address this climate change issue, I think, we will be facing very soon, in few years time, serious problems. In Himalayas, the perma-frost is dismantling very fast. Arctic is going away. You have more precipitated rainfalls, and you have more floods and more droughts both. So these are the climate change issues probably CIRDAP can bring in its research programme.

So to find viable solution, environmental sustainability is the key issue. Sustainable development has three aspects. Environmental sustainability is important, the other two, of course, are economic and social. So in a nutshell, I think, CIRDAP is on the right track in trying to expand their mandate, because too narrow mandate is not very useful. And they are also trying to extend consultancy to other regions, but for that, I think, they should wait. They should first serve the member countries well. If the member countries believe that this organisation is important, then, I think, they should support this organisation. And finally I would like to congratulate Dr. Paudyal because this rural development was not even included in this FAO Conference. In fact, it is not quite FAO's mandate also. Their mandate is for agriculture, not for rural development. But agriculture cannot stand alone, it has to be in the context of rural development. That's why it was not included. But this time CIRDAP has been able to overcome this, I understand. They tried and now this is in the agenda for discussion in the ICARRD

Conference. So I would say try as best as you can and see if rural development gets into a larger context including climate change, rural non-farm activities, linkages with the urban sector, exports and all of these. As many as those issues come into the programme that will be the success of the conference. Thank you very much.

Dr. Quazi Mesbahuddin Ahmed*

First of all I have to congratulate CIRDAP in coming out with a paper that can be described in one word, difficult. You are dealing with the subject rural development which has seen much watered down versions in many countries. And you are dealing with 14 countries with diverse experiences, and you are bringing them together that itself is a heroic job. So CIRDAP has done a good job. This is the good news, but there are many bad news that I have to tell you about the contents of the paper, and you may not agree with many of the contentions. I have spent six (6) hours on this paper. I have not come unprepared in any obligation. I have read the whole paper.

I would not go into etiquettes, details, because I have mentioned that everywhere. In order to round it off, I would request the authors to please provide references of the tables you have presented with the paper. The sources of the tables should be mentioned very clearly in order to avoid any likely confusion. And the descriptions flowing out of the tables should be brought out in a cogent and coherent manner. These are the niceties that I am mentioning, though I think the authors know these things.

The paper is divided into three parts, and it has done a great job in clustering the issues in three segments. Part I of the paper provides statistics of the CIRDAP member countries. This is a very difficult part, because you have to collect and assemble statistics from the 14 CIRDAP member countries which are so diverse in population sizes, geographical sizes and in the level of economic development (in the demographic structure). So sometimes it would give a flavour of too much generalisation. Probably you cannot avoid that either. But I would request the author; if you could avoid some generalisations and pinpoint some conclusions with explanations it would be better. If you read Part II of the paper a lot of conclusions that flow immediately from certain discussions which are not justified. If you want to conclude something please say it in the beginning that these issues and conclusions have been drawn from such and such publications. That should be a credible thing to do.

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This paper can be enriched by reference to three or four publications. One is a publication that has been brought out by the World Bank on agricultural technology in Bangladesh. This is in the Bangladesh Development Series. The World Bank has started publishing these documents, and this is the first in the series. Issues relating to revitalising the agricultural technology systems in Bangladesh had been the subject that we had faced lot of problems with during authoring or writing the PRSP (poverty reduction strategy paper). On agricultural technology we do not possess much knowledge; we only possess fragmentary knowledge about that. This is the book which CIRDAP can get if it does not already possess. A gist of the review of this particular publication of the World Bank could be brought in here in general terms, because some of the findings would also be reflected in some other CIRDAP member countries. The second one that comes to my mind is the strategy paper of the International Fund for Agricultural Development (IFAD). They have come up with the Country Strategic Opportunities Paper (CSOP). I have been associated with that in different capacities. This is a very good country strategy paper on the agricultural sector of Bangladesh. Their involvement in different areas of the agriculture sector, their findings, their conclusions, and what are the problems they have been facing and what are the suggestions they are giving to circumvent those problems or to get around those problems might be important for this paper by CIRDAP. The third relevant publication that I bear in mind is a report by ESCAP, *Voices of the Poor*. This was brought out towards the end of last year where data and analyses regarding all the least developed countries were put together. The purpose of the UN, ESCAP was to show that the Asian least developed countries have no less sufferings than their African counterparts. Hence, *Voices of the Poor* is another credible document which can be counselled before finalising the text of the CIRDAP's paper.

Some of the things that you have mentioned in the paper are credible things. Now you are saying that rural development is synonymous with poverty alleviation. Over the years this has come to be true. This has been true in Bangladesh also. Now, in October 2005, when we had a discussion by CIRDAP on rural development, the particular stocktaking exercise, we said at that time that the concept of rural development of the earlier years of the 70s or the 80s or even that of the early 90s no longer exists in that form. If not for any thing, but for at least one reason. Now rural development and poverty alleviation distinction is coming out on the paper and also many distinguished scholars would say, rural development could look into the community, and poverty alleviation could look into the households. And definitely, household income comes first and then other dimensions of poverty. Now there is a lot of quarrel why we have focused on our attention to poverty alleviation in contrast to rural development. Why do we not frequently mentioning rural

development these days? There are reasons for that. We failed, to a certain extent, in community mobilisation, despite the fact that many NGOs, very credible NGOs, very proactive NGOs have been working all around Bangladesh. This is true probably in other CIRDAP countries also. So what did government do. We have statistics about the household poverty, we have statistics about the localised poverty, we have statistics about poverty prevailing in certain areas i.e. pockets of poverty. So attempts have been made to target the programmes in such a way that the poor do get benefit. The hard-core poor need to be reached by the government by making the service delivery effective. Absolute poverty, hard-core poverty, we are aware of the statistics what these are. There are quarrels about the nuances of statistics. You have mentioned in one place that poverty alleviation these days has taken the seat of rural development. Reasons might lie in the line of argument provided above.

Now an important message that comes out from your paper is laudable. You have said about infrastructure building in rural areas by GO and NGO collaboration. This is extremely important. NGOs in Bangladesh have not been in the field of infrastructure building. But you need infrastructure building in rural areas. Somehow, rather we have to have a policy frame-work where NGOs can be brought to take charge of some sort of rural infrastructure. The second one is mentioned regarding technology in agriculture. Without technology, without raising the productivity in the agriculture sector we are nowhere. This is in the right order. You have done it rightly. The third thing is very important. You have been searching like any body in the government about the institutional framework to undertake rural development and the agrarian reforms. Agrarian reforms in Bangladesh, in the form of redistribution of land, did not take place and is not going to take place now. And it is difficult. If you do not have a credible institutional framework in the rural areas, you cannot deliver and you cannot be rightly focused. Apart from these major areas, you have mentioned the mobilisation of people around socio-economic pillars. These are in the right direction. I would only request that when you write this particular aspect, please focus on the Peasant Charter. It is difficult for you. I know because you are dealing with 14 countries. Had it been for Bangladesh only you could have gone into different focused studies. So for Lao PDR you cannot lay your hand immediately onto different particular issues in a focused way. For an institution like CIRDAP, I agree totally that it is very difficult to get an in-depth study of the subject, which is complicated itself. If it were Bangladesh this would not have been difficult. Now you are dealing with 14 countries. Despite that you have done a good job. And you have emphasised those particular areas coming from the Peasant Charter through the WCARRD in 1979, when in fact CIRDAP was born. What is to be done now? The last section could deal with CIRDAPs activities during the past many years since its birth. And that section is rickety of course. I remember in early 1990s we have

been associated with CIRDAP in many of the activities, for example stabilisation policies and poverty alleviation. From the Planning Commission we jointly worked with CIRDAP around those topics and those studies, which did receive accolades from many intellectual circles, and also have been used in the government circle. Now what the organisation like CIRDAP can contribute to the rural development, and agrarian reform areas? Case studies and projects and training programmes can have some influence in policy making of the governments in the region including Bangladesh. That's the area where the outcome of the conference that is going to be held in Brazil can contribute. Your paper is all right. You can revise some items here and there. But if you can say, as an example, what we are doing right now with the PRSP and the commitment to MDGs. The whole concept of monitoring and evaluation has changed. No longer we live in the world of monitoring and evaluation of earlier five-year plans. Now this is completely different. We have to know in terms of PRSP what is the final impact. We have to travel a lot of areas before we arrive at that. For example, if it is development of tourism, then we have to know what is the proportion of money coming out of public sector budget that has been spent for tourist development, what are the infrastructure that are in place for tourist development, what is the status of employment in the tourism sector, and even we have to know what is the reduction in head-count ratio of poverty as a result of tourism development. This is no longer the traditional five-year plan mid-term review. If we want to contribute something to policy making we have to know what is the end result of studies and training programmes, seminars and symposiums organised by CIRDAP, and what are the future programmes that could make some value addition to policy planning for the government.

I must thank CIRDAP for affording me an opportunity to discuss the things that I would to raise. Thank you very much.

Rural Infrastructure: A Critical Issue for Farm Productivity in Asia

B. Sudhakar Rao*

Abstract

The Millennium Development Goals (MDGs) and FAO's World Food Summit goal envisage reduction of poverty by half by 2015. This calls for access to institutions, infrastructure and productive social services. Building rural institutions including their self-help capabilities is at the core of the poverty problem. Agriculture is dominated by small-sized farms, and they face a hostile environment and systems that are to be put in place to enhance productivity. Some of the successful interventions are mentioned in the paper. Agri-clinics, agri-business centres, e-choupal, technology incubators, windmill energy, etc. are some of the successful examples that need to be multiplied. While general infrastructural development is the responsibility of the state, non-state actors like business houses, NGOs, MNCs, etc. have to promote necessary structures (in marketing, extension, technology, productivity, etc.) to build on existing infrastructural assets to reach out to the farmers on a grand scale.

1.0 Introduction

The small and marginal farmers, who constitute more than 80 per cent of the farming class in Asia, have no considerable access to technology and other factor markets, and hence the growth process eluded them in the making of a meaningful impact on farm productivity and agricultural growth. As a consequence, they are added to the numbers who are classified as poor. The poverty reduction strategies also have not particularly aimed at improving productivity in small farm activity.

The supply-side interventions like creating watersheds, construction of culverts, village roads etc. have yielded only small benefits and could not create a new entrepreneurial class of farmers who could aim at market expansion, coupled with enhancement of productivity at rural levels.

Institutional interventions that could serve the missing gaps, through innovative methods for market integration, rural energy promotion, technology dissemination, aggressive extension, information dissemination, product diversification, product image building, promoting private sector initiatives etc. are yet to be grounded on a grand scale or forgotten by policymakers, as part of pro-poor policies. Even if they are, they remained localised in character and content. Necessary linkages with scientific and technological institutions that can improve farm productivity and the consequential expansion of markets to fit into a World Trade Organisation (WTO) framework, beyond the producing

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regions, remained a far cry for the small and marginal farmers in the backdrop of a globalising market.

Infrastructure which has to be the engine of growth in rural areas and which has the potential for minimising rural and urban income gaps and growing inequalities, restricted itself to some areas and is not vastly geographically distributed. The governmental efforts did not generate sufficient social overhead capital to drive the forces of growth.

The global food security and stability concerns of international organisations like Food and Agriculture Organization (FAO), that of Rome declaration (World Food Summit 1996) called for a twin-track approach to include hunger reduction, which combines long-term actions with short-term targeted measures¹, to improve investment in infrastructure and to enhance the productivity of small farmers and rural development. The Asian region needs at least two pillars (out of four identified for comprehensive Africa agriculture development programme by FAO and New Partnership for Africa's Development): (1) improving rural infrastructure and trade-related capacities for market access; and (2) agricultural research, technology dissemination and adoption. The World Conference on Agrarian Reform and Rural Development (WCARRD) declarations added more flavour to the possible initiatives in this setting.

2.0 The Setting

The estimates are that about 500 million poor and hungry people live in rural areas of the Asia-Pacific region and 70 to 80 per cent of them are small farmers, landless etc. The UN MDG goal and FAO World Food Summit Goal (1996) aim at reduction by 50 per cent by 2015. This calls for access to institutions, infrastructure and productive social services and methods to convert small farm activity into a surplus generating and profit making farm enterprise. Building rural institutions (cooperatives, self-help groups, agro-clinics, technology incubators, etc.) including their self-governing capabilities is at the core of the poverty problem. Trickle-down mechanisms have not worked earlier and only created islands of prosperity in an ocean of poverty.

3.0 Rural Development Challenge is in Farm Productivity

Improving farm productivity is not a one-shot exercise and calls for several innovative approaches. As a sector, agriculture production with small-sized farms, has to extend its scope beyond food or commercial crops production by revitalising itself through agro-industrial linkages and processing facilities and partnerships and participation in an Asian growth scenario.

¹ FAO's Anti-Hunger Initiatives, prepared under TCOB leadership, is a preliminary document for FAO Conference 2003.

Concepts like watershed management (through community participation), community forestry (through joint forest management), development of Johads (village ponds), technology incubators (for small farm produce, processing and marketing - like Tamarind, fruits, spices, chillies, etc.), waste land development (growing timber and non-timber trees), community fisheries management (stakeholders becoming share holders), integrated agricultural development (diversified crop setting in a particular land holding), livestock investment projects, farmers' capacity development (training in trade negotiating skills, training and doing in farm clinics, transfer of technology etc.) micro-credit initiatives, farm and non-farm linkage, self-help groups (SHGs) involvement in marketing etc. are all part of a process in the sphere of rural development and enhancing productivity and markets.

This needs committed local leadership with local level planning and participatory autonomous institutions. There are several success 'cases' in the Asian region, but yet need a positive direction for greater area coverage, replication and for sustainable long-term outcomes.

3.1 Productivity Enhancing Methods

In rural development programmes aimed at creating individual and community assets to the rural poor households, link to productivity enhancing methods (through creation of markets, upgrading technology, and involvement of institutions, etc.) is a missing factor. Some concepts and efforts have emerged in the recent past, as part of interventionist strategy by governments, non-government organisations (NGOs), and multi-national corporations (MNCs) for example: Ryutu Bazaar (small farmer markets where government creates infrastructure to market without middlemen which are in the nature of-direct farmer to consumer markets), technology incubators⁸ (where small produce can be processed, packed and branded for direct marketing), rural technology park (poor rural women producing solar lamps), activity clusters (by creating linkages), technology backup programme (like Spark in China), farmers schools, etc.

Productivity is not just related to technology options alone and the methods that deal with farmers to reach out to markets, at a profitable rate, is the main concern. While technological options can be dealt with by a good extension system in place, markets do need participation of the private sector (as against exploitative middlemen) and new innovative methods to gain the confidence of small and marginal farmers. If small farming becomes a profitable enterprise, this will have a linkage effect on productivity, in the reverse direction.

⁸ The Technology Incubation Centre initiates and nurtures new technology ventures in the advanced industrial technologies. Starting at the ideation process, it picks winning ideas and turns them into promising start-ups. The core activities include fund raising, market access, technology transfer, technology search and technology licensing. Through eight incubation centres nationwide, it plays the crucial role of bringing talent, ideas and capital together in India.

There are some examples coming up in this direction recently, making small farming a profitable enterprise through the involvement of private enterprises and MNCs. That is procurement and distribution systems are to be put in place with innovations, as markets for farmers exist in a hostile infrastructure. The Indian Tobacco Company (ITC) example of e-choupal (the village meeting place) is a constant reminder of how the hostile infrastructure is taken care of. The PCs placed in the village had to face electricity problems. ITC engineers have added surge protectors and solar panels for an uninterrupted power supply for at least three to four hours. For communication they depend on satellite networks rather than regular landlines. For ITC, the establishment of a Kiosk (a cluster of villages are supported by one Kiosk) would cost about US\$2000, and the pay back period is just one season of soyabean. It can be a selling (on loan basis) centre for seeds, fertiliser, crop insurance etc., making it viable. Since it is managed by a trained farmer, it also became a social enterprise- business management skills, technology and contracts are pushed to the grassroots level. The farmers can check up prices on the Internet and decide on markets, receive immediate payment, reduce transport costs and able to enforce contracts and improve their social standing. The farmers have thus become a part of sustainable eco-system. The farmers transaction governance capacity has improved, through e-choupals.

ITC e-choupal is a web-supported initiative offering farmers' information, customised knowledge, products and services to enhance farm productivity. It creatively leverages information technology to set up a meta-market in favour of India's small and poor farmers (transacting in unevolved markets and operating in a hostile situation with rent seeking vested interests). E-choupal (winner of the 2005 Development Gateway Award) also addresses the value-sapping problems caused by fragmentation, heterogeneity and poor infrastructure. ITC is a 94 year-old Indian Agri-business Company with a turnover of US\$2.6 billion and has taken the role of a network orchestrator in this meta-market by stitching together an end-to-end solution and virtually aggregating the demand from thousands of small farmers and also the value-for-money concerns of the farmers by creating competition among the participating companies in each leg of the value chain (Prahlad 2005).

In most developing countries, rural infrastructure remained a state's responsibility and thus local level decentralised units of governance have stakes in promoting production and marketing infrastructure. The latter is needed to enhance political and social accountability to the rural people, who are generally farm-dependent. Farm-oriented policies need to move from 'farm' to 'farmer' oriented policies, as far as productivity growth is concerned. Infrastructure investments, directly related to farming needs, supported by pro-farmer policies and institutional integration promotes the competencies

of the farmers and development of markets. Making markets and prices work is at the heart of farmer development strategies.

4.0 Social Overhead Capital

Infrastructure investments can either be called economic or social-the first category are direct requirements such as power, transport, communication, credit and marketing institutions. The second, social infrastructure, refers to overhead facilities which tend to improve the quality of human agents involved in the process of production. Some of them may not be directly productive but are needed universally and without them no growth can take place and they need to be created in advance, independent of present extent and pattern of demand. Infrastructure impacts elasticity to the supply factor, especially when there are no demand constraints.

Resource endowment, entrepreneurial quality and managerial capacity to organise are crucial for development. Directly productive activities (DPA) add substance to the process of development. However, equity issues and welfare considerations appreciate the enhancement of social overhead capital as direct input for promoting DPA.

Acute shortage of infrastructure facilities acts as a bottleneck to growth. Even initial income increases creating demand may not sustain growth as producers may not match the supply due to lack of basic facilities.

Infrastructure facility may not be directly productive, they are needed essentially though they do not produce goods for final consumption. But without them no growth can take place and they need to be created in advance irrespective of present extent and pattern of demand.

5.0 Productivity Goals Assessment

Resource endowment (land, water, input, credit, etc.), entrepreneurial quality (to generate surplus, to make profits, to reinvest, to reach out to markets, etc.), and the managerial capacity of farmers are crucial for development and poverty reduction. The quality and quantity issues and welfare considerations need to emphasise promotion of social overhead capital as a direct input for directly productive activities.

The argument here is that rural infrastructure is not to be seen in isolation, but as an essential ingredient amongst a complex set of phenomenon that drives development and growth in the rural areas and in all sectors-farm, non-farm and service.

Productivity goals assessment has to be viewed in relation to dispersed infrastructural goods and services, well organised markets linked from one tier to another (for example, primary processing of medicinal and aromatic plants can be done by farmers at local level, but perfume industry is highly sophisticated which can use the primary activity as its input), farmer friendly servicing institutions, information packages and appropriate technology to support the farmer to move forward and to face competition.

It is in this context, infrastructure for agricultural development or broad based integrated rural development or poverty minimising and growth producing effects has to be seen in a much more broader and wider setting.

6.0 Rate of Return on Rural Investments in Infrastructure Assets

The rate of return on rural investment may not be the indicator in augmenting infrastructure or capital or social overhead capital stocks, as some of them may have fruitful indirect effects on employment, women participation, social empowerment etc. For example rural connectivity by creating all weather roads will help farmer to reach out to markets, but its effects are transmitted down the line ultimately making the village a hub of economic activity and later a growth centre. The effects may vary from place to place, region to region and country to country.

Two recent studies on China and India⁹ concluded that direct and indirect benefits of investment on roads on poverty are double in China than that of India. However, the direct effect through the increase in agricultural productivity accounts for close to 20 per cent and 30 per cent of the total poverty reducing effects in India and China respectively—because of differing influences of infrastructure investments on productivity, non-farm employment and rural incomes.

The real nature of such investments and their results, transmitted through different channels, in the case of rural roads, are illustrated in the following table. Elasticity estimates measure percentage changes in Real Poverty incidence with respect to infrastructure investments on roads, working through different channels (Xianbin 2003).

⁹ Fan, S.; P.B.R. Hazell; and S. Thorat. 1999. *Linkages Between Government Spending, Growth and Poverty in Rural India*. IFPRI Report 110. Washington, DC.

Fan, S.; L. Zhang; and X. Zhang. 2002. *Growth, Inequality and Poverty in Rural China: The Role of Public Investments*. IFPRI Report 125. Washington, DC.

Table 1: Poverty-reducing Effects of Investment on Rural Roads

Sl. No	Effect	India		People's Republic of China	
		Elasticity*	Percentage Share	Elasticity*	Percentage Share
1.	Direct effect through increase in agricultural productivity	-0.0119	17.92	-0.0450	28.46
2.	Direct effect through increase in non-farm employment	-0.0300	45.48	-0.0417	26.38
3.	Direct effect through increase in real wages	-0.0204	30.72	-0.0399	25.24
4.	Indirect follow-on effect through higher economic growth	-0.0041	6.18	-0.0315	19.92
5.	Overall	-0.0664	100.00	-0.1581	100.00

* The elasticity estimates measure the percentage changes of the rural poverty incidence with respect to road infrastructure investments, working through different channels.

Source: Xianbin 2003

6.1 Differing Impacts

It can be seen from the above table that the impact of roads on agricultural productivity is high in China and impact on real wage income is high in India. The resultant conclusion is that infrastructure investments have significant direct effects on poverty, through differing channels of increase in productivity, real wage and employment etc., apart from indirect benefits. The policies jumping at urban-based industrialisation without enough attention to agricultural development (as the basis for rural development) have resulted in failure of growth and poverty alleviation (Pinstrup-Anderson and Shimokawa 2006).

7.0 Poverty Reducing Effect of Infrastructure

Several studies have shown the impact of agricultural productivity as a means to reduce poverty via the route of rural infrastructure development. The poor tend to benefit more via agricultural growth than from growth augmenting from other sectors in the rural areas. Ravallion and Datt (1996), using data for India over 1951-1990 period, concluded that agricultural development reduces poverty not only in rural areas but also in urban areas and hence has a significant positive effect on national poverty reduction. Using data for 59 countries over 1985-1995, Thirtle, Lim and Piesse (2003) estimated the elasticity

of poverty reduction on those with income less than US\$1 a day due to agricultural productivity growth. The elasticity was 0.72 in Africa and 0.48 for Asia (73% and 67% of total impact of increase in per capita GDP respectively). Agricultural growth cannot be without substantial gains in related infrastructural facilities and stocks.

8.0 Are Investments in Infrastructure Enough?

Several studies underlined the importance of infrastructure like roads, electricity, telecommunications, services, etc. as stimulants for agricultural growth and as a means to reduce transport costs (spatial costs), face increasing competition and improve farm incomes and private investment opportunities (technical documents for the World Food Summit, referred to earlier in this article). Rural infrastructure investments have to promote both the input access and the market access, and absorbing capacity in technology and innovation by the farmers. It will thus stimulate non-farm activity and create rural towns, as the nearest hub of economic activity for groups of villages, which will also serve as service centres to the hinterland. A component of planning and policy is involved in the integration of less favoured rural areas into national and global economy.

While countries spend on infrastructural facility, like roads, the quality and maintenance aspects are not found to be important. There are varying versions on this count. The econometric analysis of Fan and Zhang (2004) estimates, through a dynamic general mathematical model (GMM) that investments on roads and irrigation significantly contribute to agricultural growth. However, least cost roads may sometime be more economical for rural areas and easy to implement without long gestation periods. (When measured by Km of a new road, the high quality roads in China have close to 50 per cent higher returns to total GDP than investments in low quality roads). In most of the developing countries, it is observed that spatial costs on movement of factors of production are high, total factor productivity is low, supply position unstable and erratic for basic inputs like power, reduced price competitiveness and creating market distortions. This calls for urgent actions and a rise in rural infrastructural investments. To improve the situation, a massive infrastructure plan needs to be taken up by the developing countries in Asia.

A paper prepared for the Annual Bank Conference on Developing Economies (Tokyo 2000) by Pinstrup-Anderson and Shimokawa (2006), presents the results from several studies that estimate the effects of infrastructure investments on poverty measurements, using a simultaneous equation model. These studies show the critical role of roads and communications in reducing rural poverty in China (1978–1997). The introduction of microcredit, cell phones (Torero and Braun 2005) etc. has added new approaches to poverty alleviation.

8.1 Necessity for Rural Energy Investments

Infrastructure investments need not to be very costly. If we were to consider rural energy investments vis-à-vis power generation, transmission and distribution costs, one will tend to observe that agriculture could become a major energy producer.

The economic use and promotion of renewable energy sources is vital to ensure food security for future generations. In countries of Asia, which are generally energy-starved, the increased energy intensity depends on policies, prices and commitments. Energy for and from agriculture (sugar baggage in places like Mauritius, Cuba, Reunion, Nicaragua, etc.) using agro-wastes, has to be an important policy response for agriculture development. The potential of continued production of sugar and electricity to be fed to the grid is significant in some countries, so is the windmills in a few districts of India.

Organised windmills have brought windfalls of wealth to private investors and provided 24 hours of uninterrupted power supply in some districts in India, where rural areas are generally power-starved. Over 400 windmills have been set up in a poverty stricken district of Jaisalmar (Rajasthan State in India), collectively providing 150 megawatts of power. The district has a population of 50,000. As it has no big industries, the needs are met by 35 megawatts of electricity. The rest of the power is put on the grid that supplies power to other parts of the state. Consumers of Jaisalmar pay 3.25 Indian rupee per unit of power, and this is one of the lowest power tariffs in the country. Two celebrities have invested about 80-90 million rupees or about US\$2 million each and have helped Suzlon Energy in installing two windmills each, and the return on investment is quoted to be 0.35 million rupees in just two years. This is a glaring example of private partnerships in two districts viz. Satara in Maharastra and Jaisalmar in Rajasthan and proves beyond doubt the usefulness of alternative sources of energy.

Renewable energy sources like windmills and solar power may be an answer to rural electricity problems especially when the farmer is increasingly becoming dependent on ground water. Until complete space solar power systems are put in place that would collect solar energy in space itself, convert it into microwaves and transmit microwave radiation to earth where it would be captured by a ground antenna and transformed to usable electricity, the renewable energy sources, with small investments like windmills, remain the answer for small farmers.

The community solar projects functioned well in some countries, and these can be examples for the rural areas of other developing countries. Honduras is one of such

Table 2: Effects of Infrastructure on Poverty Reduction in Developing Countries

<i>Country</i>	<i>Year</i>	<i>Method</i>	<i>Source</i>	<i>Poverty Measures</i>	<i>Infrastructure</i>
China	1997	SEM	Fan, Zhang and Zhang (2002)	Number of poor reduced per 10,000 yuans	Inv. in irrigation Inv. in roads Inv. in electricity Inv. in telephone
	1982-99	SEM	Fan and Chan-Kang (2005)	No. of urban poor reduced per km No. of urban poor reduced per million yuans No. of rural poor reduced per km No. of rural poor reduced per million yuans	+1km of high qu +1km of low qu Inv. in high qual Inv. in low quali +1km of high qu +1km of low qu Inv. in high qual Inv. in low quali
India	1970-94	SEM	Fan, Hazell and Thorat (2000)	Number of poor reduced per million rupees	Inv. in road Inv. in irrigation Inv. in electricity
Tanzania	2000-01	SEM	Fan, Nyange, and Rao (2005)	Number of poor reduced	Roads (per milli Electricity (for 1% increase connection)
Thailand	1977-2000	SEM	Fan, Jitsuchon, and Methakunnavut (2004)	Number of poor reduced per million bahts	Inv. in irrigation Inv. in road Inv. in electricity
Uganda	1992-99	SEM	Fan, Zhang and Rao (2004)	Number of poor reduced per million shillings	Feeder roads Murram roads Tamac road
Vietnam	1993-2002	SEM	Fan, Huong and Long (2004)	Number of poor reduced per billion dong	Inv. in irrigation Inv. in roads
43 LDCs	2000	QR	Leipzigiger and others (2003)	Child mortality per 1,000	Piped water Electricity No improved sa

Note: Inv. = Investment; QR = a quintile regression; SEM = a simultaneous equation model

Source: Pinstrup-Anderson and Shimakawa 2006

examples for a rational use of natural resources. Energy touches on the management of its rural development activities—watershed management, irrigation household improvements, etc. An evaluation study in 1998 showed good results (FAO 2003). The analysis showed that small low-cost projects have a big impact on remote communities, especially when they are accompanied by programmes of education and community organisations. They had a big impact on the promotion of solar energy, in spite of problems in general infrastructure, maintenance, etc. Participatory development in energy systems is very much necessary for the developing countries in Asia.

Rural energy development programme (REDP), in Nepal is yet another example in developing rural energy systems, building local capacity, preserving natural environment and enhancing local institution role. It uses NGOs for community mobilisation, private sector for technical inputs, local bodies for planning, management and resource mobilisation, communities for operation and management as owners, while the government agencies provide policy and coordination support. The project wedded energy with rural development.

The project (REDP) focused on sustainable rural energy with the following components—demonstration schemes, human resource development, research and development, institution development, natural resource management, community mobilisation and enhanced livelihoods. Thus microhydro energy production is a participatory energy development methodology (UNDP 2002).

The above are some instances where energy needs can be met with low-cost technologies. Based on the direct evidence provided above on rural roads, bioenergy, microhydro energy system, windmill energy etc., it can be safely concluded that apart from potentialities, the rate of return on energy investment is significantly high. In one Village Development Council (VDC) in Nepal, the microhydro production is 22 KW, covering 205 households under Pokhari Chouri VDC, with an investment of approximately US\$18,348 (out of which community savings account for US\$9,166).

8.2 Profitability of Small Infrastructure Investments

The indication of profitability of small infrastructure investments is provided by Canning and Bennathan (2000). They found that investments in electricity generating capacity and paved roads are more profitable than other public investments in 20 countries (out of 51 countries studied) and in 22 (out of 41 countries) respectively. The rate of return to electricity generating capacity tends to be high in low-income countries. The impact of investments on infrastructure for some countries, as studied by various researchers as

provided below in the table, shows that rural infrastructure is cost-effective and can provide a big boost to rural GDP.

Table 3: Marginal Returns of Rural Infrastructure in Developing Countries

<i>Country</i>	<i>Year</i>	<i>Method</i>	<i>Source</i>	<i>Measures of Returns</i>	<i>Infrastructure</i>	<i>Effect</i>
China	1997	SEM	Fan, Zhang, and Zhang (2002)	Rural GDP (Yuan)	Inv. in irrigation	1.88
					Inv. in roads	8.83
					Inv. in electricity	1.26
					Inv. in telephone	6.98
Uganda	1992-99	SEM	Fan, Zhang and Rao (2004)	Total GDP (Shelling)	Feeder roads	7.16
Tanzania	2000-01	SEM	Fan, Nyange and Rao (2005)	Total Output (Shelling)	Roads	9.13
China	1982-99	SEM	Fan and Chan-Kang (2005)	Total GDP	+ 1km of high quality roads	1.73 million
					+ 1km of low quality roads	1.16 million
				Total GDP	Inv. in high quality roads	1.45
					Inv. in low quality roads	6.37

Note: Inv. = investment; SEM = a simultaneous equation model

Source: *Canning and Bennathan 2000*

Based on all evidences above, strong links between rural infrastructure and GDP and income growth can be established, and failure to accelerate investments in rural sector will jeopardise rural growth and poverty alleviation and achieving MDGs.

It is also observed that except roads and telecommunication in some countries, the success stories are scattered ones and not generally distributed all over the rural area. Public investments in capital creation have even decreasing in the recent past, particularly capital investments in agriculture (India is a classic example, over a period). There were also sharp falls in foreign assistance and direct foreign investment in projects that promote rural and agricultural development in some countries. Added to this is the decreasing private investment in rural infrastructure. Quoting the World Bank sources, as private investments comes from banking sources, Pinstrup Anderson and Shimakawa (2006) mentioned that private investment declined from US\$120 billion in 1997 to around US\$50 billion by 2001 (World Bank 2004). Also, it is estimated that public

investment in infrastructure is around 2-4 per cent of GDP on an average in most of the developing countries (Briceno–Garmendia, Estache and Shafik 2004). It needs to be enhanced to at least 10 per cent of the GDP (including maintenance).

The required rural infrastructure investment estimates by different institutions also differ, and according to one study, it is about US\$465 billion per annum for new projects and maintenance of existing projects during 2005 – 2010 (Fay and Yepes 2003). The farmers need power, roads, markets, etc. and not subsidies and charities.

9.0 Integrating Agricultural Research, Education and Extension

It is not always true that the illiterate farmer would not be drawn to technological option to improve output and productivity. Progressive farmers, as entry points, have demonstrated this in the periods of grey or green or white revolutions in some countries. The poverty penalty that the poor farmer pays is due to distributional distortions, unfavourable economic eco-systems and the exploitative intermediaries. Good policies can overcome these deficiencies. There are also instances where self-help groups of women are utilised as agents of change. There are successful results emanating from human resource development (HRD) based strategies across Asian countries for poverty alleviation, including FAO initiated environmental education programme.

It is argued by some that research in the agricultural sector is largely the blue sky, the extension system lost its credibility to the second generation farmers, and tracking and monitoring systems are loose and undependable. Indigenous knowledge has been ignored in the so-called new farming system. The information dissemination systems need to upgrade, and Integrated Pest Management (IPM) and Integrated Nutrient Management (INM) have to be taken in a big way, and plant quarantine facilities in the developing countries are to be speeded up with the assistance of the World Bank and FAO. The resources of a 'lead player' in a region/sector specific mode can integrate research, education and extension, for higher productivity¹⁰.

10.0 Agri-clinics: Farm Support

Agri-clinics are envisaged to provide expert services and advice to farmers on cropping practices, technology dissemination, crop protection from pests and diseases, market trends and prices of various crops in the markets and also clinical services for animal health etc. which would enhance productivity of crops/animals.

¹⁰ Based on a presentation made by Mr. Mohan Kanda, IAS, former Secretary of Agriculture, India and Chief Secretary, Andrapradesh, India at the National Conference on Backward District Development. 2002, SRTI, Hyderabad and Bangalore.

Agri-business centres are envisaged to provide input supply, farm equipment on hire and other services. The Ministry of Agriculture, Government of India, in association with National Bank for Agriculture and Rural Development (NABARD), has launched a unique programme to take better methods of farming to each and every farmer across the country.

This programme aims to tap the expertise available with the large pool of Agriculture graduates. Irrespective of whether one is a fresh graduate or not, or whether one is currently employed or not, s/he can set up her/his own agri-clinic or agri-business centre and offer professional extension services to innumerable farmers.

Committed to this programme, the Government of India is now also providing start-up training to the graduates in Agriculture, or in any subject allied to Agriculture like Horticulture, Sericulture, Veterinary Sciences, Forestry, Dairy, Poultry Farming, and Fisheries, etc. They, after completing the training, can apply for special start-up loans for venture.

Agri-business Centres would provide paid services for enhancement of agriculture production and income of farmers. Centres would need to advice farmers on crop selection, best farm practices, post-harvest value-added options, key agricultural information (including perhaps even Internet-based weather forecast), price trends, market news, risk mitigation and crop insurance, credit and input access, as well as critical sanitary and phyto-sanitary considerations, which the farmers have to keep in mind.

As an integral part of this nationwide initiative, specialised training will be provided to Agriculture graduates interested in setting up such a centre. Being provided free of cost, the two month training course will be offered by select institutes across the country. Initiated by Small Farmers Agri-business Consortium (SFAC), and coordinated by MANAGE (an organisation of Ministry of Agriculture, Government of India), the course comprises Entrepreneurship and Business Management, as well as skill improvement modules in chosen areas of activity. An individual or a group of individuals is eligible for loans under the scheme. The outer ceiling for the cost of projects by individuals is Rs.10 lakh (US\$22,000). Depending on the type of venture, one can want to set up, and with a moratorium of up to two years, agri-clinics and agri-business centre loans can be repaid within 5 to 10 years as per easy instalment plans. The rate of interest, margin and security on loans will be decided by the respective bank, as per central bank norms.

11.0 Infrastructure for Technology Application in Agriculture

Agriculture and related activities like forests, fishing, animal husbandry, agro-processing, etc. are some of the core areas generating rural livelihoods but are characterised by low productivity resulting in lower incomes. Naturally technological advancement is needed

for higher productivity levels, and these are to be intense, broad-based and should cover greater land area and large population. It is natural to expect greater developmental initiatives to answer varying demands and differing needs of countries and regions within the countries.

Some countries and regions within the country have certain specialisation (specific crop areas) and hence a particular crop becomes a lead sector (which can be altered—say in some places horticulture) and may need a lead player (institution for technology, for extension) to enhance productivity. Geographic Information System (GIS) mapping may help focus attention and can cause a paradigm shift. A user-driven system in a participatory mode may induce flexible regime in that region.

The lead player has to pay attention to the second-generation farmers for sustainability and management of linkages with technological institutions and the area needs. This calls for greater catalytic role of the government, as well as private sector institutions for responding to market signals. Most important is to utilise people's institutions for a break through and concentrating on development of infrastructure (both for production and generating markets). Technology application in this setting needs to refer to not only to agriculture, but other rural development related social settings, viz., education, health, nutrition, housing, etc.

Higher productivity may also mean introducing new strains, minimising storage losses, post-harvest technologies and higher value additions. Bio-fertilisers, bio-pesticides, vermiculture etc. have a place in this change. That is to say cultural practices have to take a shift to move to higher productivity levels.

11.1 Credit and Other Relations

Some studies have shown that increasing real interest rates of the cooperative sector reduces aggregate output marginally, while increasing the number of commercial banks tends to increase crop output. Private agricultural investments need expansion of the credit institutions. People's Banks organised by self-help groups of microcredit in some regions have drawn investments into the farm and related sectors and had a fruitful effect on land productivity (not accompanied by crop productivity).

12.0 Conclusion

The contents elucidated above demonstrates that there is a need to fill the 'productivity gap' in between regions and in between countries and even in between rich and poor farmers, and it needs much more of rural infrastructure investments both in capital assets and social initiatives that provide backup services.

The methods adopted to enhance productivity, through the use of knowledge infrastructure and innovative approaches, have to be enlarged both in scope and

content to cover the whole landscape rather than creating a few islands of prosperity. Present investments in rural infrastructure have to be at least 10 per cent of the agricultural GDP.

Institutional infrastructure like agri-clinics, agri-business centres, technology incubating centres, technical schools, etc. are in the form of infrastructural assets and they are to be linked to farmers associations and private organisations to produce ripple effects of growth. These institutions will help to properly reinvest agricultural surplus in creating agro-industrial linkages through investments in the rural areas.

The effects of energy expansion through non-conventional route will be significant on farm growth and productivity. The increase in electrification is also seen to spur investments in draft and milk animals by 7 to 5 per cent respectively (Binswanger et. al 1989). The expansion of bank branches sparks private investments, particularly in expanding cropped area, pump sets, tractors, to the extent of 4–8 per cent. Infrastructural investments by private companies and individuals have yielded good results, and the innovative attempts made by them for a win-win situation for farmers are to be patronised by governments and public institutions. Farmers' education, information and ICT-based technologies are in the nature of social overhead capital, and investments in these sectors have a direct bearing on agricultural expansion and productivity. Traditional approaches to production function estimate the direct impact of capital stocks and inputs on output, but in the present context of innovation, new methods, new crops and new demands—institutional roles, infrastructure impacts (and its intensity, diversity and coverage) are to be seen as the prime movers. There is a recent case in Punjab (India) where cotton farmers have taken 8 per cent more yield in 2006, than in 2005, just by introducing space between cotton plants. Indigenous knowledge system has to be respected and promoted.

Without proper rural infrastructure investments in sectors connected to farming, schooling, health, etc., global developmental concerns cannot be materialised and rural welfare cannot be maximised. In conclusion, while the general types of infrastructure that are consistently referred to in the studies of World Bank are the responsibility of the state (like irrigation, roads, electricity, etc.), the non-state actors, the institutions and private leaders, business houses etc., have to provide necessary structures (in marketing, productivity, technology, extension, etc.) to build on the present supply of infrastructural assets to reach out for greater impact on the farming community.

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Rural Development and Poverty Alleviation through Promotion of Rural Non-farm Activities in the Asia- Pacific Region: Review of Evidence, Patterns and Issues

Momtaz Uddin Ahmed*

Abstract

Based on an extensive review of the current literature, this paper presents an analytical overview of the state of art of the rural non-farm sector (termed interchangeably as RNAs and/or RNFE) in the countries of the Asia-Pacific region. The RNAs constitute an important segment of the rural economy, providing between 30 to 60 per cent of jobs and rural household incomes in rural Asia. They are greatly diverse, dispersed over wide areas covering both villages and rural towns, and characterised by dualistic features manifesting both dynamic and residual activity categories. While RNAs are growing passing through varying growth trajectory (i.e. growth→ decline→ and→ recovery), the major drivers of such growth are agricultural development, urbanisation, rural-urban linkages and growth of the rural economy. Available evidence on the impacts of RNA growth on rural poverty and inequality is mixed, but the current literature takes a positive view on the economic contributions of these activities as vehicles of accelerated rural development, poverty alleviation, reduction of rural-urban income gaps and migration and overall national economic growth. However, data limitations and information gaps affecting the current RNFE research and the evidence provided by them on their full potential worth suggest urgency for carrying further insightful research into various dimensions of the sector's growth and dynamism.

Despite being an important component of the rural economy in most Asian countries with notable prospects for future growth, the RNAs suffer from many operational constraints which need to be removed to unleash their full growth and expansion possibilities. While conscious and deliberate policy interventions are needed to promote development of the RNFE, the policy interventions have to be designed and fine tuned to meet the specific needs of the greatly heterogeneous sub-sets located in different locations across countries and across regions with the countries. Pro-active agricultural development, improved physical and social infrastructures, sound legal and regulatory environment, and an effective well-coordinated institutional network for efficient delivery of support services constitute the important elements of the proposed pro-active policy interventions package.

1.0 Introduction

This paper presents an overview of the economic contributions made by the rural non-farm activities (abbreviated henceforth as RNAs) in promoting rural development, addressing rural poverty, reducing rural-urban income inequalities and accelerating overall national economic growth in the developing countries of the Asia-Pacific region. The drivers of past growth including policy support and institutional back-up, the prospects and challenges for future growth facing these activities and the required policy interventions are also highlighted and explored, especially in the context of current

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challenges and opportunities arising from globalisation and facing the rural poor in the Asian countries.

Since 1970s increasingly large volume of empirical literature is emerging, highlighting the growing importance of RNAs in the developing countries¹¹. More recently, attention is being given to rural non-farm sector development in view of their perceived potentials in reducing rural poverty and income inequality, absorbing the growing rural labour force, halting rural-urban migration and in contributing to the national income growth. Davis et al. (2003), Davis (2004), Lanjouw et al. (2001), Rosegrant and Hazell (2000), ADB (2000) and Islam Nurul (1997) are some of the leading authorities in the field who regard RNA as potential engines to increase rural employment and income by absorbing excess labour and diversifying income sources, contribute to economic growth, improve income distribution and alleviate rural poverty. Quoting from Rosegrant and Hazell's remarks in this regard seems quite relevant and instructive:

*'From a relatively minor sector, often largely part-time and subsistence-oriented in the early stages of development, the rural non-farm economy develops to become a major motor of economic growth in its own right'*¹²

As opposed to the conventional idea of the rural economy being confined only to the agricultural sector, there is now mounting empirical evidence showing that the rural households (including the farm households) are often highly diversified and consist of both agricultural and non-agricultural activities, with the latter often contributing significantly to the household incomes. Many recent studies cited earlier show that roughly 23-50 per cent of total incomes of the rural households all over the world are contributed by the RNAs. Indeed, growing evidence from the developing world suggests that economic diversification pursued in search of a diversified livelihood portfolio has significant potentials to foster local economic growth, alleviate rural poverty and close the rural-urban income gaps¹³.

In view of high population growth, widespread rural poverty, widening income inequality and increasing rural to urban migration, and declining size of farm holdings and productivity in most Asian countries, development of RNAs is of critical importance in the Asian and Pacific region, especially as highly potential vehicles for providing

¹¹ Three leading sources containing long lists of the recently growing volumes of empirical work on the RNAs in different regions are: Davis (2004), Davis and Bezemer (2003), and Lanjouw and Lanjouw (2001).

¹² Dissenting voices are also not uncommon, most of which regard RNAs to be low-productive activities producing inferior quality goods. Notable examples include Hymer and Resnick (1969) and Start (2001).

¹³ The onset of a rapid economic transformation in rural Asia is reflected through a gradual movement from the subsistence food crop production to a diversified, market-oriented production system and its resultant consequence is well documented in the literature. Some of such important studies include: Rosegrant et al. (2000), ADB (2000), and APO (1991 and 1994).

sustainable livelihood opportunities and reducing poverty in the rural areas. As population pressure mounts in the land-scarce situation, growth in agriculture cannot absorb the rapidly increasing rural workforce within agricultural sector. The relatively small urban industrial sector also fails to provide employment opportunities to the labour force released from the agricultural sector. The rural non-farm sector thus remains as the potential important avenue for providing employment to these excess workforce.

However, despite sizeable presence of the RNA sector in the Asian countries, the non-farm economy remains a poorly understood and inadequately documented component of the overall rural economy. The knowledge gap facing the sector is ascribed by Lanjouw et al. (2001) to its extreme heterogeneity, coupled with inadequate attention at both empirical and theoretical levels. Commenting on the policy-related aspects, Rosegrant et al. (2000) notes that *'there is little understanding on the part of the policy makers of the rural non-farm economy as a sector with its own internal consistencies and interests'*. The policy interventions meted out to them generally tend to be piecemeal or the offshoot of policies targeted at other parts of the national economy. This is found to be (Ahmed, 1995/96) the case in most countries of the South Asian region where a lot is still desired in terms of providing pro-active policy support to facilitate growth and expansion of the RNAs. This review study attempts to unfold the remaining knowledge gaps and identify the key elements of a comprehensive policy strategy aimed at fostering growth and expansion of the rural non-farm economy.

The paper is structured as follows: After the introductory section, the economic contributions of the RNAs in the Asian countries are highlighted in Section II. The dynamics of RNA growth process and the principal drivers of RNA growth are analysed in Section III. Section IV assesses the impacts of RNA growth on rural development and poverty alleviation. The policies and strategies currently in place in different countries for promoting RNA growth are reviewed in Section V. The concluding section summarises the major findings and recommends the future policy agenda and support structure for RNA development in the Asian region.

2.0 Importance of the RNAs in Rural Asia

2.1 Definition of RNAs

An intricate RNA research problem is the lack of a commonly agreed definition of the non-farm sector. Because of extreme heterogeneity of composition of RNAs, some researchers (Lanjouw and Feder 2001) would prefer to use the term 'non-farm economy' instead of the 'non-farm sector'. Similarly, the task of judging the economic importance of the RNAs is also fraught with the problem of using different definitions of the terms 'rural' and 'non-farm' by different countries. Sometimes the definitions are based on activity types (and expressed in such terminologies as agricultural vs. non-agricultural,

farm vs 'non-farm' 'on-farm' vs 'off-farm') or on settlement or locality sizes (i.e. 'rural' vs 'urban'), all of which further aggravate the problems of conceptual clarity and emergence of a common consensus¹⁴. Thus in tune with the popular practice noted in most of the recent literature, the RNAs in this paper are defined to include all rural (non-urban) economic activities other than agriculture, forestry and fishing. Defined in this broader sense, RNAs include all income-generating activities located in rural areas and consisting of agricultural processing (conventionally classified as manufacturing and commerce) trade, transport, construction, services and other activities conducted on a commercial basis outside the farm sector.

2.2 Employment Shares of RNAs

Data limitations, both scarcity and archaism, preclude shedding enough light on the true magnitude of the relative employment and income shares of the RNAs both within and across countries and regions¹⁵. A commonly shared view, based on the available evidence is, however, that the RNAs are growing in importance overtime.

The most commonly used as well as the most readily available indicator of the relative importance of the rural non-farm economy (abbreviated henceforth as RNFE and used interchangeably with RNAs) is its employment share. Based on the scattered information available from multiple sources, the rural non-farm sector is seen (Table 1) to account for roughly 20 to 50 per cent of total rural employment in the countries of the Asian region¹⁶. Since employment figures quoted in the Table 1 mostly refer to primary employment, the reported employment figures are likely to be underestimation of the actual proportion of labour hours devoted to RNAs. An important role played by the RNAs in most countries is to provide work opportunities in the slack periods of agricultural cycles. Time allocation and farm management studies conducted in South Asia (Islam 1984) and Africa (Haggblade et al 1989) confirm respectively that 40 to 89 of the farmers in South Asia devote family labour hours to RNAs and 15-65 of the farmers in Africa have secondary employment in the non-farm sector.

It is also important that the extent of rural non-farm employment contributions may vary depending on how one defines the 'rural' areas. For example, in a study of fourteen Asian countries Hazell and Haggblade (1993) found that the rural non-farm employment share increases, on average from 26 per cent to 36 per cent when rural towns are covered by the definition of the rural areas.

¹⁴ The difficulties involved in providing a precise definition of the non-farm sector are highlighted in considerable details by Davis (2004) and Lanjouw and Lanjouw (2001).

¹⁵ Lanjouw and Feder (2001) elaborate on the issue of information lacuna facing the rural non-farm sector in the developing countries of all regions of the world.

¹⁶ The overall regional coverage for Asia is reported (Davis 2004) to be 24 per cent compared to 22 per cent for West and North Africa and 35 per cent for Latin America.

Table 1: Employment Share of the RNAs (Total and by Sectors) in Selected Countries of Asia-Pacific Region

Country	Year	Percentage of Non-farm Employment in Total Rural Employment	Sectoral Breakdown of RNA Shares			
			Manufacturing	Construction	Trade Transport	Services
Bangladesh	1991	34.0	39	12	25	24
China	1986	20.0	42	N/A	N/A	27
India	1993	23.1	30.7	11.6	25	26
Indonesia	1995	36.9	23.8	9.4	31.7	24.2
Malaysia	1980	49.0	10.0	N/A	N/A	N/A
Pakistan	1992-93	36.2	19.0	19.4	32.0	26.8
Philippines	1985	33.0	20.9 ^(b)	11.5 ^(b)	25.0 ^(b)	32.0 ^(b)
Sri Lanka	1981	46.0	19.8	6.6	25.0	25.2
Thailand	1996	50.0	30.3	21.5	27.2	19.7
Vietnam	1993	70.0 ^(a)	N/A	N/A	N/A	N/A

Notes: (a) Both primary and secondary sources of employment
(b) 1980 figures

Source: Rosegrant and Hazell 2000; Lanjouw and Lanjouw 2001

Despite considerable inter-country differences in definitions, the composition of the RNAs exhibits notable similarities across countries in the Asian region. As seen from Table 1, three major sectors such as manufacturing (mostly rural industries), trade and services dominate the rural non-farm economy in most countries. However, there is some evidence showing a shift in composition of RNAs from manufacturing towards trade and services in the small localities with progress in development (Lanjouw and Lanjouw 2001). In the rural towns in India, for example, trade and services are the dominant sources of rural non-farm employment compared to household manufacturing activities in the rural areas (Rosegrant and Hazell 2000). Employment in non-farm activities grew from 5 per cent of the total labour force to 20 per cent in China between 1976 and 1990 (Yusuf et al 1996). By the end of 1994, the non-state sector which is largely rural-based is reported by the same source to account for 60 per cent of industrial product and over a quarter of the manufactured exports.

2.3 Income Shares of RNAs

As sources of diversified livelihoods, RNAs make important contributions to the incomes of the rural population in the developing countries in various regions of the world. On a region-wise basis, Davis (2004) quotes the FAO estimates of RNA income shares to be 32 per cent for Asia, 40 per cent for Latin America and 42 per cent for Sub-Saharan Africa. Within Asia, the figures reported by the same source are 35 per cent for East Asia and 29 per cent for South Asia. ADB (2000) puts the Asian average of RNA income shares in total rural income to vary between 25 to 50 per cent.

While the income shares serve as the more useful guides to the relative economic importance of the RNAs, data on them are more scanty and rarely available at the country level. Based on household income and farm-level surveys, some scattered evidence at the country levels is presented on the income shares of the RNAs in Table 2. RNA income shares are claimed (Rosegrant and Hazell 2000) to be generally 5 to 10 per cent higher than employment shares in the rural areas and account on an average for one-third to half of the rural household incomes. Like employment shares, income shares of RNAs are also found to be growing overtime. Hazell (2001) notes, for example, that non-farm income shares among the farm households appeared to increase from 18 per cent in 1971 to 46.3 per cent in 1991 in Korea. Similarly, Estudillo and Otsuka (1998) found the non-farm income shares to rise from 27 per cent in 1996 to about 51 per cent in 1994 in the Central Luzon areas of the Philippines. A strong growth in the income shares of the RNAs in Northern India between 1957 and 1993 is also documented by Lanjouw and Sterh (1998).

Table 2: Income Shares of RNAs at Country Level

<i>Country</i>	<i>Year</i>	<i>Percentage of RNA Income</i>
China	1990	47
India	1981	34
Nepal	1995	20
Philippines	1985	56
South Korea	1991	46
Thailand	1998	43

Source: Rosegrant and Hazell 2000; Lanjouw and Lanjouw 2001

Besides raising the earnings levels of the rural households, non-farm incomes also help smoothening and stabilising the income flows received by the agricultural households over the cropping cycle (caused by peaks and troughs in farming activities and consequent labour demand) by spreading risks through diversification. Both seasonal

smoothing and risks diversification directly contribute to welfare increases at constant levels of expected incomes.

The off-shoot of our review of the available empirical works on the economic importance of RNAs in the countries of the Asian region up to this point is that these activities constitute an important part of the rural economy in the Asian countries, accounting for roughly 30 per cent to 50 per cent of incomes and jobs in the rural areas. Commenting on the importance of the RNAs in the East Asian countries, Yusuf and Kumar (1996) remarks that*‘the emergence and multiplication of construction, transport and manufacturing and service-providing enterprises in rural areas are largely responsible for the rural economy’s surge in several major East Asian countries. In China, Thailand, Taiwan, the Philippines and Malaysia rural and peri-urban firms contribute substantially to overall economic growth, provide the lion’s share of productive off-farm employment for the rural workforce and generate a large volume of exports’*

A stark reality is, however, that empirical research on these activities, though growing, is still sporadic and the available database is narrow, weak and quite outdated. Hence commissioning further in-depth and insightful research is called for supporting pro-active policy formulation, especially in the countries of the South Asian region where RNA growth can make potentially significant contributions towards achieving sustained rural development and poverty alleviation.

3.0 Dynamics of Growth of the RNAs

The growth of the rural non-farm economy is noted by most researchers to be inextricably linked with the transformation of the rural economy and society. Indeed, the classic theories of structural transformation of the economy are an important starting point in understanding the dynamics of the RNA development. Leading growth theorists (Chentry et al 1986) suggest that diversification of the national economy is a critical determinant of development in the developing countries. Productivity gains and increased incomes lead to increased demand for non-farm goods and services which stimulate growth of the RNAs in the small market centres and rural towns. The economic transformation resulting from both diversification of farm activities and through the operation of the non-farm enterprises has been going on for long with varying speeds in different countries of the Asian region. In response to the long-term structural changes (i.e. contraction of agriculture in the economy), positive effects of the Green Revolution (i.e. self-sufficiency in the production of food staples) and consequent changes in the supply and demand patterns, many Southeast Asian countries (i.e. Taiwan and Malaysia in 1960s, Thailand, Philippines, Indonesia and Vietnam in 1970s and 1980s) deliberately embraced agricultural diversification and rural industrialisation as strategies for rural development.

Contrary to the narrow view of agricultural diversification implying only increases in the variety of agricultural commodities produced at the farm level, a broader view of

diversification is suggested by Rosegrant and Hazell (1999). According to them, diversification is a process accompanying economic growth in general, characterised by a gradual movement out of subsistence food crops to a diversified market oriented production system triggered by improved rural infrastructure, rapid technological change in farm production, and diversification in food demand patterns. Viewed in this sense, diversification involves the entire rural economy and entails broadening the sources of earning of the rural households. Thus rural income diversification encompasses both agricultural diversification and stimulation and expansion of the rural non-farm sources of income (Goletti and Rich 1998). This perhaps prompts many researchers (i.e. Ellis, 2000; Start, 2001) to regard diversification to be synonymous with the process of evolution of the non-farm economy and hence intimately linked with the various stages of the overall rural development process. This corresponds closely with Daniel Start's (2001) view of diversification which refers to a shift away from traditional rural sectors such as agriculture, to non-traditional, often non-agricultural activities associated with the growth of the rural non-farm economy.

3.1 Diversification and RNA Growth

Diversification can take place at different levels of the economy. Accordingly to Taylor 1994, (quoted in Golette 1999), for example, diversification may occur at micro, regional and macro levels. At the microlevel, the individual households diversify horizontally (toward new farm products) as well as vertically (into non-farm activities) in order to broaden and strengthen their sources of earnings. At the regional level, regions may pursue activities in which they have comparative advantage and may therefore involve specialisation (i.e. rain-fed rice producers may turn into specialised coffee growers). At the macrolevel, diversification implies structural change from farm to non-farm activities either in the rural or urban areas or in the rural towns, carried in order to pursue various objectives in response to the changed market and technological conditions which accompany economic growth.

3.2 'Distress-push' vs 'Demand-pull' Diversification

While diversity in the rural livelihoods pattern underlies as the driving force behind evolution and growth of the RNAs, the motivations, access capabilities and livelihoods trajectories determining the diversification strategies are exceedingly varied. The two contrasting views reflecting different potentials of rural diversity suggested in the contemporary literature (reviewed by Davis and Bezemer 2003) are distinguished by 'demand-pull' and 'distress-push' diversification. *Distress-push* diversification is said to occur when rural households are involved in economic activities that are less productive than agriculture and is motivated by the need to escape further income declines. It generally occurs in an environment of risks, market imperfection and hidden agricultural unemployment and is typically triggered by distressed economic conditions. As such diversification is termed variously such as 'defensive' 'survival' or 'coping strategy' for the rural poor. In contrast, *demand-pull* diversification is identified as part of a growth

strategy for the economy and characterised as being a response to evolving market or technological innovation which offers opportunities for increasing labour productivity and household incomes. This distinction between diversification typologies suggests existence of potential variations in income-diversification relations and outcomes arising from different diversification strategies, geographical areas, household characteristics and socio-economic environment¹⁷.

Not surprisingly therefore, the RNA growth trajectory is likely to be uneven passing through different stages of development affected by levels of agricultural development, urbanisation, rural-urban linkages and overall growth of the rural economy. Daniel Start (2001) claims, for example, that the rural non-farm economy travels through the distinct stages of 'growth', 'demise' and 'recovery'. Pragmatic policy interventions should therefore be fine-tuned to the particular requirements of RNAs at their different stages of growth and evolution in order to ensure desired impacts on rural development and poverty alleviation.

3.3 Staged Model of RNA Development

The emergence, for revival of the RNAs characterising the RNFE growth path, is explained by Start (2001) with the help of a four-stage model. The model basically explains how an agriculturally driven RNA growth trajectory stimulated by production and consumption linkages between farm and non-farm sectors proceed through various stages, as summarised in Table 3.

As seen from the Table 3, in the pre-modern and subsistence societies, 'Stage One', characterised by high remoteness and low level of urbanisation, the size of the RNFE is small and dominated by service provision.

In 'Stage Two' as the agriculture sector grows, accompanied perhaps by growth in some other sectors, productivity increases, surpluses generated, and incomes rise, fuelling rural diversification and expansion of the RNFE.

As development proceeds, in 'Stage Three', urban economy grows, new roads connect the rural areas to the urban areas, the RNFE faces new competitions and tend to decline. Increased rural incomes and purchasing power, preference for urban products and services, reduced transport and transaction costs, and the erosion of protective barriers to rural markets etc. spell the demise of the RNFE.

Finally, in 'Stage Four' as the economic and social costs of urban congestion grow, new generation of RNAs may develop, perhaps benefiting from new outsourcing or clustering arrangements. As rural-urban linkages prosper, urban producers become increasingly

¹⁷ A succinct analysis of the diversification typologies and their potential different impacts on RNA growth and RNA policy processes is available in Davis and Bezemer (2003).

Table 3: Stages of RNA Development

<i>Stage of RNFE Development</i>	<i>Stage of Agricultural Development</i>	<i>Level of Rural Remoteness</i>	<i>Level of Urbanisation</i>	<i>Locus of Non-farm Production</i>	<i>Level of Capital</i>
One- Traditional	Pre-modern & subsistence	High	Low	Rural (RNFE limited by low-purchasing power)	Low: produ
Two- Locally linked	Initial technology-led agricultural growth	High	Low	Rural (RNFE expands through agricultural-led growth)	Low t techno impro
Three- Leakages to urban areas	Improved urban marketing	Low (new roads open urban markets)	Low	Urban (RNFE competed away by urban goods & services)	Medi locati econo must b surviv
Four- New urban linkages	Increasing urban demand	Low	High (congestion & costs rise)	Shift to Rural: Flexible specialisation able to exploit rural advantage	Low t indust moder contra

Source: Start 2001

more dependent on small, sub-contracting and decentralised enterprises in both rural locations and small townships. This, in turn, it provides increased opportunities to the rural workers and producers to link with the urban industries.

The growth, decay and the recovery model implies a sequential process and homogenous pattern of RNFE growth across regions of a country. But as noted by Start, different parts of the economy develop at different rates, and many rural locations will display varying degrees of all the four stages concurrently, including migration to urban points of production. The actual position and mix will depend on the levels of agricultural development, rural incomes, rural infrastructure and urbanisation. While the relevance of Start's stage model in explaining RNFE growth process remains subject to potential strengths and weaknesses of the rural-urban linkages, this provides important guidelines for designing strategic interventions required at different stages of poverty-focused RNA development process.

Oshima (1993) also provides support to Start's stage model of RNA grow, but analyses his ideas somewhat differently. He divides the evolution of non-farm activities into three stages. The first stage is dominated by traditional labour-intensive activities which use little modern equipments. Transport, construction and trading are noted to be dominant activities at this stage.

In the second stage, semi-modern RNAs, developing as a result of agricultural diversification, co-exist with traditional varieties and with the newly growing service activities.

In the third stage, manufacturing activities grow faster than the above two categories, and cottage industries such as handicrafts and artisan activities tend to decline. During this stage, the income shares of the RNAs tend to rise faster and account for a third to more of the rural household incomes. While both the evolution theories are interesting and useful, their universal applicability remains subject to carrying out more research in different geographical regions of the world.

3.4 Drivers of RNA Growth

After having some light thrown on the Regional Growth Linkage Theory and the Stages Model explaining agriculturally driven non-farm growth, the next important question that needs to be asked and answered is: why does RNA growth vary over time and space.

Junior Davis and Dirk Bezemer, cited earlier, distinguish between household/enterprise level factors and village/regional factors that affect economic diversity and RNFE

growth¹⁸. Asset endowments (i.e. land, livestock, and real estate) saving, wealth and income levels, access to markets, human capital attributes (i.e. age, skill and education etc.) and social capital (i.e. social networks and connectivity and individual stock of trust and emotional attachment) are considered as the major enabling factors contributing to household/enterprise level livelihoods diversification efforts.

The important factors stimulating diversification and RNFE growth identified by Davis and Bezemer include endowment of local natural/physical resources, extent and quality of local government support, level of development of physical infrastructures (density of rural roads, telephone networks and households services), proximity to towns and linkages with the urban areas, trade intensities and regional growth, ethnic heterogeneity and occupational specialisation, and gender and cultural aspects etc. which act as important drivers of RNFE growth¹⁹.

4.0 Impacts of RNAs on Rural Development and Poverty Alleviation

In this section, we try to examine how RNFE growth, through generation of employment and income-earning opportunities, contributes to rural development, reducing rural poverty and decreasing inequality. The linkages between rural sector and other sectors of the economy, when viewed in a cross-sectoral context, appear to benefit the entire rural economy through significant income and employment effects resulting from both agricultural and RNFE growth.

4.1 Agriculture-RNFE Linkages and Growth of the Rural Economy

Mellor and Lele (1972) witnessed a virtuous cycle emerging from the Green Revolution technologies (in India) whereby increase in agricultural productivity and farmers' incomes would be magnified by multiple linkages with the RNFE. The linkages are production linkages, consumption linkages and labour market linkages. On the production side, the linkages are both *backward*, via the demand of the growing agriculture for inputs (such as plows, pumps, sprayers, engines, tools etc.), and *forward* via the need to process increased agricultural outputs through spinning, milling and canning by the non-farm enterprises.

Consumption linkages (also termed as 'income' linkages) arise and become important when growing farm incomes boost the demand for a range of consumer goods and

¹⁸ Elaboration as to how the different potential drivers may stimulate economic diversity and RNFE growth is also available in Lanjouw and Feder (2001) and Davis (2004), and ADB (2000).

¹⁹ The important drivers identified as having powerful growth effects on RNFE by Rozegant and Hazell (2000) are production, consumption and labour market linkages of agricultural growth, high population density, developed rural towns, improved rural infrastructure systems and pro-active macro- and trade policies and rural industrialisation policies and support measures.

services produced in the adjacent villages and towns. Diversification of consumption of non-farm foods increases rapidly with rise in per capita incomes, with higher expenditure elasticities for home improvements, durables, services, transport and education, often in excess of 1.0 (Rosegrant and Hazell 2000).

Agricultural growth also influences the supply side of the RNFE through labour markets. With increased productivity in agriculture, either labour is released or wages go up. Further the agricultural surplus generated through increased productivity may be a source of investment funds ('investment' linkages) for the non-farm sector. Thus, growth in the two parts of the economy, farm and non-farm, tend to be mutually reinforcing with employment and incomes increasing in a dispersed pattern. A detailed exposition of how this linkage process works as the principal driver of growth of the RNFE, is presented in the Annex I of the paper.

While all these linkages are important for the development of the RNAs and growth of the rural economy, their strength differs at different locations and the resulting impacts may also vary depending on the conditions reinforcing growth of both farm and non-farm economy. To look into the nature of relationship between growth in agricultural income and that in non-farm employment or income, formal analysis based on econometric studies are required. However, there are not many such studies to enable us to arrive at conclusive judgements. Hence, the need for conducting econometric studies in different countries to highlight the farm-nonfarm growth relations may be emphasised.

Growth linkages between agriculture and RNFE seem to have been most studied in India. The studies conducted by Hazell and Haggblade (1999), Hazell, Ramasamy and Rajagopalan (1992), and Vidyanattan (1983) in different parts of India appear to show that the income multipliers had significant positive impacts (i.e. \$1 dollar increase in agricultural value added leading to an additional \$0.5 to \$1.0 value added in the rural non-farm economy etc.) on the growth of both non-farm employment and income²⁰.

4.2 Productive Efficiency

While assessing the economic contributions of the RNAs to either rural and/or national development, a frequently asked question is whether such activities are more efficient in converting resources into outputs than their urban counterparts or agriculture. This has reference to the degree of techno-economic efficiency of the RNAs.

With the RNAs being notoriously diverse and all-encompassing (from saw mills to computer chip processing), there is wide diversity in production techniques and worker

²⁰ A survey of evidence on this issue in the countries of Asia and other regions is available in Rosegrant and Hazell (2000) and Lanjouw and Feder (2001).

skills used, reflecting different levels of productive efficiencies (usually measured in terms of labour productivity or capital productivity or both) attained. As a result no conclusive judgement on the techno-economic efficiency of the sector as a whole is plausible. Available empirical evidence based on microstudies carried out in Asia and other regions tend to suggest that the non-farm sector is very heterogeneous and consists of exceedingly diverse range of activities which are characterised by wide ranging labour and capital productivities²¹. One can thus think of the RNAs being characterised by a dual structure comprising two different groups of activities: low-labour productivity/low-returns activities serving as residual sources of employment and incomes, and high-labour productivity/high-returns activities serving as highly remunerative, profitable, and growth augmenting activities. While there will always be overlapping cases between the two segments, a number of identifiable attributes (i.e. high-price elasticity and income elasticity, easy capital-labour substitution and high-market demand etc.) should enable the researchers and the policymakers to segregate RNAs into distinct categories with varied prospects for long-term growth and expansion.

4.3 Poverty and Inequality

The RNAs are considered as potential sources of reducing poverty and income inequality. However, the impact of RNFE on income inequality and poverty is much less clear as the empirical evidence obtained from the contemporary literature on the issue is mixed²². The distributional impact of the RNFE is closely linked to the type of RNAs. For example, as high-productivity activities (i.e. manufacturing in rural towns, milling, metal fabrication etc.) and high returns generally accrue to the relatively wealthy persons, their growth tends to increase inequality in rural incomes. The studies carried in two provinces of China (Guangsu and Sichuan), in Palanpur Village in North India, in Java, Indonesia, in Kutus Town in the Central Province of Kenya and in Burkina Faso by leading researchers in the field found off-farm incomes to be inequality increasing²³. As the poor do not typically possess the capital, skills and contacts required to enter into such activities, they usually do not benefit directly from such occupations. The land-rich, wealthy and educated households tend to benefit more from the high-profile RNAs. In the low-productivity/low-return activities, which are easily accessible by the rural poor and the landless with modest assets and skills, the benefits generally go directly to the poor, serve to reduce poverty and have an equalising impact on rural incomes.

Important studies providing evidence as to the rural poor, the urban poor in rural towns, near-landless, landless and women households being directly benefited and earning major

²¹ A survey of the relevant empirical literature on this issue is available in Lanjouw and Lanjouw (2001).

²² The findings of these studies are summarised in Lanjuow and Lanjuow (2001).

²³ The findings of these studies are summarised in Lanjuow, P. (2001).

shares (as much as 88%) of their members by engaging in the low-productive activities (i.e. weaving, pottery, food preparation and processing domestic and personal services) in parts of India, Korea, Taiwan, Thailand, Vietnam, Ecuador and El Salvador are also reviewed and summarised by Lanjuw, P. (2001). While non-farm employment is more important to women in many developing countries, their concentration is high in the household cottage industries and services and trade activities where participation does not require working outside the home and breaking social customs. Rosegrant et.al. (2000) finds trade to be more important for women in the Southeast Asian countries than in the South Asian countries and transport and construction activities to be much less important in the Asian region as whole.

Available evidence suggests therefore that while the low-productivity RNAs serve as a safety net to the rural poor that prevent more rural households from falling below the poverty line, it is not possible to judge conclusively whether the RNAs as a whole are income inequality increasing or decreasing. However, the pro-poor impact of the RNAs is observed in most studies, and a recent shift in the attitudes towards the RNAs from viewing them as ‘symptoms of backwardness’ towards an ‘engine of growth’ of the rural economy and lifting the poor out of poverty is also noted (Lanjuow, P. 1998). While the traditional view relates to the low productivity/low returns, poverty refuge; distressed-push category of RNAs, the recent view connects to the high-growth/high returns, innovative, demand-pull type of RNAs.

This diversity in RNFE composition and its variable impacts suggest that there is no single formula or any ‘fit-all’ strategy for RNA promotion by the policymakers. Different activities, different locations and different sectors prevailing at different stages of development will require different interventions and strategies.

5.0 Policies and Strategies for Supporting RNA Growth

Despite being an important component of the rural economy in rural Asia and also having significant potentials for future growth, promotional policies for these activities have neither been well-defined nor in most cases even clearly conceived. As the RNAs are extremely heterogeneous, consist of ‘dynamic’ as well as ‘residual’ categories and display varying growth performance and prospects at household, regional and national locations, it is difficult to identify their economic base, linkage potentials and contributions to growth and equity. As such policy formulation for them does not always appear to be on RNA development per se, but in most cases on the broad sources of rural livelihoods, especially for the poor. Because of being treated as a ‘subordinate’ and ‘ancillary’ entity of the rural economy, especially agriculture, policymakers in most countries have accorded little or no explicit attention to RNFE development, while

formulating their agricultural, industrial or overall rural development policies²⁴. Consequently, development of RNAs in these countries remained mostly as an ‘afterthought’ or ‘Appendix’ to the overall national development policies. Not surprisingly, a host of both supply and demand related constraints continued to stand in the path way of rapid growth of the RNA sector.

While different studies prepare different list of priorities of the bottlenecks to RNA growth, the major supply side constraints appear to relate to lack of access to physical and human capitals, institutional finance and credit, use of outmoded technology and skills, low productivity, minimum access to physical infrastructure and services, and discriminatory incentives (i.e. tariffs and subsidies). On the demand side, lack of adequate access to both domestic and external markets, poor product quality, design and standards etc. resulting from the absence of effective market access and market promotion facilities, work as the major impediments to RNA growth²⁵. A holistic approach integrating supply, demand, policy and implementation/governance issues determining RNA growth and expansion is thus needed for designing comprehensive policies and incentive structures.

5.1 Current Policies and Interventions

As far as the past experiences in the recent decades are concerned, the overall macropolicy regime (i.e. trade and industrialisation policies) being implicitly or explicitly biased against agriculture, the RNFE development programmes were being undertaken in a policy environment which was biased against them. Since RNA growth is dynamised significantly by agricultural growth, it suffers as a result of the policies that discriminate against the agricultural sector. Moreover, distortions in other policies such as subsidised credits and interest rate ceilings, minimum wage legislations etc. distort the relative costs of capital and labour and face the small enterprises with adverse capital/labour ratios. However, the macroeconomic shifts resulting from trade liberalisation policies since mid-1980s have led to positive growth multiplier benefits for the overall rural economy as well for the RNFE. Indeed, the rapid growth (varying between 3% to 5%) in the RNFE in some of the Southeast Asian countries (i.e. Indonesia and Korea) in early 1990s is attributed to the net positive impact of policy reforms in agriculture and the RNFE.

²⁴ A detailed survey of the relevant studies of the 1980s in this regard is available in Ahmed (1993/96).

²⁵ A succinct analysis of the operational constraints prohibiting unleashing of the growth potentials of the RNAs in Bangladesh and elsewhere is available in World Bank (2004).

In recognition to the important potential role played by RNAs in employment creation and containing rural-urban migration, many governments made direct policy interventions to foster RNA growth. The typical interventions included:

- i. establishment of industrial estates in the rural areas and small towns to provide preferential infrastructure support and technical assistance to the RNAs
- ii. subsidies, tax breaks and foreign exchange licences
- iii. subsidised credit programmes
- iv. other selective interventions such as, reservation of certain products for the small enterprises in India
- v. Sub-contracting arrangements between large urban-based firms and small scale non-farm units in rural areas in Japan, Taiwan and South Korea

However, the experiences with direct support programmes for the RNAs, especially small rural industrial enterprises have been mixed and led to generally unsatisfactory results in most Asian countries except China, Taiwan and Japan²⁶. The policy of reservation of products for the small industries in India, for example, led to substantial employment creation but impeded technological progress and productivity growth. Similarly, the industrial estates programmes have been too expensive and also benefited the medium and large producers as opposed to the targeted small enterprise owners in most cases.

Currently, microfinance (also termed ‘minimalist credit’) geared to assist the small and part-time RNAs (especially among women and the poor) have been popular worldwide. While the programme has been widely acclaimed for leading to favourable poverty reduction impacts, their potential impacts on the long-term growth in employment and income remain questionable as most of these activities produce regional non-tradables which face local demand and are constrained by market access problems.

Another important lesson emerging from our survey of RNFE growth experience is that there is an institutional vacuum and fragmentation of implementation responsibilities among different stakeholders. As the RNA sector spreads over nearly all economic sectors (agriculture, industry and services), it is not clear where the institutional responsibility for this sector belongs. For example, over a dozen line ministries do something or the other directly or indirectly in the RNA promotion-related activities in Bangladesh. Thus the RNA sector being everybody’s baby, tends to become nobody’s

²⁶ An analytical survey of the RNA policies and their impacts in the Asian countries has been done by Rosegrant and Hazell (2000).

baby²⁷. Thus, because of huge diversity and the multi-sectoral and geographically scattered nature of promotional support needed, the issue of effective delivery of promotional services becomes particularly challenging which seems to have remained unmet because of lack of coordination and a strategic approach to institutional partnership building among various stakeholders.

Based on our review of the major contemporary works on RNAs and the important lessons derived from them, we can now put together a few policy conclusions and recommendations for RNA promotion in future especially in the light of globalisation and challenges and opportunities arising from it.

6.0 Conclusions and Policy Recommendations for Promoting RNAs in the Asia-Pacific Region

The RNAs are integral components of the rural economies in the Asian countries, providing between 30 to 60 per cent of jobs and rural household incomes. These activities are in general dominant in rural manufacturing (agricultural processing) trade and service activities. They are highly diverse, consist of small-scale enterprises, using little capital and simple technologies, dispersed over wide geographical areas covering rural areas and small towns, and characterised by dichotomous features such as low-productivity/low-returns and high-productivity/high-returns activities. As such, the RNAs have varying prospects for growth, depending on their operational characteristics, locational points, and degree of connectedness (linkages) with agriculture and other non-agricultural pursuits.

Available evidence on the contributions of the RNAs towards accelerating overall rural development and reducing poverty and income inequality is mixed and thus inconclusive. However, the recent views on this is positive and tend to perceive them as dynamic elements of pro-poor growth rather than refuge of the destitutes.

Thus, development of a dynamic RNA sector deserves explicit recognition in national development strategies and inter-connectivity between RNAs, agriculture and industrial sector need be consciously recognised, while formulating sectoral development policies and strategies. In other words, a virtuous circle of broad-based, pro-poor farm and non-farm growth needs to be created to ensure a balanced and simultaneous development of the farm and non-farm sectors.

²⁷ This point is succinctly analysed and illustrated in my (Ahmed 2003) work on Bangladesh.

6.1 Policy Approaches and Interventions

A very pertinent issue regarding RNAs development policy formulation is that the policy design must be based on an adequate and reliable database. Unfortunately, paucity of information is a perennial problem affecting RNA development efforts everywhere. This implies the need for undertaking research studies to create a necessary benchmark and set up a mechanism for periodical updating of the benchmark for policy design purposes.

In view of the high degree of diversity, diverse range of support service requirements and the corresponding wide array of operational constraints facing the RNAs, there can be no 'one size fits all' strategy for promoting these activities. For the same reason, it is also not possible to propose a single detailed policy blueprint or one 'simple policy bullet' to foster growth of the RNA sector. Instead, the policy interventions have to be designed and fine-tuned to the specific needs of the RNA sub-sets located in different locations across countries and across regions within countries²⁸. Going a step further Davis (2004) suggests a framework towards prioritising RNA development policy interventions, based on the criteria of phase of development or geographical characteristics of the RNAs. With some adjustments, the prioritisation method is illustrated in Appendix-2.

The important elements of the proposed pro-active policy interventions may include the following²⁹:

- Giving high priority to broad-based agricultural growth which works as the most important impetus for the growth of most RNAs through linkages.
- Development of rural physical as well as social (i.e. education and training) infrastructure is required to ensure free flow of goods, especially agricultural inputs and outputs, and services between rural areas, small towns and urban areas. Local towns also need to have good infrastructural facilities to attract new firms and help them grow. Free flow of information on market opportunities relating to markets for rural products in both domestic and export markets is also crucially important. Efforts to improve education and training facilities in the rural areas may

²⁸ An important caution to be urged is that steps must be taken to remove all anti-rural biases in the existing macroeconomic and trade policies so that the current rural investment climate improves and encourages the small producers and entrepreneurs to engage in economic activities in the rural areas.

²⁹ Based on his 'stage model', Daniel Start, for example, suggests four different types of strategic interventions for RNA development:

- i. to remove general constraints to growth
- ii. to facilitate rural-urban linkages
- iii. to stimulate enterprise growth
- iv. to design sector or sub-sector specific interventions

go a long way towards promoting growth of high-productivity RNAs through imparting technical, entrepreneurial and managerial skills to the potential small entrepreneurs.

- Promotion of a sound legal and regulatory environment (to secure property rights and enforce contracts) and effective financial institutions will facilitate growth of trade, commerce and manufacturing activities in the rural areas and townships. Mobilisation of small savings and large capital surpluses need to be pursued to encourage investments in the rural areas.
- In order to level the playing field between small manufacturing enterprises and other non-farm activities (i.e. trade, commerce and services and construction activities) the rural industrialisation policies need to be more inclusive and should be more 'rural enterprise' oriented rather than 'rural industries' oriented. Recent examples from China's experiences in promoting private enterprises, specialising in services, trade and construction activities are instructive in this regard. A combination of macropolicy changes, strengthening local government, decollectivisation of farming etc. led to rapid growth of the non-farm economy in China.
- Finally, creation of an effective and efficient institutional network in the rural areas is highly significant in influencing the livelihood patterns and strategies of the non-farm rural households. A favourable institutional environment greatly determines the access to and utilisation of the local resources (natural, economic, human and social). A sufficiently decentralised governance system handled by a well-coordinated group of functionaries representing all public and private sector stakeholders is crucially significant towards successful implementation of RNA development policies and programmes.
- At the national level, there may perhaps be one single line ministry or government agency as the national focal point specifically mandated to carry out the tasks of RNE development instead of the current practice of such tasks being the diluted responsibilities delegated to too many agencies. However, coordination and cooperation with other relevant line ministries and departments whenever desirable is not being discouraged.

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Linkages between Agricultural Growth and the Rural Non-farm Economy

In the process of transformation of the rural economy, the expansion of the rural non-farm economy is one of the most important steps by which agricultural growth generates economic growth. In its early stage of transformation, the non-farm economy produces mainly regional non-tradable goods and is therefore dependent on agricultural production and farm incomes for its demand. The farm sector can contribute to the growth of the non-farm sector through linkages via production, consumption, and factor markets.

As agriculture grows, it will use more inputs supplied by the non-farm firms. At the same time, it stimulates forward production linkages in the non-farm sector by providing raw materials for processing and distribution. Demand for inputs varies across agricultural zones and with technological change. Irrigated agriculture demands considerably more inputs than rain-fed agriculture, while mechanised and animal traction systems require more tools, equipment, and repair services than hand-hoe cropping systems do. Technological change strengthens the linkage as it increases the demand for modern inputs, e.g., improved seeds, fertiliser, and pesticides.

As farm incomes grow, consumption increases; more important, it diversifies into non-food goods and services, many of which are produced by rural non-farm firms. The strength of the consumption linkages depends not only on the level of per capital farm income, but also on how that income is distributed. Broad-based agricultural growth involving small and medium-sized farms has the strongest consumption linkages to the rural non-farm economy, since it allocates large shares of farmers' incremental income to locally produced goods and services.

Agriculture also affects the rural non-farm economy through the labour and capital markets. Agricultural wages determine the opportunity cost of labour in the non-farm sector, while seasonality of labour demand in agriculture affects availability. Nevertheless, wages can increase if the non-farm economy is expanding due to increased demand and increasing labour productivity. This is a 'pull' situation where the non-farm sector is attracting labour out of the farm sector to better-paying jobs. Therefore, wages in the non-farm sector will be higher than wages in the agricultural sector.

A converse or 'push' situation can occur if there is a growing surplus of rural workers that the agricultural sector is unable to absorb at the prevailing wage. Workers are 'pushed out' of agriculture into low-productivity work in the rural non-farm economy. Since the push is from agriculture, farm and non-farm wages are likely to be the same.

Source: ADB. 2000. A Study of Rural Asia: An Overview beyond the Green Revolution. *Internet Version*.

Phase and Context of RNFE Development: Prioritising Policy Interventions

Phase and context	RNFE	Policy implications
1. Isolated rural economy, little development or 'Remote Areas'	<ul style="list-style-type: none"> • Highly diverse, since needs to produce for most of the village • Main products: construction materials, utensils, tools, furniture, clothing • Services: repairs, construction, transport, trading • Education, health and healing, religious, entertainment • Migration may be important source of funds 	<ul style="list-style-type: none"> • Investments in basic physical infrastructure, especially roads • Education and primary health care, including vaccination campaigns • Drinking water and sanitation
2. Rural economy becomes more closely connected with urban economy or 'Middle countryside'	<ul style="list-style-type: none"> • Imports from urban industry replace some local (artisan) manufacturing, e.g. textiles, pottery, plastic goods and ironmongery • Increased local purchasing power stimulates some parts of the RNFE, above all retailing, construction, transport and entertainment • Increasing government spending on formal education, health services, physical infrastructure and utilities 	<ul style="list-style-type: none"> • Supply-side policies: • Remedying market failures, above all in financial markets • Possible input supply and marketing • Formal institutions: Property rights, weights and measures • Expanded and improved physical infrastructure including telecommunications and electrification and social investments
3. Rural economy well integrated into national economy or 'Peri-urban areas'	<ul style="list-style-type: none"> • RNFE becomes larger, driven by increased local and government spending, but becomes more specialised as goods and services are brought into the village or else villagers travel to urban centres to seek goods and services • RNFE thus focuses on non-tradables, e.g. retailing, transport, education, health and construction • Emergence of new opportunities in leisure and tourism • In peri-urban areas, provision of urban services in housing • In some cases, decentralised manufacturing set-up in rural areas seeking lower labour and land costs • Operates on sub-contract to urban firms • Government spending may become a significant fraction of rural incomes, if policy is to provide comparable services in rural areas to those in urban areas 	<ul style="list-style-type: none"> • Maintenance of physical infrastructure and supply of social investments • Facilitating private investment, information flows – generally trying to reduce transaction costs • Land-use planning and regulation in peri-urban zones

Source: Davis, J.R. 2004. *The Rural Non-farm Economy, Livelihoods and their Diversification: Issues and Options*. Natural Resources Institute. DFID.

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