Poverty Alleviation through Agricultural Projects

Emmanuel D’Silva
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Report on a seminar held jointly by
The Asian Development Bank
The Centre on Integrated Rural Development for Asia and the Pacific
and
The Economic Development Institute of The World Bank

Emmanuel D' Silva
Kaye Bysouth

The World Bank
Washington, D. C.
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Contents

Foreword  v
1. Introduction and Overview  1
2. Review of Asian Experience in Poverty Alleviation  5
3. Macroeconomic Policies and Poverty  10
4. Agricultural Planning and Sector Policies  15
5. Poverty and Access to Resources  20
6. Gender and Rural Poverty  30
7. Beneficiary Participation: Involving the Poor in Project Design and Implementation  37
8. Replication of Successful Projects  46
9. Seminar Conclusions and Recommendations  50

Bibliography  54

Annexes

A. List of Participants, Resource Persons  57
B. Seminar Program  63
C. Participants’ Action Plans  67
Foreword

This document is one of a series reporting on policy seminars organized by the Economic Development Institute of the World Bank. Policy seminars provide a forum for an informal exchange of ideas and experiences among policymakers from different countries, leading experts in development, and World Bank staff, with respect to major issues of development policy.

Policy Seminar Reports focus on issues raised during seminars that may be of interest to a wider audiences. They are not intended to be comprehensive proceedings. However, they seek to convey the essence of the discussions that took place and to bring out any principal areas of agreement or disagreement that emerged among those participating.

Amnon Golan
Director
Economic Development Institute
Introduction and Overview

Of the estimated 1 billion people in the developing world who survive in conditions of extreme poverty, 70 percent live in Asia. The majority of these people live in rural areas; agriculture is their main occupation. Most of the rural poor are small and marginal farmers, landless agricultural workers, fisherfolk, artisans, female-headed households, the aged and infirm, and children. The incidence of poverty is highest among female heads of households and children.

After three decades of development, both developing countries and major development finance institutions are recognizing that the strategies of economic growth (1960s), income redistribution (1970s) and economic adjustment (1980s) have failed to alleviate poverty. In South Asia, 47 percent of the total population still live below the poverty line. Policy makers are now raising fundamental questions about the causes of poverty and the techniques and strategies which need to be pursued in order to tangibly and irreversibly improve the quality of life of the rural poor.

The seminar on "Poverty Alleviation through Agricultural Projects" provided thirty development practitioners with an opportunity to consider strategies, policies, and practices that help alleviate rural poverty. Participants from twelve countries came to the seminar held in Comilla and Dhaka, Bangladesh during October 15–26, 1990. They were mainly middle-level officials drawn from the agriculture and related ministries and their line agencies (see Annex A for list of participants).

The seminar was a collaborative effort of the Asian Development Bank (ADB), the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP), and the Economic Development Institute (EDI) of the World Bank. It was a follow-up to two previous senior policy seminars—one on rural development organized by CIRDAP and EDI, and the other on "Access to Land" organized by EDI, CIRDAP, and the Royal Tropical Institute of the Netherlands. The seminar's four main objectives were to:

a. Provide exposure to current thinking on poverty;

b. Assess Asian experiences in alleviating rural poverty;

1
c. Draw lessons from agricultural projects that have successfully incorporated poverty and gender concerns in project design and implementation; and

d. Review alternative approaches to alleviating rural poverty.

Using the *World Development Report 1990* (WDR) of the World Bank and the *Human Development Report* (HDR) of the United Nations Development Programme for background, participants deliberated on an array of macroeconomic, sectoral and project issues to understand their effects on rural poverty (see Annex B for the seminar program). They also drew up specific actions that government Ministries, line agencies, and other entities could take (see Annex C for participants' action plans).

The seminar raised four key issues of relevance to policy makers, program implementers, project managers, and others concerned with poverty alleviation.

First, poverty cannot be measured by income alone. Because of the multidimensional nature of their poverty, other proxy measures need to be taken into account; these include literacy, nutritional status, and life expectancy (as suggested by the World Bank's WDR 90). It is also important to focus on people and the choices they are able to make (as highlighted by the UNDP's HDR).

Second, poverty cannot be alleviated through a short-term, piecemeal approach. Poverty alleviation does not simply mean short-term relief and the satisfaction of basic human needs, but also the development of strategies for increasing the long-term productive potential, and therefore the incomes, of the rural poor. It is necessary to integrate macroeconomic policies, sector planning, and sound project interventions in order to achieve this long-term goal.

*Macroeconomic policies* that succeed in achieving high growth (e.g. in Malaysia and Thailand) can help reduce poverty levels. Emphasis on equity and welfare (e.g. in China and Sri Lanka) can also reduce human deprivation. It is difficult to maintain high welfare expenditures without sustained economic growth; while growth may be an essential condition for poverty alleviation, however, it is not a sufficient condition.

*Agricultural planning* needs to be restructured to give more weight to small farmers who constitute, on average, 70 percent of all farmers in Asia, contribute 30 percent to GDP, but get only 15 percent weight in the planning process. The weights in planning should correspond to the small farmers' contribution to the economy. This would call for reallocation of existing resources, not allocation of additional resources.

For *project interventions* to achieve their development goals, their forward and backward linkages need to be carefully considered. For projects to be successful, the economic and social objectives need to be balanced; gender
issues need to be taken into account; and potential beneficiaries need to be involved in project design and implementation.

Third, agricultural projects constitute one of the many means available to governments for alleviating rural poverty. However, such projects often ignore the needs of the landless and near landless. Off-farm, non-agricultural employment is needed by the rural poor in many countries either to supplement, or to substitute for, farm incomes.

Fourth, the role of the public sector in poverty alleviation needs to be reconsidered. Evidence from Asia indicates that the impact of government programs has not been commensurate with the human and financial resources employed. A lack of political commitment, weak institutional structures, inadequate delivery systems, indifferent staff attitudes, and financial leakages and malpractices have undermined the effectiveness of government programs in many countries.

The organizational framework for the seminar—the approaches taken and the issues raised—is shown in a scheme on the next page.
## Poverty Alleviation through Agricultural Projects

### The Seminar Framework

<table>
<thead>
<tr>
<th>Approach</th>
<th>Issues</th>
<th>How Tackled at Seminar</th>
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<tbody>
<tr>
<td><strong>Macro</strong></td>
<td>• Multidimensional Aspects of Poverty&lt;br&gt;• Relationship between Poverty and Economic Growth&lt;br&gt;• Conceptual and Measurement Issues on Poverty</td>
<td>Presentations on the World Bank's <em>World Development Report 1990</em> and UNDP's <em>Human Development Report</em> (see Chapter 2)&lt;br&gt;Paper and discussions on &quot;Alleviation of Rural Poverty, Growth, and Macroeconomic Policies&quot; (see Chapter 3)&lt;br&gt;Short lecture on concepts and measurement tools (see Chapter 2)</td>
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<td><strong>Sector</strong></td>
<td>• Agricultural Development and Rural Poverty, Need for Restructuring Agricultural Planning&lt;br&gt;• Small Farmers: How can Agricultural Planning and Policies help?&lt;br&gt;• Landless Poor: Access to Land, Common Property, other Resources</td>
<td>Paper and discussions on &quot;Restructuring of Agricultural Planning&quot; (see Chapter 4)&lt;br&gt;Group discussions on restructuring agricultural planning and policies (see Chapter 4)&lt;br&gt;Paper on &quot;Poverty and Access to Land&quot; (see Chapter 5)</td>
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<tr>
<td><strong>Projects</strong></td>
<td><strong>Some Critical Factors:</strong>&lt;br&gt;• Beneficiary Participation&lt;br&gt;• Gender Concerns&lt;br&gt;• Replication of Successful Projects/Models</td>
<td>Case Study on &quot;Farmers' Participation in Irrigation Management in the Philippines&quot; (see Chapter 7)&lt;br&gt;Paper on &quot;Gender and Rural Poverty Concerns in Asia&quot; (see Chapter 6)&lt;br&gt;Case Study for Field Visit to the Deedar Cooperative (Bangladesh); Presentation on the Grameen Bank; Panel discussion on the problems of replicating successful projects/models (see Chapter 8)</td>
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2

Review of Asian Experience in Poverty Alleviation

In 1990, two major studies were produced assessing the performance of developing countries in poverty alleviation: The World Development Report 1990 (WDR) by the World Bank and the Human Development Report 1990 (HDR) by the United Nations Development Programme. Both reports emphasized the importance of studying the multi-dimensional aspects of poverty, (nutrition, life expectancy, literacy) rather than simply focusing upon income levels. Many poor people do not belong to the monetized economy; others finance their consumption by borrowing and maintaining high levels of personal debt.

The World Development Report

Using consumption criteria the WDR notes that considerable improvements have been achieved in the standard of living in the developing world. Consumption increased by 70 percent between 1965-1985. Life expectancy increased on average from 49 years to 57 years during the same years; China achieved an astounding increase in life expectancy to 69 years during the same period. Poverty levels overall appear to have decreased. In Malaysia the proportion of people living below the poverty line decreased from 50 percent to 25 percent from 1965 to 1985. In Indonesia the percentage of people living in poverty dropped by 41 percent between 1970 and 1987; in Pakistan the percentage dropped by 20 percent during the 1960s and 1970s.

Despite the decline in percentages of people living in poverty, however, the total number of people living in poverty in developing countries stood at 1.1 billion people in 1990; 70 percent of these people live in Asia. In South Asia 47 percent of the population live in poverty. In Africa, an overall increase in the growth rate of poverty is causing concern among policy makers in that continent.

The WDR considers the mechanisms which Governments have at their disposal for overcoming poverty. Four measures are identified as having major potential to increase the incomes of the rural poor:

a. increasing the demand, and therefore, the price for those factors of production that the poor own (e.g., their own labor);
b. transferring physical assets to the poor (e.g., land);
c. providing social services to the poor (e.g., education) and;
d. transferring current income to the poor (e.g., through cash or food subsidies).

Projects are one instrument which Governments can use in order to implement these policies. It is therefore important to consider the factors which render projects, particularly agricultural projects, successful or otherwise. Experience suggests that approaches that involve the poor in the design, implementation and evaluation of projects have been largely successful, particularly for the less complicated projects. Projects which have incorporated gender issues, as well as projects which make more and better use of human labor, have also proven effective.

The WDR notes that the major obstacle to alleviating poverty is not so much the availability of financial, human and capital resources. The main constraint is lack of commitment among governments, individuals and organizations to achieving the goal of an end to poverty.

The Human Development Report

The Human Development Report (HDR) notes that during the 1950s and 1960s the success of development initiatives was measured by GNP per capita; poverty alleviation was assumed to take place as a result of the trickle down of benefits produced as a result of rapid economic growth. In the 1970s there was a shift towards greater concerns with socioeconomic factors, such as income distribution and the physical quality of life. In the face of continuing, entrenched poverty, the HDR argues that greater emphasis must now be given to people and the choices that they are able to make.

The HDR argues that human development is a process of enlarging peoples choices. Given the choice, poor people would wish to:

a. lead a long and healthy life;
b. receive education;
c. have access to resources needed for a decent standard of living.

There are, of course, other choices relating to political freedom, human rights, self respect, which people would ideally like to be able to make, but the above three choices are considered to be the priority.

The HDR argues that the measurement of GNP per capita provides only a limited indication of the degree of human choice which exists in a society. Income is only a means to an end; it is the uses to which income is put that determine the level of human development, not the income per se.
From this perspective, human development is measured in this Report not by the yardstick of income alone but by a more comprehensive index—called the human development index—reflecting life expectancy, literacy and command over the resources to enjoy a decent standard of living. The Report analyzes the record of human development for the last three decades and the experience of 14 countries in managing economic growth and human development.

The Report concludes that developing countries have made significant progress towards human development and that North/South gaps in basic human development have narrowed considerably in the last three decades, even while income gaps have widened. The Report notes, however, that averages in human development conceal large disparities (e.g., between urban and rural areas, between men and women, the rich and the poor). It is noted that quite respectable levels of human development can be achieved even at fairly modest levels of income growth (citing Sri Lanka as an example). The link between economic growth and human progress is not automatic; what really matters is not the level of economic growth, but the way in which the economic growth is managed and distributed for the benefit of the people.

When focusing upon poverty alleviation the Report argues that social subsidies are absolutely necessary for poorer income groups and that the poorer developing countries can afford these subsidies. The Report notes, however, that a favorable external environment is vital to support human development strategies in the 1990s (e.g., transfer of resources from the richer to the poorer countries; fair commodity pricing, etc.) Some developing countries, notably in Africa, need external assistance more than others in order to achieve human development goals.

On the question of the nature of development interventions required to alleviate poverty, the Report notes that technical cooperation must be restructured if it is to help build human capabilities and national capacities in developing countries. A participatory approach, including the involvement of NGOs, is crucial to any strategy for successful human development. Finally, the Report argues that sustainable development strategies should not only meet the needs of the present generation, but do so without compromising the ability of future generations to meet their needs.

Conceptual and Measurement Issues

The need to measure poverty in order to develop policies and programs designed to alleviate poverty raises challenging conceptual issues. What is poverty? Who are the poor? What are the causes of their poverty? How is it possible to gauge changes in the magnitude of poverty? Dr. M.G. Quibria of the Asian Development Bank presented some of the conceptual and measurement issues on poverty.
**Absolute poverty** is defined as the inability to obtain the minimum necessities for the maintenance of merely physical efficiency. **Relative poverty** is defined as the inability to attain a given, minimum contemporary standard of living. Whereas the concept of absolute poverty tends to identify those people who are literally starving, the concept of relative poverty identifies those people who are the poorest within the overall pattern of income distribution within a given country. The concept of relative poverty recognizes that items considered to be a necessity in one country may well be a luxury in another.

In order to avoid irreconcilable arguments about absolute and relative poverty between countries, the poor and non-poor are generally defined within each country by establishing a definition of a minimum standard of living—a **poverty line**—relevant to that country. Any person having a standard of living which falls below the minimum acceptable level is considered poor.

Ideally, establishment of a poverty line requires definition of the various components of a standard of living (food, health, education, clothing, fuel and transport, etc.) and agreement on what constitutes a minimum acceptable level for each of these components. The complexities of this process, however, coupled with the recognition that the failure to satisfy an item of basic needs may arise from individual preference rather than from stringency of income, has led to greater reliance being placed upon a single index, the scalar norm of poverty measurement.

This approach seeks to record disadvantage in terms of total household income or expenditure. Income, which includes both savings and dissavings, is thought to be a better measure of a living standard. However, difficulties experienced in achieving accurate income estimates has led to a far greater reliance upon expenditure as a more appropriate indicator of welfare. The most popular approach is to determine the minimum expenditure necessary to satisfy minimum nutritional intake. The minimum food expenditure thus calculated is then ‘grossed up’ by an appropriate portion to allow for non-food requirements.

The noted economist, A.K. Sen, has identified the desirable properties of a **poverty measure**, which include the sensitivity of the measure to the number of poor, to the severity of poverty and to the distribution of income among the poor. While Sen proposed a distribution sensitive index which captures both the number of people living in poverty and also measures the severity of the poverty, it suffers from a number of practical deficiencies. The measure which is used far more widely today, is the additively separable measure proposed by Foster, Greerer and Thorbecke which involves several subgroup measures which can be aggregated to yield a single measure of poverty for the population as a whole.
If governments are to alleviate poverty or to assess the effectiveness of policies in alleviating poverty, they not only need to accurately measure poverty, but also to identify who the poor actually are. Recent empirical studies on poverty in South and Southeast Asia identify a number of important characteristics of the poor. Poverty is primarily a rural phenomenon, and correlates directly with family size and inversely with the number of earners in a household. Poverty is highest among female headed households and the landless.

A sharp distinction must also be made between those who are chronically poor and those who are temporarily poor. Those who are chronically poor would be poor even in a world free of market distortions of any kind, and even if they made the best of their opportunities. Those who are temporarily poor are poor because of the distortions or market imperfections of their inability to avail of the opportunities open to them. This distinction has important implications both for measurement of poverty and for policies for its alleviation. To lift the chronically poor out of their poverty it is necessary to have a targeted policy of asset transfers (or equivalently perpetual income transfers) whereas transitory poverty (e.g., temporary income shortfall because of a drought in the absence of insurance; or life cycle poverty in the absence of perfectly functioning credit markets) will involve the creation of ‘safety nets’ if the market imperfections and distortions cannot be removed.

Moreover, as far as transient poverty is concerned, fast growth and economic dynamism will not be much of an assistance in alleviating the problem. For alleviation of chronic poverty, what is called for is a direct intervention in the form of asset transfers and human capital formation through training and education.

Finally, it should be noted that in order to have a complete picture of the status of the poor, it is important not only to quantify poverty, but also to describe the socioeconomic environment of the poor and the changes in it. In articulating this relationship, one should also consider the relationship of the poor to the state. This relationship should include the access of the poor to the services, subsidies and transfers provided by the state as well as their ‘voice’ in the formation, adoption and implementation of state policies that affect them.
Macroeconomic Policies and Poverty

The problems faced by Bangladesh, the country hosting the seminar represent, in many ways, the keenest expression of the challenges which need to be overcome if development initiatives are to have a significant impact on poverty alleviation. Mr. Muhammad Sirajuddin, Additional Secretary-in-Charge for Rural Development and Community Development for Bangladesh, emphasized a number of these challenges in his keynote address. Mr. Sirajuddin noted that Bangladesh experiences considerable disguised unemployment in agriculture and low productivity in the agricultural labor force. There is a chronic shortage of critical inputs such as credit and draught animals, and inadequate institutional mechanisms for delivering these inputs to the poor farmers most in need. He estimated that only 25 percent of the public expenditures actually reach the poor clients for whom they were intended. There is insufficient linkage between projects in the sector and between projects and programs and sectoral and macroeconomic policies.

Dr. Rizwanul Islam of the International Labour Organisation, New Delhi, considered the challenge of poverty alleviation in the broader Asian context. Why is it that certain countries have performed better than other countries in alleviating poverty? Is economic growth a necessary condition for alleviating poverty? Does the positive performance of Sri Lanka, China and Pakistan suggest that it is possible to reduce the incidence of poverty without high rates of economic growth?

Dr. Islam argued that Sri Lanka's welfare state policies created an unbearable burden on the economy, leading to the eventual abandonment of these policies in the 1970s and their reintroduction on a strictly targeted basis. Welfare state policies are not sustainable in the long run without high rates of economic growth.

Although China was able to satisfy the basic human needs of the population, it did so by becoming locked into a regime of low income and austere lifestyle for the population. Only after the reforms of 1979 and beyond did the country move into a regime of high economic growth and higher material standards of living.

In Pakistan, large scale emigration of rural workers to the Middle East relieved the otherwise high levels of unemployment and brought relief to
substantial sections of the population via remittances from abroad. This, in turn, created stimulus for activities such as construction, transport, and other services, despite the low growth in agricultural production and productivity. Dr. Islam therefore concluded that economic growth is a necessary condition for poverty alleviation.

The key question, however, is whether or not economic growth is a sufficient condition for poverty alleviation. In order to address this question it is necessary to analyze the pattern of economic growth in the developing countries of the Asian region.

In Thailand the source of economic growth has been high growth rates in agriculture, achieved by expanding the area of land available for cultivation, hence assisting poorer farmers to acquire more land. Macroeconomic policies during the 1960s and early 1970s were not geared to poverty alleviation. Nevertheless, during this period people benefitted from government expenditures on infrastructure facilities such as irrigation system and roads. Such investments facilitated a transformation from subsistence to commercial agriculture, crop diversification and shift from single to multiple cropping. At the same time the Thai government changed its fiscal policy framework so that the tax burden on farmers was reduced; unfortunately, the macroeconomic policies were not strong enough to protect the Thai farmers from the vagaries of international price fluctuations. This was reflected in a reversal of the downward trend in the incidence of rural poverty during 1980-85.

In Indonesia incentive pricing, supported by subsidized inputs and credit encouraged a very high rate of adoption of high yielding varieties of rice. This underpinned the rapid growth of the food crop sector. Given that the increase in paddy output was linked to increased yield rather than expansion of cultivated area, however, the small and marginal farmers could not reap the full potential benefit from the rapid growth that occurred in agriculture.

Macroeconomic policies oriented towards high growth may have indirectly contributed to employment generation for the landless by creating the conditions for the growth of non-agricultural industries in Indonesia. Nevertheless, the labor absorptive capacity of agriculture has remained limited compared to the rate at which the labor force has been growing.

While both Indonesia and Thailand achieved high rates of growth in their manufacturing sectors, the macroeconomic policies that enabled them to achieve this were not conducive to employment generation at a high rate. Neither country has adopted an effective strategy for rural industrialization.

Growth of agriculture as been rather low in both Bangladesh and Nepal. The incomes of the poor have not been increased because those with land have not had access to improved crop varieties, there has not been any significant increase in wage employment for the landless and there have been
few incentives for the generation of remunerative employment through non-farm activities. The small manufacturing sector developed according to a capital-intensive, import substitution strategy which discriminated against small and cottage industries.

It is apparent that employment generation has not been one of the major considerations behind macroeconomic policies designed to foster industrialization in developing Asian countries, except in China where institutional and macroeconomic reforms have stimulated rapid growth of the rural industries.

Dr. Islam argued that macro-economic policies can be used to stimulate growth in agriculture and to ensure that poorer farmers benefit from that growth. Where macro-economic policies were designed to ensure high growth rates and to create employment, they have assisted in alleviating poverty.

Discussion

Participants generally agreed that economic growth is a necessary, but not a sufficient condition to alleviate poverty. Government policies must also address issues such as land reform, credit provision to the poorest, particularly women, facilitation of the growth of farmers organizations, the promotion of labor intensive crops and industries, crop diversification (where markets are assured), and support for the development of non-farm rural based industries.

Land reform was recognized as a key issue in reducing poverty in that small farmers (land reform recipients) have a proven record in raising agricultural productivity, as well as employment (insofar as they are more intensive users of labor). Although land reform legislation exists in many developing countries, the performance in implementing such legislation is generally poor. It was noted that the land reform experience in the Indian State of West Bengal demonstrates the important role which can be played by organizations of the poor in demanding fulfillment of government legislation on land reform. This should be contrasted with the failed attempts of Bangladesh to implement land reform in the 1980s. Some security of tenure, such as that achieved via 15 year land leases in Vietnam, is essential to achieve increases in productivity and investment on land.

Participants noted that without land reform the landless will not benefit from efforts designed to promote agricultural growth, unless there is effective minimum wage legislation. In Bangladesh, where approximately 40 percent of people are landless, the oversupply of labor creates an environment in which employers can exploit labor by paying below minimum wage levels. In these circumstances, it is important that the poor are organized to ensure that minimum wage legislation is enforced. It was noted that NGOs have proven to be particularly effective in organizing the landless laborers to seek just wages.
While subsidized credit for the poorest was favoured by several participants, it was pointed out that such credit is highly attractive to the non-poor and therefore rarely reaches the poor, that it is often not possible for governments and development finance institutions to provide sufficient subsidized credit to allow the poorest to undertake economically viable activities and that subsidized credit is not sustainable in the long run. It was further noted that there are excellent models in Bangladesh (Grameen Bank) and Sri Lanka (Sanasa Movement) where the poor have proven their capability to repay loans made at commercial rates. What the poorest need is not subsidized credit but rather accessible credit—on time, in the amounts required and subject to reasonable conditions (i.e., tailored to the needs and capability of the borrowers).

Furthermore, the poor need adequate social preparation (involving organization, education and the development of their own savings mobilization capacity), and assistance in adoption of relevant technologies, product development and market access to increase their confidence and competence in taking credit.

Participants also discussed mechanisms for protecting small and marginal farmers against price fluctuations in agricultural products. Incentive pricing, provision of subsidized inputs, export promotion and crop diversification were all considered. It was noted that it is extremely difficult to implement price support policies specifically focused on the small and marginal farmer. Export promotion and crop diversification often offers greater advantages. The example of Vietnam, which is now the third largest exporter of rice was quoted. However the question was raised as to whether it is appropriate or desirable for countries suffering from domestic deficiencies in food grains to move towards the production of cash crops for export.

Emphasis was placed on the importance of infrastructure, extension and market support linkages. Infrastructure development provides two types of benefits to the poorest. If infrastructure development is carried out on a labor intensive basis, it is employment creating; infrastructure also provides indirect benefits (e.g., roads make delivery of inputs and access to markets easier).

With regard to the development of non-farm rural based industries it was noted that efficient and profitable rural based industries will not be developed without detailed feasibility studies involving considerations of demand, availability of raw materials locally, availability of skills and/or training required. Of these areas of analysis, demand was considered to be the most important. In order for rural industries to be sustainable they must be related to areas of recurrent demand. In rural, poor, communities recurrent demand essentially relates to basic human needs; food, housing, etc. Very poor agricultural communities spend the bulk (up to 75 percent) of their incomes on food, leaving little surplus for the purchase of the produce of small and
cottage industries. In this type of situation the best strategy for promoting rural industries is to undertake measures to increase the production and productivity of small farmers in order to generate income surpluses and therefore demand for rural industries. Where this strategy can be pursued it was noted that recurrent demand in poor communities will still relate to basic needs such as food processing, brick making, etc.

It was noted that the appropriateness of non-farm rural based industries as a strategy for poverty alleviation needs to be related to the stage of development of the country. In societies where traditional subsistence oriented agriculture is still widely practiced (India, Bangladesh, Nepal) there is scope for the development of rural based industries, the product of which can largely be absorbed domestically. In other countries where the manufacturing sector is well developed (Malaysia, Indonesia, Thailand), the scope for the development of cottage industries is less.
Agricultural Planning and Sector Policies

As indicated previously, most of the poor live in rural areas, work in the agriculture sector and fall into the small and marginal farmers category. Sixty to seventy percent of all farmers in Asia are small and marginal farmers, cultivating 25–30 percent of total arable land, and contributing some 30–35 percent of the total agricultural production.

By and large, small farmers are engaged in subsistence agriculture. Generally, they eke out an inadequate living from farming and their basic concern is survival. Agriculture is a way of life, rather than just an economic activity. They work mostly in harsh and risky environments and face more economic, social and political barriers than do larger farmers. Natural calamities, namely famine and pestilence, disproportionately affect them. They are frequently accused of being irrational, fatalistic and conservative in their attitudes to farming. These factors have led to several misapprehensions about this group, and have kept them out of the mainstream of agricultural development. The development of this segment of the farming population has been considered more as an "humanitarian" goal rather than as a true economic necessity.

Evolution of Agriculture Sector Policies

Dr. Randhawa, formerly with the Food and Agriculture Organization (FAO) of the United Nations, pointed out that despite the importance of agriculture to many national economies, it has received inadequate attention in development plans. In the 1950s the entire agricultural sector took second place to industrial development. By the mid 1960s the interdependence of agricultural and industrial development was recognized, but it was not until the 1970s that agriculture was recognized as having significant economic potential in its own right.

During this period, development planning focused upon growth with equity, inter-sectoral linkages and the Green Revolution. At the program and project levels, integrated rural development projects were initiated. It was also during the mid 1970s that the "basic needs approach" gained favor.
Unfortunately, none of the efforts made during this period addressed the main challenge: increasing the productivity and purchasing power of a large number of small farmers and other rural poor. The Green Revolution primarily benefitted producers of wheat and rice, who had farmed under a relatively controlled environment (e.g., irrigation). Improved technologies suited to less favorable areas (e.g., dry land) and for crops other than wheat and rice, as well as for livestock enterprises, are still extremely limited. The integrated rural development projects generally failed because they were too ambitious and complex, were not supported by local institutional development and benefits either did not flow to the poorest farmers, or were non-sustainable. The additional financial cost involved in the “basic needs approach” discouraged its wider adoption and by the early 1980s it disappeared.

During the early 1980s, many countries undertook structural adjustment programs to adjust their economies to higher energy costs, declining export earnings, budgetary and trade deficits and increased debt burdens. The resulting cut-back in government expenditures adversely affected many of the programs designed to benefit small and marginal farmers.

Dr. Randhawa noted that despite the large size of the agricultural sector and the vast number of people who work in it, it has taken a long time for economic planners to recognize the importance of strengthening this sector in order to alleviate poverty, or, more importantly, to prevent poverty from arising. This has occurred because industrial growth typically exceeds agricultural growth, leading to a declining agricultural share in GDP. This, in turn, has led to the false assumption by policy makers that the agriculture sector is unimportant. Declining incomes and increasing poverty amongst many small farmers has been the result.

**Impact of Agriculture Sector Policies and Programs**

Unfortunately, agricultural sector policies have increased income inequalities. Since the potential gains from modern technologies (high yielding seed varieties, irrigation, improved management techniques, etc.) are closely associated with farm size, farm income and inequality has increased as a result of the introduction of these technologies. Meanwhile, small farmers are severely constrained by the non-availability of appropriate technology; typically the products they produce (e.g., coarse grains, root and tuber crops, fruits and vegetables and livestock) receive low priority in government budget allocation, research and subsidies. Above all, small farmers lack adequate access to credit, farm inputs, services and markets.

The allocation of a disproportionately high implicit weight to large farmers is reflected in the objectives of growth and agricultural policies, quantitative targets of production of commodities, supporting infrastructure, and
allocation of investment and subsidies (see box 4.1). Even though Asian small farmers till up to 30 percent of the total land area and contribute nearly 30 percent to agricultural GDP, on average the small farm sector is assigned just 15 percent weight in the planning process. In order to meet commodity production targets, many governments pursue strategies which give high priority to the already well developed agricultural areas, where there are concentrations of larger, more productive farmers. This has widened inter-regional inequalities in many countries encouraging enclave developments of better-off and poorer farmers. The small farmers have gained little from the achievement of national commodity production targets but, rather, have experienced an overall deterioration in their standard of living.

Need for Restructuring Agricultural Development Planning

Dr. Randhawa argued that rapid small farmer development can accelerate growth, enhance efficiency and promote equity. There is, therefore, an urgent need to incorporate small farmers fully into national development strategies.

Small farmers have greater productivity per unit of land, they are quick adopters of technology specifically geared to yield and income enhancements, and engage in diversified crop production and therefore reduce risks from falling prices for mono-crops. Since small farmers constitute the bulk of the rural poor, the poverty-reduction impact of small farmer development can be significant. The majority of small farmers grow their own food and therefore contribute substantially in solving the problems of hunger and undernourishment. Improvement in small farmer incomes increases the demand for locally produced goods and services and therefore strengthens links between agricultural households and non-farm economies, particularly in rural areas. Out-migration to urban areas would slow down and provide opportunities for return-migration.

The implications of this argument are that small farmers should be given fair consideration in the development of national agricultural development strategies. The weight given to small farmers in the planning process should at least correspond to their net contribution to GDP. Current agricultural development strategies are geared to sustain the food security of the urban people, and towards the larger farmers; the contribution of small farmers to agricultural production is not, therefore, adequately reflected in the agriculture sector plans and budgets. It is necessary to shift the focus from commodity planning to planning for farmers, from larger to smaller farmers.

In order for this to be achieved governments must decentralize and retrain the bureaucracy in order to ensure that local people can participate in the planning process. It is also necessary for small farmers to be organized into politically active associations both at the local and the regional level so that
Box 4.1 Evaluating the Incidence of Agricultural Subsidies in India

In India, agricultural subsidies totaled Rs. 135 billion (US$ 7.5 billion) in 1989-90, more than the amount of public investment in agriculture. A recent World Bank report on Indian agriculture indicated that benefits from agricultural input subsidies have gone overwhelmingly to wealthier and agriculturally advanced regions and to larger farmers. Subsidies therefore have not been an effective anti-poverty instrument. If total investment costs in irrigation are included as a benefit, Punjab received benefits of Rs. 1,027 of gross cropped area, on average, in 1980-87, compared with an all-India average of Rs. 511 per hectare. Haryana, Tamil Nadu, and Andhra Pradesh also received per hectare benefits above the national average. Larger and wealthier farmers, who have access to irrigation, groundwater, and credit, and who use higher levels of fertilizer, receive the greatest portion of the subsidies.

Benefits have accrued to more advanced regions largely because these are the regions with more irrigation infrastructure, higher levels of input use, and, thus, greater marketable surpluses. Subsidies have allowed farmers in these states to maintain their income terms of trade in the face of falling commodity prices. States with low input use and low productivity have not been as fortunate, and are subject to declining terms of trade. While falling commodity prices are good for net food purchasers, food purchasers in deficit states—and particularly in Eastern India—were made worse off by price intervention and subsidy policies. Market prices stayed high in food deficit states, higher than the all-India average. As the Public Distribution system did not extend to rural areas, and particularly not to eastern India, these groups were not compensated. Nor did eastern India producers benefit from advanced technology or infrastructure for their region. Their costs remained high and yields low. As input and food subsidies have grown, public investments in growth-inducing technology, infrastructure and services—vital to boosting production and incomes—have stagnated, with a particularly deleterious impact on the poor.

—Pamela Cox in “Poverty Reduction Handbook”

they can articulate and transmit their needs to government. Small farmers require yield and income increasing biotechnology particularly for semi-arid
and arid areas. Attention also needs to be given to the development of improved varieties of the crops grown by small and marginal farmers—namely, coarse grains, millets, pulses and roots.

Finally, changes in agriculture planning and policies must recognize that small farmers need efficient distribution of adequate agricultural inputs, access to credit and other agricultural services, market outlets (where appropriate) and improvements in health, nutrition and education. The restructuring of the agricultural planning process to better reflect the needs of small farmers would not necessarily require additional financial resources; existing resources could be reallocated.

Discussion

Participants considered the constraints to increasing agricultural productivity of small farmers and the policy changes required to remove those constraints. They noted that small farmers faced a range of problems including insecurity of tenure, absentee landlordism, lack of credit and inputs, lack of control over irrigation equipment and facilities, lack of technical and market knowledge, lack of involvement in planning and decision-making on policies and programs affecting their lives, as well as natural disasters.

Implementation of land reform and tenancy legislation, timely and adequate access to credit, improved research on appropriate cropping systems for small farmers, establishment of market networks, market analysis and information systems, support for fair prices, improved farmer training and extension services, crop insurance and relief funds were all considered to be important in overcoming these constraints. Small farmers also need to be organized to strengthen their capacity to participate in the government planning process.

Participants also considered what kind of policies are needed to increase public sector involvement in providing infrastructure support in the small industries sector. The need for credit, marketing information, market supervision, research, training and extension and appropriate technology were noted.
Most of the countries in Asia have been experiencing an alarming growth of landlessness over the past few decades. Population pressure, coupled with the general practice of land inheritance and unequal distribution of land have initiated a chain of events leading to gradual impoverishment of the majority of the rural population. In Asia, more than 70 percent of the world’s rural people live with about 32 percent of the world’s crop land; per capita crop land availability in Asia was 0.32 hectares in 1985 (FAO, 1988). An estimated 62 percent of households in Bangladesh, 56 percent in India and 30 percent in the Philippines are landless or near landless.

Fragmentation of land holdings is a common trend; in Bangladesh, a study conducted in 1978–79 revealed that the number of fragments of a farm holding varied from 3 to 39. “Thus the small farmers undergo a gradual process of impoverishment as they turn from small to marginal farmers and from marginal farmers to landless,” noted Dr. Salehuddin Ahmed of the Centre on Integrated Rural Development for Asia and the Pacific, Bangladesh.

Land Reform and Poverty Alleviation

To tackle this problem, most governments have enacted laws to regulate land ownership, tenancy and share cropping systems. Some countries have fixed minimum wages for farm labor and also have taken up programs to create new employment avenues in the non-farm sector. Despite these measures poverty in the rural areas has not decreased significantly. In some cases the insecurity and powerlessness of the landless has deteriorated further, Dr. Ahmed noted.

This lack of impact of land reform can be attributed both to the failure of all but a few governments to implement land reform legislation, as well as the failure to seriously integrate land reform with an agrarian reform strategy. Such a strategy ought to ensure that small and marginal farmers have more equitable access to land, water, credit and other necessary resources; are able to turn their labor into human capital; achieve increases in productive employment, improved distribution systems, and participation by beneficiaries in planning and implementation of projects.
There is doubt as to whether land redistribution can keep up with the demands of population growth. In Bangladesh, while the population has been growing at 2.2 percent per year, labor requirements in agriculture have been increasing at 1.2 percent per year. Irrigation offers some potential in Bangladesh; about 12 million acres of single-cropped area can be brought under double/triple cropping resulting in increased demand for farm labor. However, it is clear that land reform is not enough; other measures have to be taken to alleviate rural poverty.

**Common Property and Rural Poverty**

Programs designed to improve the access of the rural poor to common property can contribute substantially in increasing the incomes of the rural poor who have limited access to private land and other assets.

A study conducted by Jodha (1986) in 21 districts in seven states in India indicated that between 84 and 100 percent of the poor households relied on public domain lands for food, fuel, fodder and fibre items. In India, public domain lands have shrunk by 26-63 percent over the past 30 years, and 49-86 percent of these lands have come under the control of the richer segments of the society. Consequently, incomes earned from the lands have declined.

Dr. Ahmed suggested that to be effective, use of the common lands would have to be based upon a strategy of organization of the rural poor, the objective of which would be to assist people to “build highly cooperative and self-sufficient village and local regional economies based upon joint cultivation of the common lands”. This would provide greater resource benefits to the poor and lead to better preservation of resources.

In addition, the government could intervene in a number of innovative ways by encouraging group management of common resources, establishing land banks to assist in the purchase of land by tenants, and by developing land information systems to offer information on available private and common properties and rural works programs to provide employment.

**Is Land Reform a Sufficient Condition for Poverty Alleviation?**

A participant noted that Sri Lanka had successfully carried out land reform in the mid 1970s. Initially, the productivity of the land declined, as the new owners lacked capital and technical skills to put the land to optimum use. Although productivity has increased in the last ten years, small farmers continue to be constrained by lack of access to institutional credit, technology and the extension advice necessary to make effective use of their land.
Laos and Vietnam faced problems of a different kind. In Laos, land has been distributed and farmers have at least 0.5 hectare. However, much of this land remains uncultivated because it requires considerable investment of labor and other resources before it can be brought into production. Farmers cannot afford these resources.

While Vietnam has successfully carried out land reform, it now faces the problem of improving the production and productivity of farm plots of less than optimal size. It has been difficult to apply new technology in order to develop a diversified pattern of food crop production. Instead, Vietnam has developed a rice mono-culture for the export market which places the country in a vulnerable position; if international prices for rice do not provide an adequate incentive to farmers, production will not increase. In this context, the development of the domestic market for food crops becomes increasingly important, as does the mobilization of domestic savings for investment in the agricultural sector.

It was noted that in the Philippines, when land ownership is transferred from large landowners to former tenants, the nexus between the two parties is cut. Whereas the tenants previously procured credit, inputs, etc. from the landowner they are now left on their own. It is therefore necessary for the Government to assist these people, with provision of credit, irrigation, post-harvest handling advice, extension, markets, etc. In the Philippines all the relevant line agencies are mandated to provide support to the beneficiaries of the Comprehensive Agrarian Reform Program (CARP). Significant initiatives are also being taken by the Department of Agrarian Reform to involve NGOs in the process of strengthening the capabilities of CARP beneficiaries. Of particular significance is the importance of developing the social infrastructure (e.g., cooperatives, farmers organizations, etc) of land reform beneficiaries.

How Can Land Reform Legislation Be Enforced?

While land reform legislation exists in many countries (e.g., Bangladesh, India and the Philippines) it is rarely implemented. In Bangladesh, legislative initiatives related to the payment of the minimum wage, the fair distribution of income from share cropping, and distribution of land above the land ceiling have been ignored. Even reclaimed land is not being distributed to the landless poor. Furthermore, there is very little evidence of governmental commitment to policies which would support land reform initiatives, such as the allocation of resources to assist land reform beneficiaries to develop effective organizational structures and to gain access to credit, inputs and markets.

The enforcement of land reform legislation essentially depends on political will. However, it was noted that some small gains have been made where
tenants have organized to demand the enforcement of legislation, such as in the Philippines where NGOs assist tenants organizations to register their rights to land with the Department of Agrarian Reform.

How Can Land Fragmentation Be Prevented?

In Sri Lanka, despite the positive impact of land reform in the mid 1970s, land fragmentation as a result of division of small plots among family members threatens to undermine these achievements.

In Malaysia land fragmentation has been prevented by policies which ensure that land can only be bequeathed to one child in a family; other siblings are required to sell their share in the land to the inheriting family member. This strategy would, of course, increase impoverishment unless the family members leaving the agricultural sector can be absorbed in the non-farm sector. For this purpose, the Malaysian government has been encouraging rural industrialization, partly by offering incentives to the private sector.

What are the Alternatives to Land Reform?

It was noted that significant improvements can be achieved in the situation of tenant farmers by implementation of legislation regarding the conditions of tenancy. Participants felt that in some of the countries there was not enough land available to meet the needs of the landless. For this reason, improving the access of the rural poor to common property resources was all the more important. In the Philippines, access by the poor to common property, forests and fishing grounds has declined. Timber logging leases have been granted to the rich. Poor inhabitants of the forests and nearby areas have not been able to gain access to these areas and have had to resort to working as daily wage earners for the logging companies. However, since 1986 no new timber leases have been issued to individuals. Instead, stewardship contracts are being granted to organized communities under a social forestry program administered by the Department of Environment and Natural Resources. This program aims to alleviate poverty by giving rural, poor communities access to the forests; it also aims to achieve greater protection of the forests insofar as these communities learn and practice responsible management of this resource.

Access to Credit—The Grameen Bank Model

From small beginnings in 1976 when a loan of US$28 was disbursed in one village the Grameen Bank now operates in over 18,000 villages in rural Bangladesh, reaching 800,000 members. Since its inception the Bank has
loaned slightly over US$200 million with an average loan size of US$69. The repayment rate is 98 percent.

Barefoot bankers go to the villages to motivate and organize small groups of borrowers (five members). In joining a Grameen Bank group, the borrowers must make a commitment that they will use the credit available to them as a means of restoring their own dignity and honor and improving their standard of living.

The members of Grameen Bank groups may borrow up to Tk 5,000, (about US$ 150) to carry out income generating activities; individual borrowers are not only responsible for repayment of their own loan but also for the repayments of the whole group. If an individual defaults, the whole group suffers. This approach not only creates discipline, in the sense of social pressure to repay, but also fosters cooperation and a greater sense of commitment among the members.

The Grameen Bank only lends money to the rural poor. Ninety percent of the borrowers are women, most of whom are divorced, deserted or widowed, and are the heads of households. By 1995 the Grameen Bank expects to be operating in all the villages of Bangladesh, but by no means reaching all of the poor people.

Lessons from Grameen Bank Experience

Experimental projects developed along the Grameen Bank lines are now being carried out in Burkina Faso, Chile, Honduras, Indonesia, Malaysia, Philippines, Sri Lanka as well as Canada, France and the United States (see table 5.1). The approach has the advantage that it can be started with a small amount of money; if it is successful it can be gradually expanded. These experiments have demonstrated a number of important lessons:

The Poor Are Bankable

The borrowers in all of these countries have one thing in common: they cannot provide collateral. The success of the Grameen Bank initiatives has proven that banking can be done without collateral, that poor people are bankable and that if they have access to resources, they can create self employment, increase income and improve their social and economic situation.

Moreover, it is not necessary to provide interest free credit or subsidies. If cheap credit is made available it is less likely that poor people will get it. What poor people need is opportunity. In South Asia 80 percent of all rural credit is supplied by non-institutional sources; the cheapest interest rate is 10 percent per month and it can be as high as 10 percent per day. Merely making funds
available to the rural poor at commercial interest rates represents an opportunity for them to retain a greater proportion of their own earnings.

Table 5.1 Credit Projects Patterned on the Grameen Bank

<table>
<thead>
<tr>
<th>Name of the Project</th>
<th>Country</th>
<th>Date of Started</th>
<th>Total Repayment Information</th>
<th>Members</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projek Ikhtiar</td>
<td>Peninsular Malaysia</td>
<td>1986</td>
<td>February, 1992</td>
<td>10,416</td>
<td>99.3</td>
</tr>
<tr>
<td>Projek Osanmahu</td>
<td>Sabah, Malaysia</td>
<td>1988</td>
<td>October, 1991</td>
<td>2,577</td>
<td>94.1</td>
</tr>
<tr>
<td>Good Faith Fund</td>
<td>Arkansas, U.S.A.</td>
<td>1988</td>
<td>-</td>
<td>50</td>
<td>100.0</td>
</tr>
<tr>
<td>MSS</td>
<td>Dhaka, Bangladesh</td>
<td>1989</td>
<td>December, 1991</td>
<td>1,725</td>
<td>95.0</td>
</tr>
<tr>
<td>Savedcre</td>
<td>Sri Lanka</td>
<td>1989</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Ahon Sa Hirap</td>
<td>Los Baños, Philippines</td>
<td>1989</td>
<td>November, 1991</td>
<td>385</td>
<td>100.0</td>
</tr>
<tr>
<td>Project Dungganon</td>
<td>Negros Occidental, Philippines</td>
<td>1989</td>
<td>December, 1990</td>
<td>2,030</td>
<td>99.0</td>
</tr>
<tr>
<td>Karya Usaha Mandiri</td>
<td>West Java, Indonesia</td>
<td>1990</td>
<td>October, 1991</td>
<td>317</td>
<td>100.0</td>
</tr>
<tr>
<td>Mudzi Fund</td>
<td>Malawi</td>
<td>1990</td>
<td>October, 1990</td>
<td>735</td>
<td>—</td>
</tr>
<tr>
<td>Katalysis</td>
<td>(Organization for the Development of Women’s Enterprise)</td>
<td>1989</td>
<td>September, 1990</td>
<td>161</td>
<td>—</td>
</tr>
<tr>
<td>Women’s Self-employment Project; Full Circle Fund</td>
<td>Chicago, U.S.A.</td>
<td>1988</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ADIE (Association pour le droit a l’Initiative de l’Enterprise)</td>
<td>Paris, France</td>
<td>1988</td>
<td>March, 1991</td>
<td>36</td>
<td>-</td>
</tr>
<tr>
<td>Banco Contigo</td>
<td>Chile</td>
<td>1989</td>
<td>June, 1991</td>
<td>46</td>
<td>89.0</td>
</tr>
<tr>
<td>Native Self-Employment Loan Programme</td>
<td>Canada</td>
<td>1989</td>
<td>December, 1989</td>
<td>108</td>
<td>100.0</td>
</tr>
<tr>
<td>Rural Credit Project</td>
<td>Guinea</td>
<td>1988</td>
<td>November, 1990</td>
<td>1,481</td>
<td>99.0</td>
</tr>
</tbody>
</table>

*Source: The Grameen Bank.*
Moreover, cheap money can never be made available in the quantities required. Only at commercial interest rates is it possible to make sufficiently large quantities of money available to meet the needs of the rural poor.

A Focus on the Poor Means a Focus on Women

In 1983, 60 percent of the borrowers were men and repayment was 100 percent. At that time the Barefoot Bankers raised a fundamental question. If the objective of the Bank was to improve the social and economic situation of the people, not simply to make loans, and collect repayments, then it was necessary to rethink the entire operational strategy.

Based upon their field experience the Barefoot Bankers argued that hunger and poverty are not men's issues. The worst manifestations of poverty can be seen by studying the life histories of the women. Hunger and poverty are felt most intensely by women, particularly within the poorest sections of the population. It is the women who have to go through the traumatic experience of not being able to feed their children and of watching them die.

The staff argued that, given the chance, the women turned out to be naturally determined fighters against poverty, disease and hunger. They are the ones who could bring about the objectives of social and economic development much faster than the men.

From 1983 onwards, therefore, the Bank has focussed primarily on motivating, organizing and lending to women. Once the first round of lending is completed in a village the Bank will involve men.

Culture is Not a Limiting Factor

The application of the Grameen Bank approach in a variety of different situations also casts doubt upon the oft quoted significance of culture as an inhibiting factor in development initiatives. Is there any culture that prevents people from saving? asked Dr. Huq of the Grameen Bank. In his view, blaming culture for lack of achievement is a convenient way of avoiding the responsibility to address and alleviate poverty.

Commitment is Essential

While culture may not be a limiting factor, commitment is. Poverty alleviation requires hard work and dogged determination. Grameen Bank workers in Bangladesh walk or bicycle a total of 63,000 kms/day. The average age of the bankers is 23.

In selecting staff, however, the Bank does not look for committed people. The Bank takes one full year to train a person to perform the Barefoot Banker function. Thirty-five percent of the trainees leave work after six weeks; those
who leave after six months are statistically insignificant. The Bank simply allows people to choose whether or not this is the type of work that they would like to do. The nature of the work creates the commitment, Dr. Huq said.

The Target Group Focus Must Be Clear

Grameen Bank is an organization which lends exclusively to the poor. Experience suggests that any organization which tries to deal with the poor and the non-poor at the same time will invariably end up serving the non-poor.

During discussion, participants raised issues related to the operational costs, organization and management of the Bank:

What Are The Operational Costs of the Grameen Bank?

Dr. Huq said the operational costs of the Grameen Bank have to be seen in the context of its organization and management. Between 1976 and 1982 the Grameen Bank was financed solely by the commercial banks at normal rates; loans were made to persons recommended by Professor M. Yunus, the founder, and he recovered the interest and capital and paid back the loans. As pressures increased to expand the activities of the Grameen Bank, however, it became clear that expansion would be very slow (about 10 branches annually) without concessional financing, due to the high overheads involved in recruiting and training staff.

The Bank now has 750 branches, each run autonomously. Every Branch has six field workers, one accountant, one manager and one office assistant. To break even each Branch has to reach between 1500 and 1800 borrowers and have Tk 3.5 million of outstanding loans at an interest rate of 16 percent. Each Branch is expected to break even at the end of the sixth year.

Prior to the sixth year the Branches must be subsidized by the Head Office; the costs of recruiting and training staff could not be carried by a newly created Branch. (The operational costs for a Tk100 loan during the first and second years can be anything up to Tk110. In the third year the operational costs drop to around 20 percent reducing to break even point at the end of the sixth year.)

In order to be able to cover these kind of costs the Head Office needs to borrow money at 2 percent. It then lends to the branches at 10 percent and they on-lend at 16 percent. The Grameen Bank believes that costs need to be viewed from two perspectives. If supervisory costs are reduced, the recovery rate will go down. Today in Bangladesh the average recovery rate of agricultural loans from the commercial banks is 30 percent. For industrial loans it is 10 percent. In the Grameen Bank, with higher supervisory costs, the recovery rate is 98 percent.
The Grameen Bank says that its experience also suggests that it is important to subsidize the development of the institution which will effectively serve the rural poor. This institutional development should be regarded as a sunk cost, that is, an investment which will continue to provide benefit. However, such subsidized institutional development cannot go on forever. Institutions must be able to calculate precisely how long it will take them to recover their costs.

**How Does the Bank Take Care of Defaulters?**

The Grameen Bank is not worried about a borrower not repaying. Since a portion of a loan is to be repaid every week, the Bank is not surprised by a sudden default. More importantly, the Bank is concerned to know why a person is unable to repay. A person having difficulty repaying has to come to a sector meeting and explain why. In this situation it is not possible to make up stories. If there is a genuine problem then the group sector and the Bank will try to solve that problem.

One of the reasons for the high repayment rate in the Grameen Bank has been the system of investment and repayment, which is open and public. Loans are disbursed and repayments are made in the presence of the whole group. Furthermore, since the Grameen Bank commenced, borrowers have accumulated over Tk 700 million of their own savings. A system has developed amongst the borrowers whereby a member experiencing difficulties can be assisted out of the borrowers own savings. Borrowers are also developing their own systems of life insurance, pension schemes, etc.

**Has Expansion Brought About Bureaucratization?**

In 1984 the Bank had to decide how far it wanted to expand. It was decided that if a working mechanism for decentralized management could not be devised then the Bank could not expand. All administrative decisions were to be delegated to Branch Managers. Higher management now spends less than 10 percent of its time in managing the operational side of the Bank; this releases time for higher management to become more involved in long term strategic planning. The Bank has developed a highly sensitive “continuous monitoring system” as an essential support system for the decentralized management structure.

**Does the Grameen Bank Carry Out Market Research and Try to Develop a Diversified Portfolio?**

The Bank does not carry out any market research, nor does it have a loan portfolio. The Bank has money. If poor borrowers have an idea for an enterprise which they believe will help them to increase their incomes, the
Bank will analyze the proposal with them. It is the borrowers responsibility to determine the nature of the activity, the capital need, the market and the level of demand. The Grameen Bank has found that for the poor the market signals are loud and clear; the choice between selling and not selling a product is the choice between starving and eating. The poor know what to sell and how much will sell. To date the Bank has loaned money for 500 different types of activities, 93 percent of which have been for non-farm activities.

**Can the Grameen Bank Model Have Any Serious Impact on Unemployment and Underemployment?**

Dr. Huq noted that since economists have played a disproportionate role in determining the policies and programs of developing countries, they have only recognized wage employment, not self-employment. If self-employment is recognized as employment by governments and financial institutions, and people are given access to resources for self-employment, a major proportion of the unemployment problem could be solved.

Self-employment provides the opportunity to use the existing skills of the poor. It does not require costly investment in training programs. Given that there is farm work available for only 180 days of the year, self employment can play an important role in supplementing farm income. Moreover, self-employment and income generation programs have substantial multiplier effects. Ninety percent of what poor people consume is purchased from others; if the income of 800,000 people increases they create substantially increased demand from rural industries.
Gender and Rural Poverty

Are Rural Women Poorer than Rural Men?

Although rural women in poor households work at least as hard as, if not harder than, men, they have less access than men to food, health care, education and training and other productive assets, observed Dr. Constantina Safilios-Rothschild of the Agriculture University at Wageningen, The Netherlands. In Bangladesh and Pakistan, less than 10 percent of rural women are literate and women and girls of all ages have less access to food and health care than men, these gender inequities being exacerbated by high fertility rates and closely spaced pregnancies and inadequate nutrition during pregnancy and breastfeeding. (World Bank 1989; and 1990). While ill health and premature death is very high among the poor, women and girls are particularly severely affected. Female heads of households (15 percent of all households and 25 percent of landless in Bangladesh) are poorer than men with regard to all poverty indicators (Safilios-Rothschild and Mahmud, 1988; World Bank, 1990). They are illiterate, have higher levels of unemployment, and are dependent upon wage labor.

Women’s Income is Important for Poor Rural Households

Women’s income is crucial for poor rural households since women are co-breadwinners or sole supports of the family. In Bangladesh women’s income constitutes between one-third and one-half of the income of poor households (Safilios-Rothschild and Mahmud, 1988). In Pakistan women contribute 25 percent of the income of agricultural households (World Bank, 1989). Furthermore, high rates of divorce in some countries (e.g., Indonesia) and abandonment in others (e.g., Bangladesh) have led to an increase in the numbers of women having to independently maintain the household.

Women contribute a larger share of their earnings than men to basic family maintenance and increases in women’s income translate more directly to better child health and nutrition (Mencher, 1988; Patnaik and Debi, 1986; World Bank 1990).
Official Statistics Not Accurate on Women's Role in Agriculture

Even in countries with social restrictions on women’s employment, poor rural women work in field agriculture, in road construction, and as agricultural laborers. The incidence of female-headed households is rapidly increasing because of widowhood, divorce and abandonment. The official statistics in many Asian countries do not, however, reflect these realities, providing inaccurate and misleading information to policy makers and project designers.

Traditional social research concepts and methodologies have not been adapted to accurately record women’s economic participation, nor have enumerators been trained to record valid data regarding women’s economic participation. For example, a sample of 3,949 randomly selected households conducted by UNDP in Bangladesh showed that 42.6 percent of women reported agriculture as their primary occupation and 12.1 percent as their secondary occupation; the official Bangladesh statistics showed 0.8 percent. Similar under-enumeration of women’s economic roles has been detected in many other countries, which highlights the need for obtaining gender disaggregative data.

Women Do Not Have Access to Agricultural Extension

Dr. Safilios-Rothchild said in most countries women farmers are bypassed by agricultural extension. This is due partly to the lack of valid statistics and data about the active role played by women in agriculture as laborers and as farmers who make important agricultural decisions and perform most tasks. Another contributing factor is the belief that only women extension workers can reach and interact with rural women.

There is considerable evidence, however, that in most areas, the gender of the extension worker is not the key factor. Extension workers, whatever their gender, can effectively reach women farmers, provided:

a. women farmers are organized;
b. the extension workers are trained to understand women farmers’ role in local production systems; and
c. clear policy directives are given to extension staff regarding the importance of reaching women as a prerequisite for increased agricultural efficiency and productivity (Weidemann, 1987).

NGOs in Bangladesh have been successful in extending extension services to groups of marginal farmers (men and women) and the landless (cultivating leased land collectively). Young men and women from the local area are
trained for six months in practical agriculture, provided with motorized transport (mopeds) to assist travel and supervised by subject matter specialists. Their familiarity with the local area, accessibility and flexibility have contributed greatly to their capacity to reach and inform the marginal farmers and landless.

**Women Do Not Have Access to Credit**

Poor rural women have great difficulty in gaining access to credit. They share the normal constraints of poor, rural men, but in addition face gender specific barriers. Poor rural women almost universally lack assets that can be used as collateral; they do not belong to organizations which can provide banks with guarantees. They face attitudinal barriers in that banks believe that women can only effectively utilize small loans and that they are unable to engage in agricultural production and profitable nontraditional self-employment. In addition, they frequently suffer resistance and interference from male relatives when they want to take loans.

In Pakistan less than 0.1 percent of the Agricultural Development Bank loans are made to women (World Bank, 1989). In Bangladesh, credit made available through the Government sponsored Rural Poor Program was made available only in small amounts for non-agricultural, low-return activities (e.g., paddy husking).

In reality, women need and can effectively use as much credit as men. Women save more than men and they have higher repayment rates than men (Safilios-Rothschild and Mahmud, 1988). Sixty percent of borrowers from the Badan Kredit Kecamatan in Central Java, Indonesia are women and women have developed rotating savings and credit associations that bear interest. The Grameen Bank in Bangladesh, 90 percent of whose borrowers are women, reports that 57 percent of loans disbursed for joint ventures in 1987 went to collective enterprises of women's groups engaged in agriculture. Two-thirds of these loans were used for crop cultivation on land obtained through leasing or share-cropping and one-third for livestock raising and fisheries.

**Women Do Not Have Access to Skills Training**

Skills training for women in many Asian countries is linked to traditional areas (e.g., sewing, knitting, embroidery) which pay low wages and are not linked with any particular demand for the products. In Bangladesh, there are no provisions for the enrollment of women in any of the important informal vocational and technical education institutions. Only the NGOs have provided women with marketable technical skills; Gonoshasthaya Kendra is a notable example with its ground-breaking work in training women to run its world-renowned pharmaceuticals factory providing generic drugs to the poor.
Whatever training is available in Asian countries is confined to persons who have a high school certificate, thereby excluding practically all poor rural women. Again, NGOs have taken the lead in providing poor rural women with non-formal 'on-the-job' training enabling them to undertake profitable collective self-employment enterprises.

**Development Interventions to Alleviate Poverty**

The gender inequities that perpetuate and exacerbate poverty can be weakened by increasing the economic value of women's work through skills training for productive, profitable employment and through increased women's access to credit and technology. Dr. Safilios-Rothchild said development interventions aiming to alleviate rural poverty will be more successful if they:

a. eliminate gender stereotypes (e.g., women are not involved in agriculture, do not require credit, etc.) and target women and men equally;

b. recognize that the most efficient method for reaching and involving large numbers of rural women is to organize them into groups;

c. recognize the specific skills which NGOs have developed in motivating, organizing and training the rural poor and promote cooperation between government and non-government organizations in order to incorporate NGO expertise into project designs;

d. provide policy directives on gender issues to agricultural extension staff and gender-neutral training to both men and women extension workers in order to improve the effectiveness of agricultural extension departments in reaching women farmers;

e. reorient banking and other financial institutions to serve smallholders and the landless, both men and women;

f. provide for gender awareness and skills training for agricultural planners and policy makers, as well as for agricultural and rural development professionals involved in project implementation and new agricultural graduates;

g. develop valid gender-disaggregative statistics about economic activity rates and involvement in agriculture as well as detailed data about rural women's participation in agricultural decision-making, agricultural and non-agricultural income; and

h. recognize the need to mainstream gender issues in all development projects for them to be efficient, effective, and sustainable.
Development cannot be said to have occurred if women, as a major proportion of the population in every country, are ignored. The challenge is to find ways to optimize the returns to, and contribution, of this group of people.

Should Projects Specifically Focus on Women?

One of the participants saw some contradiction between the recognition that women are among the poorest of the poor because of gender inequities, and the fact that the speaker did not advocate direct targeting of women for development programs and projects. It was further noted that organizations such as the ADB were beginning to specifically target women because the Bank regarded its previous efforts at identifying and designing projects to reach women as unsatisfactory and was trying to develop in-house capability to develop projects which would have a positive impact upon women.

The situation was clarified by pointing out that it is necessary to take great care when designing projects and programs to gather accurate data on potential women beneficiaries, their needs and demands and capacity to absorb technology and funds. It is necessary to ensure that project inputs, strategies, time schedules and budgets accord with the priorities and preferences of the women targeted. It is also necessary to ensure that where weaknesses are found in the absorptive capacity of women (e.g., they are organizationally weak, lack knowledge or skills, or face gender specific barriers to their participation) the design of projects incorporates specific measures to overcome these constraints. In many cases, this may mean, for example that women’s organizations need to be developed to increase the confidence of women to participate in development activities, or that specific training programs may need to be designed to meet the unique needs of women.

However, these approaches should be taken in the preparation of project design inputs for any group of the rural poor. It was noted that the ADB is now incorporating these approaches into project preparation procedures. Furthermore, the best way to ensure sustainability of development initiatives designed to improve the lives of rural women is to ensure that these approaches and the resulting development impact, are integrated into normal practice in government, bilateral and multilateral development initiatives; the development of women also needs to be part of carefully designed community development initiatives which ensure that gains made will not be lost to vested interests in the community who would oppose the development of poor, rural women.
Why Assist Poor Women when Poor Men are also Unemployed?

A participant noted that in poor households every person must be assisted to improve his or her capacity for employment or for income generation. If there are, and can be, opportunities for women to be assisted, these opportunities cannot be ignored for the benefit of the entire family. Another participant expressed concern about children growing up in poverty, particularly children in female headed households. It was agreed that this group is particularly vulnerable to being trapped in the poverty cycle.

How do Major Development Institutions Deal with Gender?

Dr. Rekha Dayal, Women-in-Development (WID) Coordinator for the Asia Region of the World Bank, noted that the Bank has made a strong commitment to the incorporation of WID issues into all aspects of its work. This has been achieved by establishing WID as an operational priority, by promoting a common perspective on the issue by Bank staff, by documenting and disseminating WID information and experience within and outside the World Bank system, by training staff in gender technology, by using WID competence which is developed anywhere within the Bank as a key resource and by building horizontal lines of communication between personnel with WID competence throughout the organization.

The WID strategy within the Bank is a management strategy designed to identify and implement projects more efficiently. The implementation of the strategy has involved development of operational WID groups within the organization, development of gender sensitive statistics, conduct of perspective building workshops and the development of a matrix for working on WID issues for project managers.

The WID matrix identifies five issues as being important in any project:

a. examine the activity profile by age and sex;
b. examine the mechanisms for delivery of project goods and services;
c. examine the response structures for delivery of goods and services;
d. examine the scope for intervention; and
e. establish continuous feedback mechanisms for monitoring and evaluation.

Ms. Wahida Huq, World Bank Project Officer in Bangladesh, provided examples of ways in which gender sensitivity had changed the orientation of a number of Bank projects. By working through NGOs to develop training modules, the Bank extended the potential of a large scale fisheries project in Bangladesh to involve women fishers. In a project to restructure the
agricultural extension system in Bangladesh the Bank provided support to look at how training of agricultural extension workers could be changed in order to ensure that their work is gender neutral and includes women working in homestead agriculture. In Indonesia, the Bank conducted a study to determine which member of the farming family—the man or the woman—should be spoken to about which forms of technology transfer in order to ensure maximum diffusion of technology.
Beneficiary Participation: Involving the Poor in Project Design and Implementation

An important indicator of success of a project is the degree to which it responds to the needs of beneficiaries. For the intended beneficiaries to participate in a project, the benefits of participation must be clearly visible. Mr. Benjamin Bagadion, former Assistant Administrator at the Philippines National Irrigation Administration (NIA), defined “participation” as sharing of tasks and responsibilities in the planning, construction and management of a project. He presented a case study of farmers’ participation in irrigation management in the Philippines.

Mr. Bagadion pointed out that in many developing countries government irrigation agencies cannot, with the limited resources available to them, effectively carry out the operation and maintenance of irrigation systems. NIA attempted to overcome this problem by encouraging the farmers to share with the agency staff in the decision making, regarding allocation of tasks and responsibilities in the planning, construction and management of irrigation systems.

NIA found that the irrigation systems improved with farmers participation were more functional and more responsive to farmers needs, had higher incremental yields per hectare, had more improvements in irrigation association performance, higher farmer contribution to construction costs and better construction loan repayment (see table 7.1).

Background

NIA was established in 1964 as part of the drive for rice self sufficiency in the Philippines. NIA recognized the need for strong and viable irrigators associations in both the communal and national systems. The irrigators associations which NIA established during its first decade were generally weak and ineffectual, however. In most communes maintenance of facilities was inadequate and NIA had to rehabilitate again the physical facilities. In the nationals the farmers groups that were organized were unable to take responsibilities for organization and management (O&M) of the farm level system as intended. Instead, in many cases farmers erased farm ditches constructed by the NIA claiming that they did not suit their needs.
<table>
<thead>
<tr>
<th>Indicators</th>
<th>Participatory Systems (n=24)</th>
<th>Non-Participatory Systems (n=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Percentage of NIA-built canals abandoned by farmers</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>2. Percentage of NIA-built structure that farmers assessed as defective</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td>3. Ratio of leaders to system users in year 1984-1985</td>
<td>1:9</td>
<td>1:14</td>
</tr>
<tr>
<td>4. Had sector level organizational units in addition to a central board</td>
<td>100%</td>
<td>59%</td>
</tr>
<tr>
<td>5. Had sector level collection of irrigation and other fees</td>
<td>65%</td>
<td>14%</td>
</tr>
<tr>
<td>6. Had sector level water distribution schedules</td>
<td>46%</td>
<td>18%</td>
</tr>
<tr>
<td>7. Used rotational distribution of water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) In wet season</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td>b) In dry season</td>
<td>58%</td>
<td>36%</td>
</tr>
<tr>
<td>8. Percentage expansion of dry season area irrigated before project</td>
<td>35%</td>
<td>18%</td>
</tr>
<tr>
<td>9. Farmers' mean equity contribution to construction costs per hectare irrigated in 1984-85 wet season</td>
<td><strong>P357/ha</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
<td><strong>P44/ha</strong></td>
</tr>
<tr>
<td>10. Mean percentage of amortization dues actually paid</td>
<td>82%&lt;sup&gt;b&lt;/sup&gt;</td>
<td>50%&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Table 7.1** A Comparison of Participatory and Non-Participatory Systems Based on Responsiveness to Farmers Needs, Organizational Strength and Performance after NIA Construction Assistance

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<sup>a</sup> Twenty-one systems included as data were not available for 3 systems where construction was not yet finished.

<sup>b</sup> Seventeen systems included as 6 were not yet due to pay and one had not accepted amortization as it raised 30 percent equity contribution.

<sup>c</sup> Nineteen systems included as 2 associations had not accepted final turnover of the systems and one had no amortization as it raised 30 percent equity contribution.
Studies of indigenous irrigation systems in the Philippines showed that these associations had developed and had been operated and maintained through the centuries without any government assistance. Recognizing the need to build upon people's existing capabilities, NIA decided to initiate a participatory approach to involve the farmers in the planning, design and construction of the communal systems "to simulate as much as possible their role in the construction of the indigenous systems".

Before doing so, however, it was necessary to establish a legislative environment which supported the growth of irrigators associations. NIA had its charter amended and the Water Code revised to give the irrigators associations water rights and sole authority to allocate and distribute the irrigation water.

**Operationalizing Farmers' Participation**

In 1976 NIA selected two communal projects in the central part of Luzon as pilot projects and "learning laboratories". NIA recruited six community organizers (COs) and a program coordinator to organize the farmers. The COs lived in the farmers communities, sharing planting and harvesting activities, church celebrations, etc. The COs acted as catalysts, assisting farmers to analyze problems and actions that may be taken; but they left the decision making and the performance of tasks to the farmers to develop their capacity. Subsequently the farmers defined the kind and the extent of assistance needed and negotiated with NIA for improvement of their systems.

The farmers, with the help of the COs, formed separate committees to be responsible for different activities (surveys, right-of-way acquisition, revision of by-laws, registration of the association, labor mobilization, materials checking, etc.). In this way, it was possible to involve larger numbers of farmers in decision-making.

An assessment of the initial pilot projects indicated that the following key lessons needed to be internalized by NIA:

a. sufficient lead time had to be provided to the COs for mobilizing farmers prior to construction; in the communal projects this required about ten months;

b. engineers and other technical staff needed to understand the processes being used by the COs to modify their attitudes and adjust their work procedures;

c. engineers and COs needed to work together closely to integrate the technical and organizing activities into one process;

d. there were agency policies and procedures that obstructed farmers participation which needed to be discarded or amended; and
e. farmers were willing to participate extensively in planning and construction; such participation when developed at the grass-roots level strengthened their association and reduced government expenditures in the construction.

Program Expansion

These were important lessons, but the process still needed improvement so NIA carried out two more pilot projects in Southern Luzon. By the end of 1979 sufficient experience had been gained to expand the program into one pilot project in each of the twelve regions. The first group of community organizers in the program became the regional supervisors and trainers of the COs in the regional pilot projects.

As the regional pilot projects proceeded greater consideration was given to the type of assistance which NIA could give to farmers in the post-construction phase. A committee of NIA staff and farmers representatives developed a training scheme to assist farmers to develop their own management plans instead of giving them ready made plans.

Effects of Farmers' Participation

At the commencement of the participatory program most engineers felt that farmers participation would delay the implementation of the communal irrigation projects and make their work more difficult. Later they found that as long as the COs were given enough lead time for organizing the irrigators associations, construction work was much faster because of more effective labor mobilization by the farmers. Moreover, relations between NIA engineers and the farmers greatly improved.

An evaluation carried out by the Institute of Philippines Culture of the Ateneo de Manila University in 1985 indicated the following effects of farmers participation:

a. stronger and more responsive irrigators associations;

b. the irrigation systems were more responsive to farmers needs and therefore better utilized;

c. higher crop production;

d. better water distribution;

e. higher annual amortization in the communal systems;

f. increased counterpart contributions from the farmers to the cost of construction of the communal systems;
g. in the national systems under joint management with irrigators associations, operations and maintenance expenses decreased by as much as 50 percent.

Lessons from the NIA Experience

How relevant is the NIA experience to the wider field of agriculture and rural development in other countries? The following general lessons were noted:

a. Effective policies are a prerequisite for promoting beneficiary participation; policies that discourage such participation should be discarded.

b. Programs should not be rapidly expanded; pilot testing, learning from experience and gradual expansion, are important.

c. A program must offer benefits to the farmers; farmers participated because they were convinced that participation would be beneficial to them; if a planner finds a way to benefit farmers, he or she has found the key to participation.

d. An agency-wide reorientation was necessary in NIA to change the attitudes of staff towards farmer participation; it had to change from bureaucratic management to strategic management.

e. A participatory management style, conducive to learning, was used in the program; budgeting processes were adjusted to the requirements of the program and performance evaluation criteria were revised to emphasize the importance of farmers participation.

f. The organization of irrigators associations as legal bodies recognized by the government was fundamental to participation.

g. A multi-disciplinary group of individuals from within and outside NIA provided assistance in developing the process in the pilot projects and the expansion effort.

h. Top management of NIA was fully committed to farmers participation.

Can Farmers Participate in Large and Technically Complex Systems?

Questions were raised as to whether or not it was more difficult to involve farmers if the technical requirements of the task were more demanding. The question of scale was also raised. In the case of Pakistan the systems are very large. Farmers can participate only at the tertiary, or outlet, stage. They are not involved in decision-making about planning and construction of systems.
It was recognized that beneficiary participation in large irrigation systems (e.g., Tarbela dam in Pakistan) might be difficult. The use of sophisticated technology might require centralized management by the project authority. However, there are many ways in which farmers can meaningfully participate in design, such as by gathering data relevant to the design process (e.g., to ensure that the lay-out of canals is in accordance with their needs). Farmers can also assist with ensuring that rights-of-way can be guaranteed.

It was noted that systems need to be small if farmers are to be assured that there will be benefit to them. When farmers are actively involved the construction process moves much faster and they are able to take over complete responsibility for operations and maintenance after construction.

**Can Farmers Manage Water Efficiently?**

Participants noted that the establishment or rehabilitation of a water system is only the first step in developing an effective irrigation system. It is also necessary to ensure that the water is used efficiently and effectively. Questions were raised as to whether or not the irrigators associations were capable of managing water effectively? Mr. Bagadion pointed out that NIA experience indicates that irrigator's associations are effective water managers; NIA irrigation technicians provide on-going advice to the irrigators associations after construction of the systems and the members of these associations are trained in water management.

**How could the Exploitation of the Small Farmer be Prevented in Communal Systems?**

In Pakistan farmers with very small and very large holdings receive water from the same canals. In this situation the larger, more articulate farmers are able to ensure that their water needs get preference over those of others. A similar result occurred in Bangladesh, when the Agricultural Development Corporation decided to sell pumps to groups of farmers. Although the Government stipulated that 70 percent of the area to be irrigated by a pump should belong to small farmers, this condition was not adhered to when pumps were sold. Groups of farmers were required to make a down payment of Tk3000 for the pump; it was the larger farmers who made the down payment and they used the pump for their own purposes. Many became water-lords, selling water to the smaller farmers. A program intended to benefit the poor, therefore, ultimately worked to the advantage of the better-off farmers.

These problems were recognized by all participants as being very serious. However, it was noted that the NIA experience demonstrated that if:
a. community organizing is done effectively, (i.e., serious efforts were made to involve and strengthen the capacity of the smaller farmers); and

b. the farmers associations rather than individuals are given legal rights (e.g., over distribution of water)

it is possible for the majority of small farmers in an association to overcome the pressures of the larger farmers.

**Why Should Poor Farmers Pay Water Fees?**

A few participants were concerned that poor farmers may not be able to pay water fees, and indeed, should not have to because they are poor. Mr. Bagadion pointed out that payment is an expression of the independence and self-reliance of the farmers and therefore an important symbol in their overall development. It is not possible to develop strong and viable irrigators associations unless they pay for services rendered and have a sense of ownership of the system. At the NIA the cost of construction, which has to be met by farmers is not a great burden; they pay the capital costs without interest over a period of fifty years. Payment of fees is a test of the willingness of the farmers to accept responsibility for the system and an incentive to use water wisely.

Participants discussed the system of levying and collection of fees. Mr. Bagadion explained that at the NIA fees are based upon a per hectare charge so that a farmer with twice as much land will pay twice as much. All systems have an irrigation fee register. At the end of the irrigation season there is an assessment of the benefits which the water has brought to the area. If it is assessed that the yield is less than 2 tons/hectare, the farmer may be exempted from payment if he or she can show that the loss of production was due to a calamity (such as a typhoon). If farmers are assessed as having received reasonable benefit they are charged the water fee; the development of social pressure on individuals to pay the water fees encourages discipline within the irrigators associations. Participants regarded the payment of the irrigation fee in kind to be worthy of further consideration.

**Should Small Farmers Pay for the Capital Costs of Irrigation?**

In Laos, irrigation is considered top priority; financial, human, institutional and equipment constraints have convinced the Government of the necessity of developing small scale irrigation schemes with the participation of local farmers. However, the cost of these schemes is high. Similarly, in Vietnam the Government has carried out joint construction efforts with the intended
beneficiaries, but it is difficult to amortize the capital cost through irrigation fees.

It was noted that this seemed to be the experience worldwide. In the Philippines, the Government is prepared to subsidize capital investment from the standpoint of food security. If the food security of the nation is a priority, the subsidization of the capital costs of irrigation schemes may be considered as a necessary burden of the state.

Can Governments Transform Themselves to Support Farmers' Initiatives?

The NIA experience demonstrates that irrigation is a powerful tool for organizing farmers because it brings them immediate benefits and requires them to work together to achieve a result. Unfortunately, most governments have failed to use this tool effectively to tap latent human potential; instead, governments have taken over responsibility for irrigation systems based upon the rationale of accelerated development. The NIA experience demonstrates that this reasoning is faulty. Allowing farmers to accept responsibility accelerates construction, and improves the sustainability of the irrigation systems.

Many governments have now begun to recognize this reality; irrigation policies in both Nepal and Sri Lanka, for example, cite farmers participation as the foundation stone of irrigation development. The question now is, how to make these policies operational? This demands that a balance be established between what can and should be done by governments and what can and should be done by the intended beneficiaries themselves. The second challenge is for governments to determine how they can transform themselves in order to operate more effectively in support of responsible local initiatives.

Many participants felt that in their countries the engineers would not be prepared to take a back seat to farmers in planning and design of irrigation systems. How can this attitude be changed? In the case of NIA the engineers were 'encouraged' to change their attitude by pointing out to them that NIA could not afford to operate its systems without farmers participation. Moreover, NIA's entire approach shifted from considering the establishment of irrigation systems as a technical problem to considering the task as a management problem. Strong and determined leadership, continuous and intensive in-service training of engineers (through continuous workshops with community organizers) and enshrinement of the legal rights of irrigators associations in the Water Code were also extremely important in contributing to the reorientation of the bureaucracy.

Of greatest significance, however, was the development of a genuine operational strategy for organizing farmers through irrigators associations in
order to increase their capacity for participation in decision-making. When this is done, the farmers themselves represent the most powerful pressure which can be brought to bear upon government officers to modify their method of operation.

Is the NIA Experience Relevant to Poverty Alleviation?

An important step in alleviating rural poverty is organization of the poor. Individually, poor people rarely have the confidence or knowledge to gain access to the resources they desperately need; collectively, they can improve their chances. The organization of small farmers into irrigators associations was a key strategy for improving the access of small farmers to irrigation.

In addition, the irrigators associations give small farmers vital experience in decision-making, and the allocation of tasks and responsibilities in order to achieve a common development goal. If governments can allow this in rural development and agricultural projects then there is some hope of alleviating poverty.
Replication of Successful Projects

If a pilot project or a program is successful in alleviating poverty, project managers frequently raise the issue of replication; but why is it difficult to replicate successful projects? In raising issues relating to replication, Dr. U.S. Raghavan of CIRDAP observed that while the principle might be replicable, it would be difficult to adopt the same process in another place.

For example, the principles of the Grameen Bank that some have attempted to replicate in other countries are that: the poor can borrow and repay; that banking without collateral is possible; and the poor are bankable. Similarly, the principles of the Deedar Cooperative that have gotten attention are that: the poor do not need subsidy; that they can organize successfully on their own to get better access to resources; and that savings can be mobilized from among the poor (see Box 8.1 on Deedar).

In analyzing the attempts made at replicating the Grameen Bank, the Deedar Cooperative and the Anand Dairy models outside of their places of origin, Dr. Raghavan suggested consideration of the following issues:

a. the felt needs of the people; if the needs of the people in the new situation are the same or similar the chances of replication are greater;
b. the nature of the project; if the original project was complicated it may be difficult to replicate;
c. the complexity of the project; if the original project involved many components it may be difficult to replicate, whereas if it involved only a few, the chances of replication are greater;
d. the role of leadership; successful projects often owe a great deal of their success to the role of the prime leader; they owe their sustainability to the development of second line leadership;
e. the political environment; if the success of project relates to the fact that it was carried out in a socio-political environment which was conducive to its success, it may not be able to be replicated in political hostile environments; and
f. economic viability; if the benefits of a project are not going to be greater than the costs there is no question of replication.
In discussion it was pointed out that a focus upon felt needs was not sufficient. Very often there are needs which are not immediately identifiable by a community, but which may have a significant influence upon the development of the community. Considerable social preparation is required to assist people to identify these needs; in the process the approach to be taken in a project must be modified to suit the local environment.

A number of other factors needing to be taken into account when considering replication were noted by the participants. These included the need to assess the homogeneity of the target group, the institutional mechanisms available in a country to implement a project, the support available to the project and the channel through which the project should be implemented (e.g., government, NGO, etc.).

From the discussion with the panelists—Dr. M. Huq of the Grameen Bank and Mr. Md. Yeasin of Deedar Cooperative—the following common elements emerged. Both organizations:

a. **Used credit as an entry point to economic and social activities.**
   “Credit is a political, economic, and social tool,” noted Dr. Huq.

b. **Organized the poor to enable these people to gain benefits.**
   “Organization is the means of alleviating poverty,” observed Dr. Huq.
   “A cooperative is an important means of organization,” added Mr. Yeasin.

c. **Paid attention to women's concerns.**
   Nearly 90 percent of Grameen's borrowers are women; at Deedar, a separate cooperative was established for women to enable them to save and use their own resources.

d. **Have had strong, charismatic leaders with vision.**
   Dr. Mohd Yunus at Grameen and Mr. Md Yunus at Deedar have inspired confidence in their colleagues and in the poor among whom they work.

e. **Have had similar philosophy:** that the poor do not need charity or subsidy; what they seek are opportunities and access to resources.

These common elements are born out by a study of six well performing organizations in Bangladesh, India, and Egypt (Tendler, 1989). The study found that these six NGOs had at least four common traits. They:

a. started with a narrow focus—concentrating on a particular task (e.g., credit by SEWA, Ahmedabad), a particular sector (e.g., dairy by the Dairy Development Federation of Andhra Pradesh), or a particular income-earning activity (e.g., food preparation by the Annapurna Caterers of Bombay);

b. used credit as an entry point (as discussed in the previous paragraph);
c. started by brokering loans rather than lending directly; and
d. had leadership linked to powerful institutions.

While many of these organizations provide a variety of social and other services today, it is important to note that they first started with credit.
Box 1. Deedar: A Success Story in Cooperative Village Development

The Deedar Cooperative Village Development Society (Deedar, for short) is located on the outskirts of Comilla, some 100 kilometers south of Dhaka, the Bangladeshi capital. This cooperative covers two adjacent villages inhabited by 2,656 people in 1989. A majority of the people are small farmers with less than 1.5 acres and landless laborers.

Deedar was established at the initiative of Mr. Mohammed Yeasin, a teashop owner in Balarampur village, who like others was frustrated with the widespread poverty, illiteracy, and indebtedness in the village. Starting with nine cups of tea, the nine members—mainly rickshaw pullers—who first joined the cooperative vowed to forego a cup of tea each day to pool their savings for the purpose of capital formation and self-help. From a humble beginning of 9 annas (10 US cents), the total working capital and assets of Deedar increased to Tk. 10 million (US$ 350,000) and the total membership rose to 1,673 people in 1990.

Deedar has separate cooperatives for men, women, and children who meet each week to deposit their savings and to discuss business operations and common problems. The members are required to deposit each week a minimum—Tk 5 for men, Tk 4 for women, and Tk 3 for children. These savings are used to provide loans to members for productive agricultural and nonagricultural activities. Punitive actions are levied against those who fail to comply with loan agreements.

Twenty-five percent of the profits are set aside for the general welfare of the community. From this fund, the society runs a free primary and secondary school, provides skills training for school drop-outs, arranges family planning and medical care, helps the old and the infirm through old-age allowance, and supplies housing materials for the poor. The social impact of Deedar's activities in the two villages are given in the table below.

<table>
<thead>
<tr>
<th>Items</th>
<th>Period</th>
<th>Deedar</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Literacy (percent)</td>
<td>1986-87</td>
<td>54.6</td>
<td>23.8</td>
</tr>
<tr>
<td>2. Infant mortality rate (per thousand)</td>
<td>1982-87</td>
<td>99</td>
<td>125</td>
</tr>
<tr>
<td>3. Child mortality rate (per thousand)</td>
<td>1982-87</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>4. Hand tube-wells for drinking water (number)</td>
<td>1987</td>
<td>116</td>
<td>—</td>
</tr>
<tr>
<td>5. Low-cost water sealed toilets (percent)</td>
<td>1987</td>
<td>87.5</td>
<td>3</td>
</tr>
<tr>
<td>6. Adoption of family planning methods (percent)</td>
<td>1986-87</td>
<td>44</td>
<td>25</td>
</tr>
</tbody>
</table>


Based on a presentation by D.P. Paudyal
Seminar Conclusions and Recommendations

The persistence of poverty in Asia, where 70 percent of the world’s poor live, has led many of those involved with alleviating poverty to rethink development goals and strategies. Seminar participants—who included policy makers, program implementers, project managers, social activists, and others—recognized that the goal of development could not be measured in economic terms alone; they saw it as a basic human right to dignity, pursuit of happiness and well-being.

Four key issues emerged from the seminar:

First, poverty cannot be measured by income alone; other proxy measures (such as literacy, nutritional status and life expectancy) need to be taken into account.

Second, poverty cannot be alleviated through a short-term, piecemeal approach. Sound macroeconomic policies are necessary to achieve and sustain economic growth, in the absence of which it is difficult to maintain high welfare expenditures to help the poor. However, participants recognized that while growth is an essential condition, it is not a sufficient condition for poverty alleviation.

Third, agricultural projects constitute one of the means available to governments to alleviate poverty. However, if projects are to achieve development goals the forward and backward linkages of the projects need to be considered carefully. Moreover, for projects to be successful the economic and social objectives need to be balanced; gender issues need to be taken into account; and potential beneficiaries need to be involved in design and implementation. Still, off-farm, non-agricultural employment would be needed by the rural poor to supplement, or in some cases to substitute for, farm incomes.

Fourth, the role of the public sector in poverty alleviation needs to be reconsidered. Evidence from Asia indicates that the impact of government programs has not been commensurate with the human and financial resources employed in these programs. A lack of political commitment, weak institutional structures, inadequate delivery systems, indifferent staff attitudes, and financial leakages and malpractices have undermined the potential effectiveness of government programs in many countries.
Ironically, the increased involvement of government agencies in planning and implementing agriculture and rural development projects has undercut the abilities of many communities to carry out local development initiatives. At the same time, the failure of many government agencies to deliver services to the poor has resulted in a loss of faith among the poor in the capacity of governments to improve their quality of life.

Overcoming Excessive Bureaucratization

Many governments now have begun to address the problem of excessive bureaucratization. Initiatives have been taken in the Philippines to devolve some of the federal government functions to local authorities; decentralization measures are being taken in other countries in the region. Encouraging people's participation in project design and implementation and supporting the work of NGOs are some of the other steps being taken. However, participants felt these initiatives will have limited impact unless they are accompanied by serious attempts to:

a. develop organizations of the rural poor to enable them to play a role in the development process;
b. develop an institutional capacity to incorporate the priorities and preferences of the rural poor when formulating development policies, programs and projects;
c. establish sound macroeconomic and sector policies that provide incentives to the private sector to improve the productive capacity of the poor; and
d. create mechanisms to better utilize and manage available natural resources consistent with environmental conservation and poverty alleviation objectives.

Details on each of these points are given below; additional details can be found in the country reports in Annex 3.

Developing Organizations of the Rural Poor

Experience from Bangladesh and Pakistan suggests that multi-purpose organizations, such as cooperatives, have tended to grow slowly, and to have become a power base benefitting the better off rather than a real mechanism for rural development. The emerging trend in the development of organizations of the rural poor places great stress upon social preparation of the poorest. This involves identification and motivation of the poorest people (taking into account economic homogeneity, geographical area and ethnic/cultural homogeneity). Using various functional education techniques, the poor are encouraged to analyze their own situation in to better understand
the resources at their disposal, as well as the constraints they face, for developing effective strategies for improving their own conditions. This process (which can take between 6 and 12 months) is generally fostered by NGOs and, in some rare cases, by community organizers attached to government or semi-government institutions (e.g., the National Irrigation Administration in the Philippines).

Once this process is complete, the poorest groups are better placed to identify their development priorities and preferences and to engage in serious negotiations with local government units on implementation of local development initiatives.

Community organizations will be weak, however, and unable to seriously interact with line agencies if they remain isolated and localized in their perspective. It is therefore necessary for several community-based organizations to be federated at higher levels (district wise, province wise). This approach is necessary in order to institutionalize the organizations of the poor as a medium for promoting and sustaining interventions designed by the poor themselves. This approach also facilitates the improved supervision and monitoring by government agencies of their own input and service delivery functions to very poor groups.

**Institutional Capacity to Analyze and Incorporate Priorities of the Poor**

Government bureaucracies are the major actors influencing the development environment in which poor communities live and work. Local community organizations could help determine what development options are possible for the poor, considering existing resources and capabilities. The role of the government agencies should be to catalyze this process, provide resources to support local initiatives, and offer incentives to communities to continue to expand their resources, capabilities, and therefore their development options.

It is necessary for bureaucracies to learn to work with local NGOs and community organizations through regular interactions. To enable them to do this, it is also necessary for the government agencies to develop an in-house capacity to review the development options, priorities, and needs suggested by the poor through NGOs and other community organizations and to incorporate these into government plans, budgets, and projects.

On credit it was noted, for example, that there is little point in a government increasing the budget allocations for credit to the rural poor when existing allocations have remained underutilized due to weak institutional capacity. In certain circumstances it may be more appropriate for the government to support the development of non-formal rural finance institutions, such as the
Grameen Bank, while concentrating on improving the regulatory framework of the formal financial institutions in order to facilitate support for the non-formal sector.

**Mechanisms for Sustainable Management of Natural Resources**

Most governments have failed in enforcing legislation on the transfer of land or by making common property accessible to the poor. There can be little expectation, in the short term, that this will change.

One of the serious by-products of the resulting poverty and landlessness, however, has been widespread overuse and misuse of land, destruction of the forest, pollution of waterways and overexploitation of coastal and inland fisheries. Many governments are now recognizing the need to develop mechanisms for formally transferring some of the public lands and other resources to local community organizations, coupled with "awareness raising" campaigns, as a mechanism for protecting the remaining natural resources. Government support for the development of sustainable resource management systems (crop, livestock, forest, fishery), regulation of land tenancy and ownership, establishment of land information systems can also assist in this process.

**Conclusion**

At all levels, there is a need to make better use of existing human, natural and financial resources currently available in developing countries. Governments, NGOs, private sector and local communities need to work together to make better use of these resources. Existing institutional structures need to be improved or strengthened to enable, in particular, poorer members of society to participate in and benefit from the development process. Unless the poor are organized they may find it difficult to benefit from many of the projects and programs aimed at poverty alleviation. The Grameen Bank and Deedar Cooperative in Bangladesh and the National Irrigation Administration in the Philippines offer good examples of some of the gains made by the landless poor and small and marginal farmers as a result of their organization into cohesive groups.
Bibliography


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Annex B
Seminar Program

October 15-25, 1990 Comilla/Dhaka, Bangladesh

Sunday, October 14

1600 • Arrival of participants in Dhaka
1600 • Departure for Comilla

Sessions at Comilla

Monday, October 15

0900-1015 • Inauguration and Introduction
• Keynote Address by Mr. Sirajuddin, Additional Secretary in Charge, RDCD, Ministry of LGRD, Government of Bangladesh

1015-1045 • Tea Break

1045-1200 • Objectives of the seminar—A
DiscussionChairperson—Mr. Badiur Rahman, Bangladesh

1200-1400 • Lunch Break

1400-1500 • Brief Presentation on World Development Report, 1990—Emmanuel D'Silva, EDI/World Bank
• Review of Asian Experience in Poverty Reduction—R. Islam, ILO
• Chairperson: Mr. Muhammad Rafique, Pakistan

1500-1600 • Discussion
• Chairperson: Mr. Muhammad Rafique, Pakistan
Poverty Alleviation through Agricultural Projects

Tuesday, October 16

0900-1015  Discussion (continued from previous day)
1015-1045  Tea Break
1045-1200  "Poverty Alleviation in Agricultural Sector Plans"—Paper by N.S. Randhawa, FAO (Presented by U.S. Raghavan)*

* Chairperson: Manuarang Marpuang, Indonesia

1200-1400  Lunch Break
1400-1500  Group Discussions

Wednesday, October 17

0900-1015  Wrap-up on “Poverty Alleviation in Agricultural Sector Plans”—N.S. Randhawa
1015-1045  Tea Break
1045-1200  WID Assessments and Guidelines—R. Dayal and Wahida Huq, World Bank

* Chairperson: Juliet Texon, Philippines

1200-1400  Lunch Break
1400-1600  Principles of Gender Analysis—C. Safilios-Rothschild, Wageningen Agricultural University

* Chairperson: Gayatri Chaudhari, Nepal

Thursday, October 18

0900-1015  Beneficiary participation: Involving the rural poor in project design and implementation. A Case Study of farmers' participation in irrigation management in the Philippines—B. Bagadion, Philippines

* Chairperson: Vongxay Phanthavong, Lao PDR

1015-1045  Tea Break
1045-1200  Group Discussions
1200-1400  Lunch Break

* Dr. Randhawa’s arrival was delayed; hence the paper was presented by Dr. Raghavan.
1400-1500  • Group Presentation
1500-1600  • Mid-seminar Evaluation

Friday, October 19
0900-1015  • Deedar: A Success Story—D.P. Paudyal, CIRDAP
            • Chairperson: Mohibul Huq Sahibzada, Pakistan
1030-1230  • Field Visit to Deedar Cooperative Society

Saturday, October 20
0900-1015  • Linkages between poverty and access to land—Salehuddin Ahmed, CIRDAP
            • Chairperson: Haji Mohsin M. Khir, Malaysia
1015-1045  • Tea Break
1045-1200  • Discussions
            • Chairperson: Haji Mohsin M. Khir, Malaysia
1200-1400  • Lunch Break
1400-1600  • Group Simulation Game: “Starpower”—R. Holloway, PRIP

Sunday, October 21
• Return to Dhaka
• FREE

Monday, October 22
0900-1015  • Why is it difficult to replicate successful projects?—U.S. Rahgavan, CIRDAP
            • Chairperson: P.C. Abeynaike, Sri Lanka
1015-1045  • Tea Break
1045-1200  • Panel Discussion: M. Huq, Grameen Bank; M. Yeasin, Deedar Cooperative
            • Chairperson: P.C. Aneynaike, Sri Lanka
1200-1400  • Lunch Break
1400-1600  • Measurements of Poverty—Some Analytical Tools—M.G. Quibria, Asian Development Bank
            • Chairperson: Do The Tung, Vietnam

Tuesday, October 23
0900-1030  • Visit to CIRDAP
Poverty Alleviation through Agricultural Projects

1045-1200  • Group Discussions on Action Plans
1200-1400  • Lunch Break
1400-1600  • Group Discussions on Action Plans

Wednesday, October 24
0900-1015  • Group Discussions on Action Plans
1015-1045  • Tea Break
1045-1200  • Group Discussions on Action Plans
1200-1400  • Lunch Break
1400-1600  • Group Discussion on Action Plans

Thursday, October 25
0900-1015  • Presentation of Action Plans by Participants
1015-1045  • Tea Break
1045-1200  • Presentation of Action Plans by Participants
1200-1300  • Closing Session
Annex C
Participants' Action Plans

Alleviating Poverty through Farm and Non-Farm Activities: Action Plan for Pakistan and Bangladesh

Poverty is wide-spread in the subcontinent. The rural poor are mainly landless laborers, small and marginal farmers, rural artisans, destitute women and unemployed youth.

For poverty alleviation, economic growth in agriculture and industry is necessary, though not a sufficient condition. Both growth and justice are very important.

In Bangladesh and Pakistan, agriculture contributes a major share of the GNP (30-34 percent) and is also the single major employer of rural people. However, because of the skewed distribution of land, the scope for poverty alleviation through farming is limited; the development of nonfarm activities and social sector programs are needed.

Public sector programs have generally been ineffective and inadequate and their impact has not been commensurate with the human and financial resources employed because of:

• Inadequate information and feedback;
• Poor delivery system;
• Leakages and malpractices;
• Weak institutions;
• Lack of interagency coordination;
• Lack of community organization and people's participation;
• Lack of sustainability of specific development programs; and
• Absence of proper orientation of the bureaucracy towards the current development needs.

Strategies and policies required to meet the needs of the poor include:

• Transfer of assets to the poor by implementing existing land reform laws.
Farmers' organizations, cooperatives and the local government institutions can play an important role in the identification and proper distribution of these assets.

At the macro level, planning strategy should be restructured to give appropriate weight to the rural sector in accordance with the size of population and its contribution to the national economy.

Policies and programs should encourage labor intensive technologies in agriculture; mechanization should be introduced cautiously.

Extension services and research programs should be geared to the needs of small farmers.

Access to inputs and credit for small farmers, possibly at subsidized rates should be ensured through farmers organizations.

The small farmers should have control over irrigation systems (particularly at the tertiary level) and other common facilities.

Infrastructural facilities should be further developed, and people's participation in their planning ensured.

Price support for farm produce need to be properly linked with the cost of production.

Minimum wage laws for farm labor should be strictly enforced.

Lands along the rail roads and highways should be rented to landless farm workers to raise plant nurseries.

Small cottage industries should be encouraged.

NGOs and specialized institutions to help the landless (e.g. Bangladesh Rural Development Board and Pakistan Small Industries Corporation) should be strengthened.

The Grameen Bank model should be followed in the provision of credit.

Monitoring and evaluation are needed at all levels.

Further research is needed on poverty issues (e.g., by CIRDAP).
Regional Strategy for Poverty Alleviation:
Korea, Malaysia, Indonesia

Common Problems

1. Population
   Uneven distribution of population

2. Resources
   Human: Unskilled labor, prevalence of uneconomic activities, high unemployment/underemployment, low mobility of labor force among sectors.
   Natural: Abundance of natural resources, but untapped due to poor technology.

3. Technology
   Limited access to technology, informal education

4. Infrastructure
   Inadequate infrastructure, telecommunications

5. Institutional Linkages
   Centralized decision making mechanism

6. Political will
   Lack of political will and commitment for eradication of rural poverty.
   Unbalanced development between urban and rural areas and within regions.

Philosophical Perspectives for Poverty Eradication

1. Objectives
   Basic human rights to uphold human dignity in the pursuit of happiness and well-being.
   Provide better quality of life for the poor.

2. Through
   High economic growth and development
   Human resources development
   Strengthening institutions and political commitment

3. Strategies
   Growth oriented economic development policy
   Unbalanced development within sectors and regions
Rural development to support the growth oriented/unbalanced economic development

**Strategies**

Economic growth to increase employment opportunities
Increase productivity through education/training
Support Increased savings and foreign investment
Provision, expansion and improvement of infrastructure
Institution building. Improve institutional linkages through effective coordination
Strengthening of participatory decision making mechanism
Balanced development: Improvement towards a more balanced distribution

**Policy**

**Agricultural policy in relation to poverty:**

Land resources management
Labor and employment policy
Credit and taxation
Social welfare program

**Determining Target Groups**

Landless farmers
Small/marginal farmers and fisherfolk
Female-headed farm households
Children
Dependents and old-aged persons
Action Plans

1. Land Resources Management
   - Regulating land tenancy and ownership
   - Establishment of land information system
   - Optimizing spatial planning

2. Labour and Employment Policy
   - Manpower policy
   - Rural industrialization
   - Vertical and horizontal integration of economic activities
   - Recognizing self-employment

3. Taxation
   - Tax the higher income earner to help the poor through provision of infrastructure, housing, education, health and other services

4. Credit and Input Subsidy
   - Access, timely and adequate amount
   - Banking on the poor/trustee credit
   - Subsidized credit for asset building or bread earning business operation

5. Participatory Decision Making
   - Organizing farmers' groups in project design, planning and implementation by themselves
   - Participation of farmers group in political decision making

6. Institution Building
   - Improving effectiveness of existing institution particularly local indigenous farmers organizations
   - Introduction of new instruments, e.g. crop insurance, farmers' pension
   - Proper coordination among the institution
   - Promote the development and involvement of NGOs

7. Social Welfare Programs
   - Subsidize the poor
   - Rehabilitation Program—job training to increase their capability to work
Non-formal education for illiterate adults

Work program for rural poor, e.g., rural roads construction
Poverty Alleviation through Integrated Farm Program:
Action Plan by Thailand, Laos, Vietnam Group

Objective
1. Increase and stabilize farm income
2. Generate employment
3. Improve quality of life

Strategies (see below)
1. Determine the project area
2. Introduce integrated crop/livestock/fishery/farming system
3. Increase farm productivity
4. Develop farmers' organizations
5. Strengthen agriculture support services

Strategies—Some details

1. Determine the Project Area
   - Landless and small holder
   - Specific area, (dry, unfertile soil)

2. Integrated Farming System
   - Combine activities which are suitable for the resources available
   - Short-term and long-term production
   - Crop/livestock/fishery farming system

3. Increase Farm Productivity
   - Introduce appropriate technology
   - Use high-yield variety of seeds, organic fertilizer, pesticide
   - Small irrigation
   - Small farm machinery

4. Farmer Organization
   - Develop cooperatives
   - Supply various inputs, credit, extension, training, storage and marketing activities

5. Strengthen Agricultural Support Services
   - Soft loan, revolving fund through cooperatives
• Agricultural extension services
• Research on increasing farm productivity in rainfed farming areas
• Pricing policy
• Marketing information

6. Improve Quality of Life

• Educate to create awareness in people to consume nutritious foods
• Promotion and distribution of high-nutritive food
The Community Organization as an Emerging Sector for Rural Poverty Alleviation: Report of Sri Lanka, Philippines and Nepal

Introduction

Involving and mobilizing the intended beneficiary groups has emerged as one of the mechanisms for rural poverty alleviation. These efforts can help transform apathetic, passive rural societies into self-reliant, active groups.

From the concept of community development emerged the cooperative movement. Unfortunately, cooperatives did not address the issue of poverty alleviation; They became a tool for developing a political power base for some individuals.

The following is an operational framework for involving community organizations to address rural poverty alleviation in a more decentralized participatory approach:

Structure Develop a single-purpose, activity-specific and area-focused organization. A more thorough social preparation is need to enable COs to adopt a change.

Implementation and Management Poverty alleviation interventions could be undertaken at two levels: The needs identification, prioritization, formulation of interventions and implementation of projects could be done at the local level by the COs themselves. However, the supervision and monitoring of CO-initiated projects could be done at a higher level, by a federation of COs.

Basis for COs Homogeneity based on economic, geographical, ethnic and cultural characteristics should form the basis of COs.

Institutionalization of COs It is important to institutionalize COs as a medium for designing and delivering services for the poor. Developing a network of COs would provide a forum for inter-organizational information exchange.

Some Indicative Policy Issues and Concerns

Gender Issues There is a need to explicitly define the role played by women in developing, strengthening and sustaining COs (e.g., Grameen Bank)

Common Resources Forests, pasture lands, and water resources could be best managed by the community. An education campaign on how to manage
common resources could help poor groups into becoming self-sustaining communities.

Recommendations

CIRDAP could undertake a cross-country analysis of the effects of macroeconomic policies on poverty alleviation drawing from the results of the studies done by ADB, ILO, World Bank and other international organizations.

CIRDAP could also review what has been done so far and what needs to be done with regard to the institutionalization of community-based organizations.
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