

Rural Development Strategies in Developing Economies and Lessons for Nepal

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INTRODUCTION

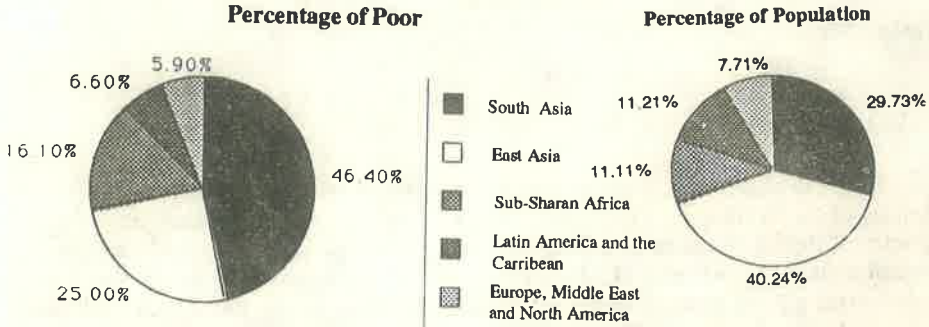
Rural development has emerged as a subject of major concern in several countries of the developing world. And rightly so, in view of the pre-dominantly rural character of their economies as exemplified by a very high percentage of rural to total population and predominance of agriculture as the principal source of livelihood. There is, of course, a trend towards urbanisation and industrialisation, but it will take quite some time before the rural background of the developing world is changed.

The term rural development, however, is used in two different senses: first, as the overall development of rural areas; and second as the socio-economic upliftment of the bulk of the people who inhabit rural areas. The two meanings are not entirely unrelated, but they are not necessarily the same either. The first approach is more or less unconcerned with the crucial question as to who are the beneficiaries. Hence, rural development in this sense can take place even if the benefits from it are derived by a few persons only. The second approach, on the other hand, is built around this very question itself. The present paper is concerned mainly with the second aspect since rural development is meaningful only if bulk of the rural people derive benefit from it. Viewed in this sense, rural development in developing economies becomes focussed on development of the weaker sections since it is they who constitute the bulk of their rural population. Most of them are generally below the line of absolute poverty. Hence the focus of the paper is on alleviation of rural poverty. Attention is focussed on policies, approaches and strategies for dealing with this problem rather than the description of the problem which is assumed as known.

At this stage, it may also be noted that the poor are largely concentrated in countries of Asia, specially those of South Asia. According to a recent World bank report, 46.4 per cent or nearly half the world's poor in 1985 lived in South Asia which had roughly 30 per cent of the world's population. Sub-Saharan Africa with 16 per cent of the poor and 11 per cent population was another region having a highly disproportionate share of global poverty. On the other hand East Asia, having 40 per cent of population and only 25 per cent of the poor and rest of the world with 19 per cent of population had 12 per cent of the poor. Figure 1 and Table 1 depict this uneven spread of poverty in the world during that year.

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Fig. 1
Population and Poverty in the World, 1985.



It follows from the above that the incidence of poverty is higher in South Asia and Sub-Sharan Africa. Between the two, it is the South Asian situation including its poverty alleviation experience which would be of particular relevance for a country like Nepal. There is much that is common in the rural scenario of Nepal and other South Asian countries in terms of both physical endowments as well as socio-economic milieu, e.g. a pre-dominantly agricultural-cum-rural character of their economies, pressure of population on land, dominance of subsistence farming, considerable influence of the monsoon on agriculture, ongoing transition from primitive to modern agriculture, socio-economic inequality in villages, inadequate infrastructure, etc. In addition countries of South Asia have considerably longer experience of anti-poverty programmes and are much better of in terms of intertemporal statistics on poverty. Within South Asia, it is the experience of India which would be most relevant. There is no other country in the world which has as much and as long and varied an experience as India has in dealing with the problem of poverty. There is hardly an approach or a strategy for poverty alleviation which has not been tried in India. The Indian experience, therefore, usually receives particular attention in any discussion on poverty alleviation policies.

A BRIEF REVIEW OF APPROACHES AND STRATEGIES ADOPTED SO FAR

Most of the developing countries have been plagued with problems of poverty, malnutrition, illiteracy & high mortality. Hence an attack on poverty in some form or the other, whether explicitly or implicitly, formed a part of the objectives of planning in such countries ever since their development process started during the nineteen fifties. However, it is only after the seventies and more particularly after the eighties that a sharper focus on poverty alleviation emerged in a number of such countries.

Table 1
Extent of Poverty in Developing Countries, 1985

Region	Extremely poor			Poor (including extremely poor)			Social indicators		
	Number (millions)	Headcount index (Percent)	Poverty gap	Number (millions)	Headcount index (percent)	Poverty gap	Under 5 mortality (Per thousand)	Life expectancy (years)	Net Primary enrollment rate (percent)
Sub-Saharan Africa	120	30	4	180	47	11	196	50	56
East Asia	120	9	0.4	280	20	1	96	67	96
China	80	8	1	210	20	3	58	69	93
South Asia	300	29	3	520	51	10	172	56	74
India	250	33	4	420	55	12	199	57	81
Eastern Europe	3	4	0.2	6	8	0.5	23	71	90
Middle East and North Africa	40	21	1	60	31	2	148	61	75
Latin America and the Caribbean	50	12	1	70	19	1	75	66	92
All developing countries	633	18	1	1,116	33	3	121	66	83

Note: The poverty line in 1985 PPP dollars is \$ 275 per capita a year for the extremely poor and \$ 370 per capita a year for the poor. The headcount index is defined as the percentage of the population below the poverty line. The 95 percent confidence intervals around the point estimates for the headcount indices are Sub-Saharan Africa, 19, 76; East Asia, 21, 22; South Asia, 50, 53; Eastern Europe, 7, 10; Middle East and North Africa, 13, 51; Latin America and the Caribbean, 14, 30; and all developing countries, 28, 39.

The Poverty gap is defined as the aggregate income shortfall of the poor as a percentage of aggregate consumption. Under 5 mortality rates are for 1980-85, except for China and South Asia, where the period is 1975-80.

Source: Hill and Pebley 1988, Ravallion and others (background paper), and United Nations and World Bank data 1989, as quoted in *World Development Report 1990*, Page 29.

The strategies adopted so far for alleviating rural poverty have comprised any one or a combination of some or all of the following:

- Reliance on overall growth rate through the trickle down mechanism.
- Land transfers to the poor in rural areas,
- Transfer of other goods and services to the rural poor
- Investment in human capital through education and training.
- Creation of additional opportunities for wage and self-employment through special schemes for the weaker sections.
- Schemes for the overall development of backward, drought prone, hilly & tribal areas.
- Adherence to centralised and bureaucratic decision-making and delivery systems.

Taken together, these measures are quite exhaustive. They touch upon the basic causes responsible for poverty, namely lack of assets, skills or remunerative jobs on the part of the poor. Some of these approaches are structural and some technocratic. Their impact has been a mixed one. The extent or their success has depended on the extent of force and vigour with which they have been tried. Success has been achieved wherever the quantum of attention devoted to the solution of the poverty problem in terms of funds, land or other transfers has been commensurate with the extent of the problem. But quite often, in several countries, the steps taken have been in an ameturish fashion without enough thoughts being given to the full implication of a proposed line of action. This would become clear when we discuss each type of measure adopted so far.

TRICKLE-DOWN STRATEGY

Take, for example the trickle down strategy which dominated the scene in most developing economies during the fifties and sixties. This strategy relied on tackling the problem of poverty mainly through programmes of overall development taken up in rural and urban areas. Several measures were taken to raise agricultural and industrial production and develop infrastructural facilities. Programmes for overall development of rural life were also launched during the early fifties. These included the Community Development Programme of India, Village Agricultural and Industrial Development Programme of Pakistan and the Trithuvan Village Development Programme in Nepal. The mid-sixties saw the introduction of new agricultural technology in India, Pakistan, Sri Lanka and several other countries. The programmes had some effect on raising agricultural and industrial production as well as in developing infrastructure. But their expected impact on the poor did not take place. The benefits did not percolate to them. This was because question related to the magnitude of the required growth rate, its feasibility and the time to be taken by it were hardly considered seriously. A statistical exercise made in India in 1962 had shown that a growth rate of 7 per cent was necessary to have a visible impact on the poor. As against this the growth rate attained was within the range of 3 to 5 per cent. The question was never asked whether such a low growth rate was capable of removing poverty and if so in how many years. How can poverty be reduced if unemployment and underemployment went on rising? The lesson that it had for the choice of technology and inter-regional allocation of resources was hardly taken into account. The so called "spread effects" of development did not spread

because of imperfect integration of the economic system. It were, therefore, the "backwash effects" which became more prominent in the poverty concentration areas.

GROWTH AND POVERTY

This is not to suggest that growth is not relevant for poverty alleviation. No strategy of poverty alleviation can succeed without growth. Sri Lanka, for example, during the fifties and sixties, concentrated mainly on ameliorative measures for the poor without paying much attention to growth. The success was limited as the objective could not be sustained over a long period. It is only a growing economy that can generate expanding opportunities for generation of income and employment.

While growth is necessary for poverty alleviation, it by itself is not sufficient. A low growth rate or growth confined to affluent areas alone may have little positive impact on poverty alleviation. In some situations, growth can even be "immiserizing".

It is, therefore, not correct to say that growth necessarily reduces poverty as has been asserted by the World Bank in its World Development Report of 1990 (Page 47). The World Bank derives this erroneous conclusion by making a simple correlation analysis of data on growth rate and reduction in poverty of a number of countries during the recent period. (see table 2).

Table 2
Poverty and Economic Growth

Country and period	Observed reduction in poverty (percentage points) ^a	Simulated reduction in poverty (percentage points) ^b	Annual Growth of mean income or expenditure (percentage)
Indonesia (1970-87)	41	35	3.4
Thailand (1962-86)	33	30	2.7
Pakistan (1962-84)	31	26	2.2
Brazil (1960-80)	29	34	5.1
Malaysia (1973-87)	23	19	4.0
Singapore (1972-82)	21	19	6.4
Costa Rica (1971-86)	21	22	3.5
Colombia (1971-88)	16	8	1.1
India (1972-82)	11	10	1.0
Sri Lanka (1963-82)	10	8	0.9
Morocco (1970-84)	9	1	0.2

- Note: a. Absolute change in the head count index on the basis of the definition of absolute poverty in the specific country.
b. The simulation assumes that the inequality of income remains unchanged.

Source: *World Development Report 1990*, The World Bank, Washington DC, P. 48.

The Bank's economists did not look into the role of other factors in affecting poverty. They should have realised that the decades of seventies and eighties covered by their data had witnessed adoption of special poverty alleviation programmes in several countries - a reference to which has been made elsewhere in the same report. Hence the data on poverty index in Table 2 reflect not only the impact of growth but also that of these special measures and other factors. In fact one can even argue that in many cases the positive impact of these special measures might have been neutralised by adverse affect of low growth on poverty, thereby supporting the "immiserizing" thesis. In our view, growth will have a more positive impact on poverty alleviation if questions related to its content, regional dimensions and choice of technology are also taken into account.

It follows from the above that a high growth rate brought about by use of labour intensive technologies will have most favourable impact on poverty alleviation. This is also supported by the recent experience of Indonesia, Malaysia and Thailand, the three East Asian countries which achieved and sustained annual growth of more than 6 per cent. This growth was relatively labour intensive in which growth of agriculture played a dominant role. A growth of this type generated considerable demand for labour thereby raising income of the poor. As a result, these countries attained very high rates of reduction in poverty ratio: the average annual reduction figures were 2.38 for Indonesia (1970-87), 1.66 for Malaysia (1973-87) and 1.40 for Thailand (1962-86) as against 0.51 for Sri Lanka (1963-82) and 1.04 for India (1972-83)¹. These countries, of course also provided for social spending and skill formation. On the other hand, annual average poverty reduction rate has been lower in Pakistan (1962-84) and Brazil (1960-80) despite their having higher then 6 per cent growth rate since other elements were missing.

LAND TRANSFER

One of the basic reasons why the rural poor have low income is that they possess little or no cultivable land. Hence, transfer of land to the poor provides a source of immediate as well as permanent gain. The experience of China and South Korea shows how this approach can be relied upon to tackle rural poverty. Land transfer to the poor, therefore, is an effective strategy but its scope is limited in many countries. Its political feasibility is doubtful because of the expected resistance from the landed community which is politically powerful to influence policies. Large redistribution of land, therefore, occur usually in times of great political upheavals. Availability of adequate surplus land for distribution in overpopulated countries like those of Sough Asia is another problem. For example, in India, the land available under existing ceiling legislation is pitifully small to meet the requirements of poverty alleviation. Something is possible only by a drastic reduction in the ceiling limit, the feasibility of which in so far as it would affect large number of middle peasantry remains doubtful. The probable adverse effect of a very low ceiling on efficient cultivation is another deterrent. In this connection, it may also be noted that in Pakistan, the upper limit of holdings was raised from 33.3 to 12.5 acres in the sixties. Sri Lanka attempted a politically neutral strategy of peasant colonization which involved settlement of the peasants on state-owned land. Despite its high cost, this strategy is reported to have "a lasting impact on the problems of the landlessness and unemployment" that prevailed in Sri Lanka especially in the wet zone. Considering all factors together, this strategy has

a limited scope in democratic societies. It can be one component of poverty alleviation strategy rather than the only component.

OTHER TRANSFERS

Several countries provide direct aid to the poor to raise their standard of living. These include supply of free or subsidised foodgrains, milk for children or pregnant women, free or subsidised clothing, education, medicine etc. Such transfers do not encounter any resistance and are, therefore, easy to be brought about subject to constraint of resources. But "transfers are unlikely to be the answer to poverty-certainly not in low-income countries with large numbers of poor. One reason is the sheer size of the problem. Transfers of at least 15 per cent of current GDP would be needed to eliminate poverty in Bangladesh - and this assumes that the transfers would not "leak" (as they usually do to the urban middle class"². Besides, such transfers tend to reduce incentives to work and save and hence future growth. Such transfers, therefore, do not provide a long term solution to the poverty problem.

INVESTMENT IN HUMAN CAPITAL

This is a very potent means of alleviating poverty. Investment in human capital through primary health care, education and training has been an important part of the approach adopted by several countries. The three East Asian countries of Indonesia, Malaysia and Thailand made considerable investment to achieve universal primary education and much lower infant mortality rates. The improvement in the skills and quality of the labour force enabled the poor in these countries to seize the opportunities provided by economic growth. During 1973 to 1987, average labour earnings for rural workers in Malaysia rose by almost 75 per cent. On the other hand Sri Lanka has been less successful despite a high level of social spending. "Between 1970 and 1985, it allocated about 10 per cent of GDP to social expenditures, and coverage was widespread. Although social indicators improved, the incomes of the poor did not rise significantly. Poverty declined by only 0.5 percentage points a year during the 1960s and 1970s"³. The role of this factor, therefore, also depends on the availability of opportunities for using the new skills. Such opportunities would be available in the environment of a rapidly growing economy or if the pattern of investment is such as to provide avenues of employment to the poor.

SPECIAL SCHEMES FOR EMPLOYMENT GENERATION

The period since 1970 has been associated with a reorientation of the rural development strategy in India. And similar trends can be found in Bangladesh and to some extent in other countries also. This involved adoption of a target group approach for making a direct attack on rural poverty through special programmes which provide wage or self-employment to the rural poor. Under wage employment programmes in India, Bangladesh and Pakistan, supplementary employment opportunities to the rural poor are provided for a few days during the agriculturally lean season. Sometimes payment of wages is made partly in terms of foodgrains so as to provide nutrition support.

As regards self-employment, India took the initiative when it launched a programme for development of small and marginal farmers in early seventies. In later years of the seventies, India launched its famous Integrated Rural Development Programme (IRDP) which was extended to the whole country in 1980. This is a programme for providing credit-cum-subsidy to the rural poor for starting self-employment ventures. This programme is now continuing as the main programme of rural development in India.

During recent years, the Bangladesh Government also formulated self-employment programmes for the rural poor. But its approach is different from the Indian one in two respects. First, in Bangladesh, the poor are assisted only through bank credit for production activities. The subsidy component, which is an essential feature in India, is absent. Second, a group approach has been adopted. Bank loans are given not to an individual borrower but to groups of poor organised in a cooperative. The Bangladesh Rural Development Board, the official agency for rural development in Bangladesh, has been promoting the formation of cooperatives of the weaker sections and the women for this purpose.

A significant measure undertaken in Bangladesh for alleviation of rural poverty is the so called Grameen Bank experiment. This programme has been implemented successfully in more than 6000 villages in Bangladesh and is also being copied in a few other countries. Grameen bank, which is a semi-government organisation operates through a network of village branches. The bank worker plays a very important role in forming groups of the rural poor, in the disbursement of loans and in collection of repayment. Appropriate institutional mechanisms have been devised to ensure repayment of the loan. Its loan recovery rates exceed 95 per cent. Most of the beneficiaries belong to the category of the extremely poor of which 83 per cent are women. Other countries in the South Asia may like to examine this scheme for adoption in their own countries.

A similar innovative approach to rural development has been implemented in Sri Lanka since 1978. Known as the Change Agents programme (CAP) it helps poverty groups who generally failed to benefit from earlier programmes. CAP tries to equip them with knowledge, skills and resources. It emphasises human resource development with a view to developing capability of groups to identify Socio-economic and cultural constraints to their progress and develop strategies for overcoming them. The officials (trainers) of the CAP play a catalytic role similar to that of bank workers of the Grameen Bank in Bangladesh.

The administrative costs of operating the special schemes are quite high. Identification of beneficiaries, formulation and implementation of beneficiary specific schemes, devising appropriate training programmes, providing credit and continuous monitoring and supervision are time consuming processes. Even then, the target group approach is justified for those countries which are unable to pursue the structural approach or achieve a very high growth rate. From the point of view of the feasibility, this approach has an advantage over the structural one in the sense that it essentially implies a transfer of different forms of capital goods like livestock, pumpsets, new model charkha, etc., whose overall supply is elastic as against transfer to land whose

supply is fixed. It can, therefore, serve its purpose by merely devising a proper strategy for deployment of additional resources. This alternative has the potential to alleviate poverty and that too in the short run provided it is pursued systematically after realising all its all implications and full filling the conditions necessary for its success.

The success of this strategy would obviously depend upon the quantum of resources set apart for the purposes. Resources allocated so far have, however, been extremely limited with the result that these programmes have yet to produce the desired impact. So far, these have merely functioned as a mere appendage to the development process. Hence, there is need to extent the coverage in term of number of beneficiary on the one hand and increase in per capita investment on the basis of realistic estimates of capital output ratios on the other. This would result in reordering of the plan as a whole. Massive step-up of funds would, therefore, be needed. from where to get the funds ? Given the overall shortage of resources, a substantial increase in resource allocation in favour of specially programmes for the poor is possible only by preventing the flow of resources to other fields and sectors. This again is not any easy task given the mad race for grabbin resoruces by every sector and group for its own advancement. This can be possible only by a drastic reorientation of priorities in favour of the poor by the government and putting a restriction on the undue growth of vested interests well entrenched in different departments and sections of the government itself. If the government of the developing economies cannot do this, then they can better forget all about poverty alleviation.

There is also a need to ensure proper utilisation of resources by strengthening the delivery system and raising the quality of schemes. To an extent, this aspect is related to the resources aspect discussed above. How can the government set up a strong implementation machinery if the volume of work to be undertaken by that machinery remains at a low level on account of low outlay ? The aspect related to quality of schemes raises several issues. What should be the mix of activities and the mix of programmes in a particular area ? These should obviously be determined in the light of techno economic and Socio-economic conditions of the area and should not be kept uniform for the whole country because the conditions vary. In other words, the lower administrative units i.e. the blocks, should be given not a fixed menu of schemes but a menu of their choice out of the available national or state schemes. But the blocks would be in a better position to make an independent choice only if they have a well equipped, planning machinery. Decentralisation of the planning process thus emerges as a basic condition for the success of this strategy. This, too, is a difficult task. Productivity of the schemes would increase still further if these form an integral part of the area development approach. Growth of the area provides a framework as well as an opportunity for the development of the poor. First, a list of developmental activities in an area may be drawn and their inter-linkages explored. Then, these can be allocated to the poor by appropriate policy measures.

Finally a word about programme content. Agriculture is the predominant activity in rural areas. It should, therefore, receive priority in any scheme for alleviation of rural poverty. However, agriculture by itself will not be in a position to provide remunerative jobs to all the rural poor. This is specially for agriculture in backward areas which have a concentration of the poor. Hence, the development of rural industries

has to be given a very high priority. This, in turn, would require a comprehensive policy on choice of appropriate technology for different types of industries, preferential treatment to employment oriented rural industries and possible restriction on growth of some large scale industries. This again is not an easy task as the experience of India during the last four decades since independence clearly points out.

AREA DEVELOPMENT PROGRAMME

While the Green Revolution helped in overall expansion of agricultural production, it could not do much to relieve the distress in more backward areas within a country. To take care of this problem, a number of area development programmes were, therefore, launched in many of the developing countries from the beginning of the seventies. India introduced a special programme initially for the development of its drought prone areas. Subsequently, special programmes for the development of other backward areas like desert and hilly areas were also developed. However, being peripheral, these programmes have not produced much impact. A somewhat different and more general area development programme has been adopted in Bangladesh, Nepal and Sri Lanka. Known by region-specific Integrated Rural Development Project or Programme in Nepal and Bangladesh, and Integrated Rural Development Programme in Sri Lanka, these programmes aim at increasing production and income specially of the rural poor, improving the quality of services and developing infrastructure. A significant feature is the development of mutually supportive activities with a view to overall improvement. The programmes also strengthen the capacity of government agencies to make their services more effective and helps in removal of critical bottlenecks and constraints. The programmes have several components like training, extension, credit, input distribution, irrigation development, livestock, fisheries, rural industries, etc. While these programmes cover selected areas in Bangladesh, they cover the entire country in Nepal and Sri Lanka. In both Bangladesh and Nepal, international donor agencies provide the major chunk of finance and technical assistance.

The impacts of these programmes on alleviation of rural poverty has, however, been limited largely due to meagre scale of funding resulting in thin spread of resources over a wide area. Besides, the programmes suffer from lack of integrated planning and coordinated implementation at the micro-level. Finally, the programmes aim at overall development of the area where in the needs of the poor do not receive much attention, unless deliberate attempts are made to do so. In general, these favour the better off in rural areas.

CENTRALISED BUREAUCRATIC MACHINERY

Rural development of far has been pursued mainly through a centralised bureaucratic apparatus. In many countries, particularly India, programmes are planned at the national level and implemented more or less uniformly throughout the country. Regional variations have little influence on programme design. Administrative convenience thereby has received priority over programme efficiency. The programmes have been implemented mainly through the bureaucratic process. The element of people's participation whether directly or indirectly has been either absent or inadequate despite some piecemeal attempts to provide a semblance of power to people's

institutions in India, Pakistan, Bangladesh, Nepal and Sri Lanka. As a result, there has often been a gap between what is needed and what is provided by the government in terms of specific activities and programmes. Besides, the spirit of self-help and initiative so desirable for any development process has been almost killed in most countries of South Asia. What is, therefore, needed is a drastic re-orientation of administrative structure in favour of decentralisation and people's involvement.

TREND TOWARDS LIBERALISATION AND THE NEED FOR PROTECTION OF THE POOR

Of late, there is a world wide trend towards liberalisation and privatisation and this has engulfed the developing countries also. Even India which has been known for extensive governmental control on the economy has taken several steps in this direction. Other countries like Pakistan, Sri Lanka, Malaysia, Indonesia, Philippines etc. did so earlier. The market is, however, never considered very friendly to the poor. Hence, the need for providing continued protection to the poor has been stressed even by the World Bank which has been suggesting liberalisation for a long time. It recognises that all the poor will not benefit from poverty alleviation policies. Moreover, the poor will be specially vulnerable during period of adjustment towards a market economy. Besides there are periods of natural calamities like drought, flood, earthquake etc. When the condition of the poor becomes vulnerable. Hence the World Bank calls for a system of "transfers and safety nets" comprising of food pricing and distribution, public employment schemes and social security⁴. A similar concern is visible in India's eighth five year plan approved recently in may 1992. It makes an explicit statement that "State intervention will have to continue, in fact, on an expanded scale so as to protect the poor and the vulnerable sections from some of the burdens of structural adjustment". The strategy suggested for protecting the poor include provision of adequate food supply, control on inflation, effective working of public distribution system and generation of employment. Such a package has been working in the past also. Each of these have to be reviewed to make them more effective.

Here one may also draw attention to the regional dimension since poverty in every country is concentrated mainly in depressed or backward regions. However, a free enterprise system associated with liberalisation and privatisation has never been found adequate for promotion the growth of such regions. While the long term impact of liberalisation on poverty alleviation is uncertain, what is likely to happen in immediate future is that foreign enterprises as well as low cost domestic enterprises located in relatively better off areas within the country would grow at the cost of enterprises located in backward areas, thereby aggravating the problems of unemployment, underemployment and poverty in these areas. Thus the accent on modern technology alone without safeguards would have adverse effects on the objective of removal of poverty through employment generation. Backward areas, therefore, must receive special attention during any process of liberalisation.

LESSON FROM THE EXPERIENCE

Nepal is a country where the problem of poverty is quite acute, widespread, and persistent. In Nepal, as elsewhere, while the urban elite is dreaming of catching up with

the most advanced in the world, the poor have remained where they were several decades ago. How long should they wait to reap the fruits of national development? A significant dent in their conditions in near future, say within the next ten to fifteen years can be brought about only by adopting bold initiatives. For this purpose removal of poverty must be given topmost priority in the real sense by allocating the needed resources both physical (manpower and critical inputs) and financial on a priority basis. This implies that the prevailing approach of treating development programmes as mere appendage to the main development programme has to be discarded. Instead an attempt has to be made to reorient the overall strategy of planning and development itself so as to subserve the needs of rural development. For this purpose, generation of employment should be made the focal point of planning and several policies should be reviewed to ensure their consistency with this approach. Nepal is also an economy characterized by lack of integration between different regions. Hence, regional dimension should continue to receive special attention. The above considerations imply that the growth rate fixed should not be independent of the target for removal of poverty and backwardness but should be integrated with it. The growth rate should emerge out of the exercise to develop different areas and poor people.

Before proceeding further, it may be clarified that employment to be created should be productive and remunerative. In most countries, the poor remain poor despite being engaged on some activity because levels of their earnings are low or the durations of employment is limited or both. Rise in wage rate (or level of earnings for the self-employed) and increase in duration of employment can be brought about only if the economy generates demand for labour which is higher than its supply. Legal measures alone like prescription of minimum wages, though necessary, would be inadequate. Further, the level of productivity of labour must be higher than the wage rate (or earning level) so as to generate a surplus for investment in future and sustain the process. This, in turn, would require comprehensive measures for technological upgradation, training facilities, marketing and policy support on a scale commensurate with the size of the labour force. Considerable investment in education and training would be needed for this purpose.

As indicated earlier, a high growth rate is desirable for poverty alleviation. It is, however, even more important to ensure that the nature of growth remains labour intensive rather than capital intensive. In other words, the content of growth should receive utmost attention specially because, given the present position of Nepal's economy, a very high growth rate does not seem to be within the realm of feasibility. A labour intensive pattern of investment would imply higher emphasis on sectors like agriculture, livestock, fishery, forestry, rural industries, small scale manufacturing, urban informal sector, rural infrastructure housing and services etc. In order to promote their faster growth, appropriate policy measures have to be devised otherwise these sectors are likely to lag behind, in the normal process of growth. Thus employment would be created from a diverse set of activities in the primary, secondary and tertiary sectors of the economy rather than through public works programme alone.

What is the option in case growth rate is expected to be low or moderate? In that case, the policy makers have to rely mainly on special programmes of employment generation of both self and wage employment. But while doing so, these should be

integrated with area development as well as sectorial programmes so as to make them more productive. Besides, their infrastructural requirements should be fully attended to. The quantum of per beneficiary assistance provided should be high enough to generate adequate income for enabling the beneficiary to cross the poverty line. Funds provided should be commensurate with the extent of the problem. And the delivery system should be streamlined with preference for a group approach. Other policy measures suggested earlier for promotion of employment oriented strategy should be taken into account while formulating this approach.

The above can be supplemented through land transfers and reform of the tenancy system. Land available with government and common land can also be utilised for this purpose.

At the same time advance action needs to be taken to build institutions for decentralised planning. What is needed is to set up a machinery for evolution of new rules and procedures, an elaborate infrastructure for training of local level administrators and local development functionaries, devolution of appropriate powers and functions at local levels through constitutional/legal measures, creation of a separate cadre of planners by the government and taking up of sufficient number of pilot projects in different parts of the country so as to acquire the relevant experience before application of the new model elsewhere.

Finally, there is need to reduce the rate of growth of population. This is, of course, a long term measure whose impact can be noticeable only after time. But unless appropriate steps are taken right now, it would be extremely difficult to sustain the poverty alleviation policies in the long run.

FOOTNOTES

1. The World Bank, *World Development Report 1990*, World Bank, 1990, P. 45.
2. Ibid, PP 50-51.
3. Ibid, P. 50.
4. Ibid,