

Rural Poverty Reduction in South Asia

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Executive Summary of Proceedings

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Key Messages

- 1 These proceedings found consensus on the understanding of poverty among the participants and resource speakers. Poverty is more than lack of income. It is multi-dimensional and includes lack of access to social services, social exclusion, lack of well-being, lack of capacities to influence decision-making processes and lack of participation in village institutions. Wage laborers, landless workers, rain-fed and small farmers form the majority of the poor. Women are disproportionately affected by poverty and bear the bulk of socio-economic inequality.
- 2 There is a diversity of problems faced by the poor. These include limited access to productive resources such as water, land, and common property resources; institutional weaknesses, lack of empowerment and exclusion especially of women and minorities and social and physical infrastructure. Also national budgets disadvantage the poor and ODA assistance is on the decline. This diversity of problems requires different planning mechanisms depending on country situations.
- 3 The overall objective of rural development is to build an attractive alternative to urban agglomerations free of poverty to live and work profitably in harmony with nature. Substantial progress was made in the reduction of rural poverty in many countries in South Asia especially up till the early 1990s. Since then there have been increasing difficulties in its further reduction with increases in vulnerability and inequality. It is projected that the world will have to feed another 2 billion people by 2025 and with possible political risks of increased conflicts and violence, inequalities are bound to rise. Migration from rural to urban areas will not be able to solve the poverty problem as poverty only migrates with the poor, as the example of Latin America has shown. Distributive policies such as the Targeted Pub-

lic Distribution System and the free housing scheme adopted in India are not bringing the desired results. Thus achieving redistribution in favor of the poor is critical as economic growth alone is not sufficient to reduce poverty. One of the major resources that need to be redistributed in South Asia is water to increase output for staples.

- 4 Investments in agriculture and rural development were frequently considered as sunset activities. In fact many countries did not give this sector sufficient recognition as demonstrated in stagnant or shrinking government and external aid budgets. However as most of the poor are living in rural areas, governments, donors and NGOs should give more attention in developing such areas. It has been shown that investments in agriculture and rural development are ethically and politically correct, economically viable with high returns, environmentally sound and socially acceptable. In the People's Republic of China, for example, government expenditure on agricultural research and development has improved agricultural production substantially and has brought about the largest positive impact on poverty reduction and improvement of regional inequality.
- 5 There is no single solution to overcome rural poverty. Different planning mechanisms and holistic and long-term approaches need to be adopted to help ensure success. The highest impact on poverty reduction will come from education and training for the rural poor, improving health care, research and development, good governance and decentralization.
- 6 The green revolution had an overall positive impact on poverty reduction since the beginning of the 1970s. However due to high population growth and limited land availability in South Asia, the challenges in the new millennium are to adopt new and sustainable technologies that address the specific needs of the poor. A strong need exists for institutional infrastructure to spread the use of new technologies in a sustainable manner. Genetically engineered food may also serve as an option to address rural poverty. Many countries both developed and developing countries have embraced the technology. There has been a wide acceptance of the technology across the globe which must be taken into account by those who fear the side-effects and the practicability of the technology.
- 7 Knowledge of poor farmers and indigenous groups needs to be mobilized for technological development. New technologies in agriculture need to be built on existing experiences of premier science and farmers' knowledge. This would require an enhanced commitment of government institutions to rural habitat and reframing agricultural extension programs to provide services at a low cost, ensure programs are end-user driven, multifunctional and based on knowledge exchange. Government institutions have a lot to learn from the private sector in terms of management and organizing their hierarchies. They also need to develop partnerships in research with the private sector especially in the area of biotechnology and transgenic crops to allow for better success.
- 8 There is a large information gap between agriculturally well-endowed and less-endowed regions, as well as between large and small farmers. In fact, information quality and quantity need to be increased for all. There are evidences of use of information technology by farmers to obtain prices of commodities in various markets, which allows them to maximize on spatial and temporal returns by selecting the right market where their produce could be sold at the highest prices. Farmers can get a better price for their produce if in addition to information technology, they could get access to post-harvest knowledge technology on processing and packaging.
- 9 Since agriculture itself cannot absorb all the rural poor, off-farm employment needs to be expanded in order to avoid massive export of poverty to the urban areas. A large majority of the rural poor is living on non-farm income. Governments need to support rural diversification programs through the provision of social and physical infrastructure and services as well. This may require social mobilization and education on a large scale.
- 10 The development community has to build coalitions to combat poverty as no single institution alone can achieve the millennium development target. New forms of partnerships between state, private sector, civil society and aid agencies need to be formed. The state should play a role in policy development, regulation, facilitation, basic social services, monitoring, evaluation and security. The role of civil society must go beyond that of advocacy to include undertaking capacity building of beneficiaries and community services whereas the private sector has to go beyond playing its role in commercial activities to providing goods and services with 'private goods' characteristics. New stakeholders, namely, NGOs, CBOs, co-operatives, labor unions can undertake certain tasks better than government or private organizations and they need to play their important roles in these.
- 11 Decentralization and participatory processes are not a panacea but are critical inputs in rural poverty reduction. The nature of inputs will vary depending on the level and nature of government. Fiscal decentralization is also important for without devolution of the financial powers decentralization remains incomplete. Implementing decentralization would require a change of attitudes of all stakeholders, including the state, the NGOs and also the poor who are used to a top-down functioning of the state apparatus. The state needs a political commitment for institutionalizing participatory approaches. The state and NGOs need to build capacities of not only the poor to enable them to participate in decision making but also of state and non-state institutions in adopting participatory and decentralized approaches for people-centered poverty reduction. Capacity building must go hand-in-hand with decentralization. Lack of understanding between communities/project managers, policymakers and aid agencies regarding their roles and responsibilities in a decentralized environment need to be overcome. Par-

icipation is not a one-way street and is needed for adaptive processes and developing new structures.

12 Some emerging issues for rural poverty reduction in the 2000s are globalization and its impact on the poor, sustainability, social protection, the role of remittances and best farm practices. This workshop pointed out that liberalization works best for the rural poor when access, skills and land assets are not too unequally distributed. In the new millennium, new financing mechanisms will be required in the light of increasing budget problems and decreasing aid flows.

Introduction

1. A workshop on “Rural Poverty Reduction” was held jointly from 29 October to 3 November 2001 by the Asian Development Bank Institute (ADB Institute), the International Fund for Agricultural Development (IFAD), the Aga Khan Foundation and the Institute for Development Studies, Jaipur (IDSJ), India. The workshop took place at the premises of IDSJ and was attended by 43 participants from seven South Asian countries, namely Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka and Pakistan. The main purpose of the workshop was to strengthen the institutional capacities of key policy making organizations that would allow them to introduce pro-poor policies at the national, regional and local levels. Also, the workshop was aimed at creating a network amongst the participants and speakers who will support rural development and who act as agents of change in their respective organizations. It was highly participatory and interactive, allowing participants and resource speakers to learn from other participating countries’ experiences in fighting rural poverty. Recognizing that rural development and poverty reduction require broad-based approaches, it was evident from the outset when the workshop was conceptualized that not all relevant aspects that impact on rural poverty reduction can be covered in a six-day workshop. Accordingly, it was decided in cooperation with the resource speakers and participants to focus the workshop on the following four priority aspects relevant to poverty reduction: (i) the emerging understanding of rural poverty, (ii) managing the rural transformation process, (iii) technologies for rural poverty reduction and (iv) empowerment of the rural poor.

2. **Prof. Pradeep Bhargava, Acting Director and Senior Fellow, Institute of Development Studies, Jaipur, India** welcomed the participants on the behalf of IDSJ. He described the workshop as an important occasion for the IDJS to strengthen bonds with the ADB, ADB Institute and IFAD.

3. Bhargava introduced briefly the state of Rajasthan and academic activities at the IDJS to the participants. He explained that the research agenda of the IDSJ is based on economic and social needs of the people of Rajasthan and the five broad areas of research at the Institute are Natural Resource Management, Economic Policy, Social Policy, Gender and Empowerment, NGO and Panchayati Raj Center. He said that the Mission Statement of IDSJ is “Bridging the Gap between Micro Realities and Macro Policies.”

4. **Mr. Frank Polman, Country Director of the ADB’s Resident Mission in India** highlighted in his opening remarks that poverty reduction is ADB’s overarching objective. He mentioned that rural Asia is home to a large part of the world’s poor who still live in poverty. From ADB’s viewpoint, it is a realistic and achievable goal that the region become free of poverty.

5. In the past few years, the ADB increased its focus on poverty reduction. ADB is presently undertaking detailed poverty analysis in 34 developing countries. Social infrastructure and rural development projects that directly address poverty accounted for around 24 percent of ADB lending in the year 2000. These included 10 projects in irrigation and crop development, three on targeting the poor and rural development and three on rural financial services. A project in Bangladesh, for example, helped 60,000 poor farmers to raise their income through cultivation of higher value cash crops. In other health related projects poor, ethnic minorities in rural areas where infant and maternal mortality rates are highest in Asia, were given access to essential health care services. Physical infrastructure projects such as power or roads that improve connectivity and improve the lives of the poor are other major areas of focus of ADB’s poverty reduction efforts.

6. Polman emphasized that project finance alone will not be sufficient to abolish poverty. In addition, it will be necessary to review the impact of decentralization and good governance on rural development, as well as the role of institutions in accelerating private investment and introducing new technologies. He said that the workshop would discuss several serious and important issues to provide a platform for policymakers, experts, practitioners and NGOs to interact and share their experiences.

7. **Mr. Atiqur Rahman, Lead Strategist and Policy Coordinator, IFAD**, introduced IFAD as a specialized agency of the United Nations, established in 1978 to fight poverty and provide nutritional support. The main objective of IFAD is to eradicate poverty in rural areas. It recognizes that three-fourths of the poor live in rural areas and hence IFAD focuses on the rural poor. Unlike other UN agencies, it is a funding agency that provides loans and grants to its 161 member countries around the globe. With over 600 projects in over 103 countries financed by IFAD so far, it has lent more than \$6 billion and helped to mobilize another \$17 billion from other agencies and the member countries themselves. Currently there are more than 200 on-going projects.

8. Rahman described the workshop as a capacity-building activity. It is an expression of the willingness of like-minded institutions and partners to fight poverty together. International agencies have long neglected the capacity-building aspect of poverty eradication. He said it is time that for one to recognize that the poor may lack income and opportunities, but they have the knowledge and the aspirations to improve their living conditions. So the central question is on ‘How can one help the rural poor develop their own capacity so that they can influence decision-making processes and contribute towards improving their livelihoods?’

9. Like Polman, Rahman also pointed out that the capacity of governments needs to be developed in such a way that it could take over the leading and guiding role in poverty reduction. The bilateral and multilateral donor community can support the governments by providing resources and building capacity at the grassroots and other levels. Civil society organizations have been playing and can play active roles in this process. The key relation to all this is partnerships. The development community has to build coalitions to combat poverty. No single institution alone is able to achieve the millennium development targets.

10. **Mr. S.B. Chua, Director, Capacity Building, ADB Institute** welcomed the participants on behalf of Dr. Masaru Yoshitomi, Dean, ADB Institute saying that this was the first time that the ADB Institute organized a capacity-building program on rural poverty. The program was designed to focus on common issues that confront the seven South Asian countries in their fight against rural poverty. On the need for poverty reduction, Chua said that the Asia and the Pacific area is the largest developing region in the world and is home to the largest number of world's poor. Poverty in the region has many different faces: The poor are wage laborers, landless workers, rain-fed and small farmers. Women are often disproportionately affected by poverty, therefore efforts to reduce poverty have to focus on such disadvantaged groups of people.

11. He believed that there are pathways other than migration to urban areas to reduce rural poverty. The rural economy is multi-sectoral and includes not only agriculture but many other dimensions as well such as livestock, fisheries, agro-industry, natural resources, etc. Therefore investments in the rural economy need to be promoted. Such investments are:

- ethically justified, as a bulk of the poor in South Asia is living in the rural areas
- politically right as rural development reduces the risks of national and regional conflicts
- economically sound, as they can result in high economic returns and have frequently strong multiplier effects
- environmentally correct as they reduce the degradation of natural resources

New Understanding of Poverty

12. The workshop started with discussions on a new understanding of rural poverty that had emerged over the past several years. It was noted that the poverty cannot be explained solely by lack of income. Instead poverty has many different social, economic and political facets. In his key note speech, **Dr. N.C. Saxena, Secretary, Planning Commission, Government of India**, made a presentation on "Rural Poverty Reduction in India: Policy Issues." He discussed a broad set of issues relating to economic growth and poverty reduction and in particular the relationship between poverty reduction and economic growth. He emphasised the need for a concerted policy action to lift 250 million poor in India out of poverty, and highlighted the fact that although the percentage of poor has declined from 36 percent to 26 percent in past

eight years, still the expected target of taking it to 17.8 percent by the year 2002 remains elusive.

13. He pointed out that the agricultural growth has been sluggish during the last 10 years. The current policy approach that aims to increase agricultural production through subsidised inputs in power, water, fertilizers and pesticides and increasing minimum support price is questionable, as these subsidies do not improve income distribution and demand for labour. Instead, these subsidies stimulate uneconomic use of fertilisers, pesticides and water, which have proved to be environmentally unsustainable. Besides, the subsidies have led to deterioration in state finances resulting in less public investment in roads and irrigation, in technical upgrading and in maintenance of canals and roads.

14. Saxena believed that the Targeted Public Distribution System (TPDS) did not work as effectively as expected, due to lack of infrastructure and shortage of funds and led to wastage of resources through leakages. He brought to notice some major problems associated with the scheme, and said that while the growth rate in availability of food grains per capita was 1.20 percent per annum during the 1980s, it has reduced to -0.28 percent during the 1990s. Food consumption of the poor in India has decreased in the past ten years while the level of food grains stock with the Food Corporation of India (FCI) has increased, signifying the lack of purchasing power of the poor, and a distorted food security policy. He suggested the exploring of the possibility of FCI to play an active role in food grain market operations by releasing stocks to the open market when shortages are prevalent and prices are high. He also suggested possible alternatives to TPDS. First, mixing the allotment of food grains for 'above poverty line' and 'below poverty line' and setting it at a new price, which could be between the prices for the two, he said would curb the practice of black-marketing of food grains. Second, wages could be paid in terms of food grains to ensure that there would be no starvation and this will reduce leakages.

15. He mentioned various problems associated with Poverty Alleviation Programs such as the Indira Awas Program that provides 100 percent subsidy of Rs.20,000 per beneficiary for building homes, which has led to the strengthening of dependence of the rural poor on the elite. Moreover, it has divided the poor among themselves, especially in the effort exerted by those who try to get the benefits at the earliest by seeking help from local MLAs and MPs. This scenario, Saxena said, could be improved through participation from both sides through the giving of funds to the gram sabha only when people had contributed their 25 percent share.

16. Saxena briefly explained the reason why programs for tribal communities do not work as effectively as originally envisaged. The main factor behind tribal distress is their inability to negotiate and cope with the consequences of their forced integration with the mainstream economy, society, and political system, from which they were historically protected as the result of their relative isolation. The market or formal state institutions have led to the influx of better-equipped outsiders into tribal areas. The repercussions of this influx for the al-

ready fragile socio-economic livelihood base of the tribals were devastating—ranging from loss of livelihoods, land alienation on a vast scale, to hereditary bondage. Unfortunately successive governments have ignored their fundamental problems of land alienation, indebtedness, relation with forests, ineffective implementation of the Scheduled Areas Act, involuntary displacement due to development projects, and lack of proper rehabilitation. These issues need urgent attention.

17. Poverty reduction programs also suffer due to fiscal crises. He said funds from the Government of India are often diverted for paying salaries by the states, and the states do not release counterpart funds in time, which dilutes the sense of ownership of states with the development programs and even on completion, maintenance is not properly carried out. This scenario, he suggested, could be improved by improving the fiscal situation through measures such as restructuring the power sector, increasing user charges at various levels, liquidation or privatization of several public enterprises and better governance for tax compliance. He also suggested that surplus staff should be identified and an effective deployment plan should be set up.

18. Regarding governance, he identified the following elements for effective and responsive administrative machinery, namely, high degree of commitment, motivation, professional competence, adequate knowledge of their jobs and integrity. Discipline combined with a high degree of innovation, he said, can make anything work. He remarked that improved governance would restore confidence of the common man in the reform process. Saxena suggested the creation of adequate infrastructural capacity at different levels where the poor are able to find a clear enunciation of their entitlements to reduce leakages through corrupt government officials and contractors.

19. Saxena described the correlation between growth and poverty reduction generally to be positive. But he said micro-details of this correlation sometimes might show that there is good growth but poor poverty reduction. This, he explained, is due to policies relating to agriculture, food and nutrition, which may lead to more migration and more inequalities at the village level. He said that poverty is frequently not declining despite growth and the liberalization of the markets, as growth in agriculture in recent years has been almost stagnated. In fact, there is a need to look at linkages between sectors to translate growth into poverty reduction. He commented that for implementing policies for rural development especially in tribal areas, academicians, the Panchayati Raj Institutions, NGOs and committed civil servants can play an important role by reaching the remote areas. On queries about funds from the central government, he explained that the Government of India has started sending money directly to Panchayati Raj to reduce leakages and to introduce a sense of ownership in poverty reducing schemes at the village level. It has been suggested that 25 percent of the funds would be contributed by village councils, which the Government will subsequently replace. This would raise the sense of participation. As when people contribute, they monitor its best use.

20. **Mr. Abdul-Muyeed Chowdhury, Executive Director, Bangladesh Rural Advancement Committee (BRAC)**, in his keynote presentation “Insights into Rural Poverty in South Asia: NGO perspective in Bangladesh,” focussed on the role of NGOs in Bangladesh. He highlighted the central role and important contributions of NGOs towards the development of Bangladesh and illustrated this by discussing the activities of five selected NGOs. These organisations are pursuing different approaches to improve the quality of life of the poor.

21. He pointed out that poverty is a widely discussed phenomenon in today’s world, particularly in South Asia. This region has emerged as the poorest, the most illiterate, and the most malnourished region in the world, with over 40 percent of the world’s poor residing in South Asia. He said that it is the moral obligation of the educated and the better off to change the existing situation of the poor for the better. He warned that if the poverty situation continues to deteriorate further, then the desperately poor with their overwhelming numbers would do anything to stay alive. Thus it is time for positive action to eradicate poverty by releasing the latent capacity and growth potential of the poor people through their empowerment and capacity building. Such initiatives can actually convert the present day poor masses into valuable resources for progress, development and prosperity. He described resource constraints caused by corruption, misuse of funds, and lack of physical and institutional infrastructure as the stumbling blocks in the path of rapid reduction of poverty.

22. Mr. Chowdhury stressed the need for regional cooperation in poverty alleviation and referred to the Colombo Summit in 1991, when leaders from the seven countries constituting the South Asian Association for Regional Cooperation (SAARC) decided to set up an independent South Asian Commission on poverty alleviation and directed it to examine the causes of poverty in South Asia, diagnose what went wrong with past development interventions and identify concrete elements for a coherent strategy to alleviate poverty.

23. He summarised the emergence of NGOs in Bangladesh and stressed that NGOs are now a key player in all poverty reduction activities in his country. At present over 15,000 NGOs of various sizes are operating their programs in Bangladesh dealing with almost all aspects of socio-economic development including empowerment of poor women. Besides mobilising the poor, NGOs provide various support services to develop the capacity of the poor and to enhance their economic condition and livelihood strategies such as:

- training
- financial services including credit and savings
- support of income income-generation activities
- support for women’s rights and empowerment
- education
- essential health care, nutrition and family planning
- housing
- environment
- agriculture and social forestry

- poultry and livestock development and
- social development

24. He briefly discussed the activities of some prominent NGOs active in Bangladesh, such as (i) Proshika, which follows a holistic approach and has initiated several integrated development programs that include micro-finance, education, training, employment and income generation and advocacy for poor, especially poor women; (ii) ASA, a major micro finance NGO in Bangladesh, that basically provides two types of credit—small loans and small business loans; (iii) Grameen Bank, which is the largest micro finance institution in Bangladesh which is spread in 40,225 villages (out of total 86,000 village) of the country; (iv) CHCP a national level health NGO that maintains training, clinic and dormitory facilities to run its programs; (v) CAMPE which is a specialised co-ordinating body of NGOs in the field of basic education including formal, non-formal, adult and continuing education and (vi) his own organization BRAC which is one of the largest national private development organisations in the world with more than 1200 offices and about 26000 permanent staff. Its development activities are mainly in the rural sector with its core activities manifested in three operational programmes namely non-formal primary education (NFPE), essential health care and nutrition and population programs benefiting 31 million rural population. These are in addition to a massive micro-finance program covering around four million poor people through more than 100,000 village organizations (VOs) spread all over the country. Each VO consists of 30-33 persons. Only one member from a poor family can join VOs for micro-finance and other related activities. BRAC has developed a methodology for reaching the unreached extreme poor to bring them into mainstream development. The immediate goal of the program is to strengthen the livelihood strategies of the ultra poor beneficiaries. It also aims on imparting skill training to 1.2 million vulnerable women for building up their capacity in order to enhance their survival strategies.

25. He concluded by saying that the experience of Bangladesh shows that the joint involvement of public and private sectors and NGOs can bring about the synergy and quicken the process of development leading to poverty eradication in any country. Exchange of information, collaborative action, and provision of operational funds by development agencies and G-7 countries to support poverty eradication programs can make a difference for the poor in this world.

26. Answering queries about BRAC Mr. Chowdhury informed that it is now gradually moving to the advocacy phase and working towards consolidation of its work for social mobilization and empowerment of the poor. On how to avoid duplication, he said there is intensive cross checking and information exchange between NGOs. The Government of Bangladesh has taken cognizance of NGO capacity and efficiency in program implementation through mobilization of the poor people and as such more and more programs of the Government in the rural areas are now being implemented through the handed NGOs.

27. After the two keynote speeches, **Mr. Atiqur Rahman and Dr. Saurabh Sinha, Head, German Technical Co-operation** jointly gave their presentation on “New Understanding of Poverty.” Mr. Sinha began by highlighting the fact that 1.2 billion people live in ‘extreme poverty’ and 75 percent of them work and live in rural areas. He reiterated the resolution made by the member states of the United Nations in September 2000 to half the proportion of world’s poor whose income is less than one dollar a day by the year 2015. But he feared that the target would be not reached with the current rate of progress in particular as the real value of Official Development Assistance (ODA) has contracted by half between 1988 and 1998.

28. Rahman presented an overview of IFAD’s framework, which revealed a new understanding on poverty. This includes a number of strategies for sustainable, sequential and cost effective reduction in rural poverty that may be summarised in the following manner:

- Achieving redistribution in favour of the rural poor is critical, as the inequality is high and economic growth alone is not sufficient to halve rural poverty by the target year 2015. Certain groups merit special attention such as the ethnic minorities and the people living in hilly and semi-arid areas and in particular women.
- Participatory and decentralized methods to attack poverty are especially effective for securing democratic control, developing human potential and improving the cost-effectiveness in a number of areas ranging from developing new seed varieties, through to the introduction of micro finance to rural schools and public works programs.
- Increasing the asset holding of the rural poor plays a crucial role in all poverty reduction efforts. First, over two-thirds of the income of the rural poor is from farming. IFAD’s framework for poverty eradication therefore gives priority to small farmers, who constitute a large majority of the dollar-a-day poor. Women should be allowed rights to land and be given power and assistance to exercise greater control in existing relations. They suffer from discrimination in pay and in access to land legacies and credit. Secondly, there should be strategies and programs to assist the poor through the redistribution of water-yielding assets, which should include: restricting pumping, responding to poor user’s needs, and providing credit and technical help or hydrological data to help the poor invest in wells.
- Improving human assets has high economic rates of return and helps to reduce poverty. This includes improved nutrition, health and education.
- Strengthening the linkage between agriculture and rural non-farm sectors: those non-farm activities which bring about the most and the quickest poverty reduction should be encouraged.
- Making technology work for the poor with the objective that it should yield more per unit of input, be more labour intensive, adjustable to seasonal demands for labour and food, robust against climatic risks, pro-poor in terms of the choices of the poor, and less material cost intensive. Rahman stressed in that context that IFAD’s approach to

new biotechnology is cautious and a proper field test should be there before the poor adopt it.

- Reducing rural poverty requires improved allocation and distribution of water to increase output of staples.

29. The speakers continued to explain that growth and distribution are both essential for poverty reduction. Liberalization and improved market access have lowered the price bias against farming, price distortions among farm products and other negative consequences of government intervention. They stressed however that liberalization works best for the rural poor when access, skills and land assets are not too unequally distributed.

30. Rahman pointed out that IFAD gives strong emphasis on strengthening institutions for the rural poor. He added that sustained poverty reduction also requires pro-poor institutions and the building of partnerships between the rural poor and other stakeholders. As no single agency can fight poverty effectively by itself, it is important to build partnerships and coalition, and work with the poor.

31. In the open discussions, Rahman and Sinha pointed out that it is important to understand the livelihood pattern of the poor especially those who are moving to the non-farm sectors and emphasized the importance of off-farm rural investments as most of the poor are still in rural areas. On the question on whether the Green Revolution has really benefited the poor, Sinha answered in the affirmative. The misuse of resources and the inefficient use of water have led to the decline of productivity of land. A major challenge is to establish institutions and organizations to ensure that agricultural inputs reach the poor. Replying to a question on rural indebtedness, Rahman stressed that indebtedness perpetuates poverty. Micro-credit systems have however elements that can bring the poor out of grasp of moneylenders and landlords. Building institutions for the poor will open gateways for access to credit, technology and markets.

Country Experiences in Rural Poverty Reduction

32. Prior to the workshop, participants were request to prepare brief presentations on their country's work on poverty reduction to be delivered during the workshop. These presentations can be summarized as follows:

Bangladesh

33. Bangladesh has 76 percent of its population residing in the rural areas. Agriculture contributes 21 percent to the national income. The country has seen a sharp decline in rural poverty as well as urban poverty whose decline has been much faster. Landlessness remains a predominant factor that causes poverty. The growth rate in the country has accelerated but is still lower than the expected 7 percent. Despite this growth, there has been an increase in inequality. NGOs play a major role in Bangladesh's poverty reduction work. NGOs started

in the early 1980s extending micro-credit and micro-savings by NGOs on a target-oriented approach. These programs are now considered as widely successful in contributing to poverty reduction. Recognizing that poverty reduction requires more than the credit activities, NGOs have over time complemented their financing activities with other efforts such as community development, agricultural development, social sector support or capacity building/training work.

Bhutan

34. Poverty in Bhutan does not have the same characteristics found in many other countries in the region. There is seldom famine or hunger and the population is not impoverished. But there are seasonal food shortages and a significant percentage of the population would face seasonable and transitional food insecurity in particular in the remote and inaccessible areas of the country. Seventy-nine percent of the population live in the rural areas. While there are no large discrepancies in the size of landholdings, the rapid growth of population has led to increased fragmentation of families and the division of land and livestock holdings. These trends have two important implications: first it becomes impossible for farmers to produce enough crops to feed themselves and second, people are forced to move to urban areas and to give up farming.

35. Substantial progress in reducing rural poverty has been made during the past few decades. Physical infrastructure development, especially farm roads, is given high priority in order to allow for better access of the rural poor. On the policy side, the government plans to continue its existing policies on taxation, interest rates and import liberalization. The diversification of the rural economy will continue through road construction, supply of other basic needs and supporting more NGOs. Bhutan will also facilitate growth of capacity building of organizations for mobilizing support at the grassroots levels for various programs.

India

36. India has 72 percent of its population living in rural areas. Agriculture contributes 28 percent of the country's gross national income. The poverty rate in India has declined from about 56 percent in the mid-1970s to 27 percent in the late 1990s. But lately, the decline of poverty has been slower. Poverty is mainly rural and women and tribal populations are worse off among the poor. Inequalities are high and increasing in recent years. The manufacturing output growth has suffered a setback in recent years.

37. The government approaches rural poverty mainly through (i) accelerating economic growth with priority development of sectors that allow for greater participation of the poor in the growth process, (ii) directly targeting anti-poverty programs, (iii) implementing special area programs, and (iv) developing human resources. While these policies and programs had their own success, there are also some lessons that need to be taken into account in the future pov-

erty reduction work. These lessons showed that despite relatively high economic growth, the benefits of the growth did not trickle down sufficiently to the poor, investments in human capital were inadequate, expansion of the public sector remained uncontrolled and many public institutions were not accountable. In addition, land reform efforts were inadequate and the poor lacked organization. Macro policies are being designed to restructure subsidies and credit policies in agriculture.

Maldives

38. Maldives as an island state gives high priority to atoll development with priority to reducing disparity between the capital and the other atolls. In the Maldives, the disadvantaged groups, namely those living in the atolls are synonymous with the poor, although there is no absolute poverty in the country. One of the major challenges that are facing Maldives has been to ensure that the benefits of growth and development are equitably shared between the nation's highly dispersed population.

39. The program to accelerate Island and Atoll development was supported from the beginning by the concept of rural development that included the provision of basic education, skill development, employment creation and social and physical infrastructure investments. Given the openness of the Maldives economy, the country remains highly susceptible to external shocks and other developments in the global economy. This has a major impact on the atoll and other less endowed areas and needs to be addressed by appropriate economic policies.

Nepal

40. Poverty has been a major challenge in the social and economic development of Nepal. The number of poor people is significant. The most recent estimate shows that 38 percent of the total population is living below the poverty line. Nepal has 88 percent of its population living in the rural areas. Agriculture contributes 39 percent to national income. Agricultural growth has been poor and rural poverty is much higher than urban poverty. About 44 percent of the rural population is considered poor. There is a wide variation of poverty across geographical regions. Those living in the mountainous regions are poorer than those in the hills and Terai.

41. All development plans of Nepal since 1985 have identified poverty reduction as a major objective of the country's development efforts through broad-based economic growth, physical infrastructure investments, social development, targeted programs and good governance. The government also introduced several policy reform measures in areas of monetary and fiscal policy, trade and investment or capital markets, but these policy reforms did not have a positive impact on agriculture. Although agriculture is the lead sector for pov-

erty reduction, it has so far failed to make a significant impact on poverty reduction. Technology growth has been slow and pricing and subsidy policies have largely failed to increase productivity. In particular it has now been recognized that insufficient effort was made to involve stakeholders, women and local institutions.

Pakistan

42. Pakistan has 64 percent of its population residing in the rural areas. Agriculture contributes 26 percent to the country's gross national income. The early substantial decline in rural-urban inequality has now come to a halt and more recently, inequality has started to increase. Rural poverty is now much higher. About 34 percent of the population live below the poverty line. Rural areas of South Punjab and Baluchistan are very poor. Agriculture in Pakistan has been a victim of structural adjustment and attention has been diverted away from food self-sufficiency. Fiscal and current account deficits and the increase of external and internal debts have hampered the adoption of in pro-poor development strategies. Despite these developments, drought and a refugee problem, the country did still produce a food grain surplus. Pakistan, however, lags behind in social development.

43. Agriculture has played a major role in the past in Pakistan's poverty reduction efforts, by creating productive assets and through policies that account for the twin menace of crop failure due to drought and price failure during times of surplus production. However the skewed income distribution made poverty reduction efforts more difficult.

Sri Lanka

44. Sri Lanka has 77 percent of its population living in the rural areas. Agriculture contributes 21 percent to the country's gross national income. It has a long history of fighting poverty through various strategies that included macro-economic adjustment, poverty eradication programs, safety net programs and massive development works such as irrigation schemes. In the early years, Sri Lanka's approach to poverty reduction was based on a "welfarist" approach that was changed in the mid-1980s to a more market-based approach that promoted free trade and the removal of state monopolies. However this approach did not result in the expected trickle down effect and targeted programs such as nutrition programs had to be introduced. Agricultural growth declined by 2 percent in recent years. Despite this there seems to have been a slight decline in rural poverty.

45. It is now well understood in Sri Lanka that poverty reduction cannot be achieved through providing relief. Instead a comprehensive macro-economic policy framework is required to extend developmental activities to rural areas and to obtain participation of the rural poor. These macro-policies need to link up with micro-level planning which takes place at the local level.

Managing Rural Development: Policies for Transformation

46. The workshop continued with a presentation by **Dr. Linxi Zhang, Professor and Deputy Director, Centre for Chinese Agricultural Policy** on “Lessons and Experiences from Rural Transformation: Diversification and Employment Creation in Context of China.” She defined poverty as a rural phenomenon in China and focussed on China’s impressive rates of economic growth over the last two decades, when poverty fell from 32.9 percent in 1978 to 15.1 percent in 1984, and then to 3 percent in 2000. She said that reduction in poverty of this scale within such a short time period is remarkable.

47. Zhang said that the government’s expenditure had the largest impact on poverty reduction and regional inequality, and significant impact on production growth. The government’s spending on agricultural research and development has improved agricultural production substantially. She added that a large part of the poverty and inequality reduction effect is realized through non-farm employment.

48. By 1995, 34 percent of the rural labour force had found some employment off farm in one of the job categories: migrants, commuters, self-employed, or local wage earners. Strong off farm labour participation growth occurred in every sample province during 1988 to 1995, which has provided new earning opportunities for those in rich and poor regions. Zhang pointed out that trans-regional migration in China has made a large contribution to employment opportunities for many rural communities in all parts of the country. Moreover, women have entered the migrant sector in increasing numbers.

49. A new poverty alleviation policy for China was formulated in May 2001. The main objective of the policy is to meet the basic needs of the very poor, to further improve basic production conditions of the poor areas and to improve human quality in poor areas through comprehensive skill training and overall improvement of basic infrastructure in poor areas. Zhang referred to the important elements of the new plan to be as follows:

- Promoting crop and livestock production with market orientation
- Improving the quality of commodity and better information services
- Achieving both environmental and economic sustainability
- Improving basic living and production conditions of the poor areas
- Using new scientific and technological knowledge in the process of poverty reduction
- Improving human quality by providing more training and education to poor people. A nine-year compulsory education program will be implemented in poor areas and basic health services made available in most villages by 2010
- Encouraging voluntary resettlement by moving those living in extreme poor conditions out of the areas and providing insurance

- Providing financial support by both the central and local governments treating the poverty alleviation fund as their major budgetary component, expanding food for work programs and increasing financial transfers to those facing financial difficulties
- Improving efficiency in the management of poverty funds
- Expanding the sizes of subsidised loan
- Mobilizing civil society to join the poverty alleviation forces
- Encouraging collaboration with international agencies
- Intensifying auditing and monitoring of poverty funds

50. During the open discussions, Zhang stressed that both income and human poverty should be addressed simultaneously in poverty alleviation programs and emphasised that investment in rural education has yielded by far the highest returns to both economic growth and poverty alleviation, so it should be placed as a top priority of government’s expenditure. In fact the transition from farm to non-farm employment has been made possible by investments in education.

51. **Dr. Dong-Phil Lee, Director, Korea Rural Economic Institute**, presented a brief overview of “Lessons and Experience from Rural Transformation: Diversification and Employment Creation—the Case of Korea.” He began with a historical review of the Korean Economy. Until the 1970s, Korea was a typical underdeveloped agrarian country and it was transformed into a modern industrialized economy through successful export-oriented industrialization. Korea witnessed a rapid growth of over 8 percent per annum over 30 years and its GDP increased from \$2.1 billion to \$10,543 billion. Lee pointed out that Korea pressed ahead with structural reforms of its overall economy that were further enhanced by the 1997/98 Asian financial crisis.

52. Lee next discussed rural poverty and non-farm activities in Korea. He defined the concept of Farm Household Income (FHI) as the sum of farm, non-farm and transfer income where farm income comprises the value of agricultural products that are sold, transferred to others, or consumed by households. Non-farm income includes side-business income such as wages, salaries, rents, interests, etc. and transfer income comprises gifts, donations, subsidies, etc. He noted that an average FHI (22,323 won) comprised 47 percent farm income and 53 percent non-farm income in 1999.

53. Lee then turned to elaborate on rural industrialization policies adopted by Korea for the country’s development. By a normative definition, rural industries should be located in rural areas and have forward and backward linkages with agriculture. Rural industries account for 24 percent of the total number of firms, 28.2 percent of employment, and 19.3 percent of sales. Rural industrialization was strongly enhanced through the Rural Industrial Park (RIP) Program. Lee explained the background and design of this program, whose objective is to facilitate rural industrialization with the ultimate goal of raising non-farm income for farm households, vitalising the rural economy and narrowing down the developmental gap between the urban and rural areas. The

RIP program created 85,870 jobs and increased income in rural areas.

54. The incentive package for RIP included:

- providing cheap and well prepared industrial estates
- providing financial assistance and tax reduction for the firms in the RIP
- simplifying all administrative procedures
- offering a differential incentive system designed by the regional socio-economic conditions
- providing loans for machinery, facilities and operations
- granting national tax exemptions for 4 years
- simplifying administrative tools and permission related to the business (deregulation)

55. The RIP program provides collective industrial sites, resulting in higher economic efficiency through the construction and operation of business, environmental sustainability through collaboration in pollution management and rational land use.

56. Lee enumerated the following factors that contributed to the success of the program: (i) planning based on an integrated approach for rural industrialization; (ii) involvement of local governments that had to make proposals for the development of RIP; (iii) various related administrative organizations work together; (iv) comprehensive supporting programs with collective industrial sites; (v) package program including financial support, tax reduction, etc.; (vi) differential incentive system based on the regional socio-economic conditions; (vii) initiation of the local government and good will competition by regions; and (viii) supportive strategy of the local governments.

57. In response to various queries from participants, Lee mentioned that local governments have limited roles but facilitate the setting up of industrial units. He said the agricultural sector and rural industries are not directly related in Korea, but there are possibilities to using more raw materials from the agriculture sector. Countries with high unemployment need to develop rural industrialization programs that would help to create non-farm activities and diversify their economies.

58. The session on rural transformation was continued by **Dr. Ganesh Thapa, Regional Economist, IFAD** and **Ms. Vanda Altarelli, Country Portfolio Manager, IFAD** who elaborated on IFAD's contribution to rural poverty reduction and the promotion of the rural transformation process. Their presentations were later complemented by **Mr. Shahid Zahid, Senior Planning and Policy Officer, ADB** who addressed the same topic from the ADB's perspective. Thapa and Altarelli first discussed the geographical and social dimensions of poverty and then turned to identify who the poor are. In this context, they particularly stressed that women and indigenous people are specifically suffering from poverty. As a result from this situation, several issues have emerged that need to be tackled when rural poverty is to be addressed. These issues relate to the growing inequality, conflicts and violence, increased

vulnerability and persistence of poverty. Accordingly, IFAD has designed a strategy that strongly focuses on the provision of assistance to women and indigenous people, promoting development of less favoured areas, and use of pro-poor technologies that are sustainable mainly through employment creation and improving access of the poor to markets and information. This could in IFAD's view only be achieved through local institution building and participation.

59. Zahid continued the session by highlighting Asia's rural transformation. He developed a "critical triangle" consisting of rural growth, poverty reduction and environmental sustainability that need to be addressed simultaneously if rural transformation and poverty reduction in rural areas is to be successful. In a recent Rural Asia Study of the ADB, it was noted that:

- agricultural growth is essential for economic development
- agricultural growth should be pro poor and environmentally sustainable
- growth of the rural non-farm economy is essential
- functioning of rural financial markets should be improved and
- to improve the overall quality of life in rural areas, it is necessary to go beyond the goals of the critical triangle and address other specific concerns directly

60. Successful agricultural and rural development will depend from ADB's point of view on several other challenges as well. Most of them are not directly related to the sector, but have an impact on it such as the following:

- managing globalization
- managing demographic transition
- managing the biotechnology revolution
- managing increasing resource scarcities
- building good governance and social capital

61. ADB's Long-Term Strategic Framework and its Poverty Reduction Strategy that reflect the Bank's overarching objective fully take into account these challenges. Accordingly a central focus of the Bank's interventions in the future will be on rural development aiming at reducing rural poverty, promoting agricultural growth, social development (in particular gender equity) and good governance. To achieve this, the main areas of interventions will be rural infrastructure, health, education and nutrition, sustainable natural resources and environmental management and rural finance.

Factors for Rural Growth and Poverty Reduction: Technologies

62. **Dr. Klaus Lampe, Former Director General, International Rice Research Institute** gave a presentation on "Beyond the Green Revolution: Towards Accelerated Poverty-Reduction in Rural Areas." He saw poverty as multifaceted, encompassing more than economic dimensions. He characterized poverty by the absence of wealth, income, health, company, family, friends, home, education, balance,

optimism, freedom, ideas, ideals, guidance, commitment, vision and confidence. Lampe drew attention of the participants to the bitter truth that there are too many people, too many small farms, too little political interest in the poor and too little access to information, education and innovation. In rural areas, the confidence in government is low, there are no financial reserves, and unfair credit sources. Dramatic population increase that started in the last century and is still continuing has put pressure on agriculture and food production that needs to be increased by almost 100 percent until 2025. Asia has to prepare for 5.5 billion inhabitants which was the world's population in 1990. He stated that unless food is imported in large amounts, South Asia in particular would need to prepare for a doubling of its agricultural production. Because of this, agricultural development will require to go far beyond what has been achieved during the Green Revolution.

63. He explained the yardsticks of 'Beyond the First Green Revolution' as economically viable, ecologically sound, socially acceptable and politically attractive. Its goal is to make rural areas, an attractive alternative to urban agglomerations and work profitably in harmony with nature. The goal for agriculture is improved well being of present and future generations of producers and consumers of food particularly those with low incomes.

64. Lampe indicated that the main elements of the Green Revolution have been the following:

- high yielding varieties for high yielding environments
- high fertilizer inputs
- high pesticides applications
- high government intervention

65. He criticized the extent to which non-renewable products are used by giving examples of the use of phosphate, which was one million tons in 1919 and increased to 146 million tons in 1987. But this was not environment friendly as it led to misuse of water and land resources. He emphasized that new technologies should be built with the help of present existing experiences of premier science and experiences of farmers' knowledge. To go beyond the Green Revolution would require redefining agricultural efficiency levels in terms of new methods of land use, water consumption, fertilizer inputs, herbicide application, pesticides reduction, energy conversion (photo-synthesis), labor and knowledge input.

66. Lampe emphasized that there should be a common responsibility to maintain openness towards orphan crops, resource poor regions, deprived groups, fragile ecosystems and poor populations. He provided some tips on how to achieve a new yield plateau through new plant type, seed technology, weed technology, water use, land preparation, harvest systems and post harvest technology and stressed that terminator technology, patenting of discoveries, ignoring farmers rights, limiting small farmer's seed production and oligopolies in input supply should be avoided.

67. In order to facilitate the required technological development, various stakeholders such as government institutions, public agricultural research, agricultural extension agencies, the private sector and donor institutions need to be involved in the following different ways:

- Government institutions should primarily set the overall policy framework, ensure infrastructure development, reframe agricultural extension, promote rural markets, develop a conducive legal system, expand rural education, support new technologies, enhance rural habitat commitment and fight corruption. In this context, he briefly discussed new tax policies and advocated that there should be no taxes for small holders, like landlord tax, water tax, land lease laws and investment privileges.
- Public agricultural research should concentrate on poverty reduction, follow private sector management practices and focus on key programs. He listed the objectives of agriculture extension to provide services that are low cost, end user driven, flexible, multifunctional and village/group-oriented.
- The private sector, he said, should have long-term strategies, rural client orientation, and social responsibility, stakeholder sensitivity and an open door policy.
- Donor institutions should stop competition, harmonize lending terms, promote multi-institutional planning, enable participation, stimulate privatization, strengthen research and development oriented institutions, prepare long-term commitment and fight corruption.

68. Lampe stressed that national research systems should plan according to eco-zones (agro-climatic zones). This would bring into focus the problems of the micro-systems by identifying their special characteristics that would give farmers choices of crops to be grown in their region. On the question of food stock and price regulation, he pointed out that if there is a high quality expensive stock of staple food but a large poor population then exporting the high quality production and importing a cheaper one is a possible solution. The savings could be used in agricultural development.

69. He next highlighted that the introduction of first generation of genetically modified seeds has been done in a way, which has affected its reputation worldwide and has also affected confidence in the technologies. Despite this, he suggested that the technologies have the potential to benefit both large as well as small farmers. Lampe supported the adoption of new technologies with new education and information systems including the Geographic Information Systems that deal with soil property in different ecosystems. He emphasised the need for more research in storage and post harvest control.

70. He highlighted that in the technology-influenced world, many innovations are neither pro-rural nor pro-poor. On the contrary, many goods and services in the market are specifically developed for middle- and upper-class consumers. However, it is false to presume that most modern technology in agriculture and the development of rural areas are bypassing the poor. There are many instances where innovations have been taken up in a pilot-cum-introduction phase by large risk-taking farmers and only later on taken up by small resource-

poor farmers. Without this pioneering function of farmers with large holdings, many new technologies could not have been field-tested and finally introduced on a large scale. The downscaling of agriculture machinery and the introduction of modern seeds for vegetables and agricultural crops are good examples of the recent past. The erosion of prices for information technology, tools and the next generation of genetically modified crops will demonstrate again that there are scale neutral technologies available that can serve also resource poor farmers and even the landless poor. The fact that countries like Cuba, the US, PRC and Canada are using genetically modified crops widely should be food for thought for all those opposing this new technology, in fear of side effects and practicability.

71. The workshop continued with a presentation by **Dr. Usha Barwale Zehr, Joint Director of Research, Maharashtra Hybrid Seeds Co., Ltd.** about the “Contribution of Research and Development in the Private Sector for Poverty Reduction” She focussed on the development of the seed industry in India. It is largely unorganised and family owned. In recent years, partnership firms, limited companies and multinationals are joining the industry. Historically, cross-pollinated crops are more researched than self-pollinated ones. In recent years with new tools, rice and wheat are receiving much attention. Due to lack of intellectual property, protection of hybrids has been the primary product of the industry. Research and development are called for in the areas of germplasm improvement, introduction of quality hybrids, incorporating biotechnology tools, and development of transgenic crops.

72. Barwale presented a brief overview of hybrid wheat and discussed economic constraints to large-scale adaptation. High cost of hybrid seed production and low hybrid yield advantage relative to seed production cost are the main hurdles to its large-scale adaptation in particular with the aim to reduce poverty. With the recent advances in hybrid wheat technologies, small scale farmers are adopting hybrid wheat. She believes that Indian private sector is well placed to conduct research and deliver products to farmers. In India, she said plant breeding and biotechnology approaches are at work. The seed industry with over 150 players is competitive. But affordability of new technologies is still limiting the access of poor farmers. She clarified that the poor farmer generally is not the first to try a new technology. Like Lampe she pointed out that when a technology is introduced to benefit farmers, primary focus in initial period is more towards progressive farmers. Cost of seed is about seven percent of total expenditure a farmer makes for cultivating a crop. So, it is affordable when compared to the value the farmers get from it. She added that plant-breeding research has worked little on nutrient enrichment as it is not giving financial returns in foreseeable future.

73. Using examples of sorghum and pigeonpea, she illustrated that transgene technologies are available also for the crops that are of significance to the poor and can have a great impact on income generation and thus livelihood. Regarding development of institutions Barwale said that the public and private sectors compete with one another for selling seeds. In recent years there has been some co-operation in the area of biotech-

nology. Unless there is a change in policies, there is a little hope little incentive for the two sectors to form partnerships between these two sectors in near future. She said that a farmer could choose between HYV or Hybrids. If there are complaints regarding germination or genetic purity or if a farmer gets yield less than what is offered they can complain through consumer court and get justice done. Investment in research from both public and private sources are urgently required to ensure that agricultural research in India is not left behind.

Group Work on Agricultural Markets

74. In the group work that followed, the participants discussed how technology can help to improve the situation of the rural poor living and working in four different market environments: (i) agricultural areas with direct access to urban markets; (ii) agricultural areas with access to regional/national markets; (iii) agricultural areas with access to international markets; and (iv) agricultural areas with marginal access to markets. Technological improvements in all four market situations imply opportunities, challenges, consequences and various reactions of stakeholders that can be summarized as follows:

Opportunities

75. Areas with access to urban, regional, national and international markets have a reasonably good infrastructure, access to support services, and competitive prices. The level of development of infrastructure and services and the functioning of markets may vary. The development of new information systems has helped farmers obtain information about prices from nearby markets on a daily basis. In Sri Lanka, the Gram Cyber and Gyanddot NGOs have taken a lead in this direction and helped farmers identify the opportune time to sell their produce.

76. The second set of opportunities available are those related to processing, value addition including packaging and grading. This helps in development of agro-based industries and change of cropping pattern in favor of high value crops that can feed industries.

77. In areas with little or no access to markets, technology helps in a different manner. In Nepal, producers had apples but no market, so they opted for value added products of apples. Besides, for getting higher value for their produce, the transformation of apple products is proving to be more economic. In such areas, communication and transport facilities need however to be developed.

Challenges

78. Participants identified a number of challenges that farmers face in the demand and supply conditions of the agricultural markets. In accessible areas, there is competition among multiple and neighborhood sellers. There are taxes imposed

by the state and central governments, implications of which the farmers may not fully comprehend.

79. Farmers operating in markets that grow from local to regional or international level face challenges in diversifying production, adapting new technologies for processing and storage, training in quality enhancement and grading aspects, understanding transportation processes and building capacity of their own community. In areas with marginal access to markets, these challenges are more severe.

80. According to the participants, research organizations should respond to farmer's needs. It was felt that for example in India, research organizations pay greater emphasis to research publications in journals rather than working on pressing issues of the farmers and disseminating their findings.

Consequences

81. Farmers would have to make a balance between subsistence and market needs. Access to market may lead to selling of all outputs (vegetables/milk) but the income derived from their sales may or may not be sufficient for retrieving the same level of nutritive value had the producers not sold their products if the markets were not there.

82. Export of high value produce and importing a slightly cheaper one for domestic consumption could be seen as an option. Governments have to create the environment for making the people understand what WTO regime means. In India and other countries in the region, its positive and negative aspects are not clear to farmers, and they are thus not prepared to switch over to new crops.

83. The market demand may force farmers to work toward improving the quality of their produce. Similarly, with value added production, there will be an increase in employment and income. There are also possibilities of formation of farmers' cooperatives.

Reaction of Various Stakeholders

84. Governments should critically delineate areas in which they need to perform their regulatory functions. In most countries, they need to shift roles from a regulator to a facilitator.

85. The private sector should invest to meet demands for various inputs, technology, credit, transport and other support services. NGOs need to lobby and build awareness. Besides, they can help in creating new entrepreneurship.

Empowering the Rural Poor: Governance, Institutions & Participation

86. The workshop then turned to address another crucial precondition for poverty reduction, namely the empowerment of the poor. The first presentation focused on the "Role of Stake-

holders in Rural Poverty Reduction" was given by **Mr. Hatsuya Azumi, President, International Development Studies**. He began with defining rural poor as a 'stakeholder' in rural poverty reduction. Other stakeholders in the development process include various government departments and agencies, legislature and judiciary in the state sector, family enterprises, partnership firms in the private sector, NGOs and community based organizations in the civil society sector. Some of these stakeholders may have an agenda that is adverse to poverty reduction efforts, others may strongly support them, but all of them can make an impact on poverty reduction in a country. Azumi argued that the poor are those whose opportunities to increase their productivity and participate in decision-making are deprived. Thus, it is appropriate to place the poor in the center of the various stakeholders' activities.

87. Azumi then used institutional analysis to distinguish among the four types of goods, namely, public goods, toll goods, common goods and private goods. This distinction helps in identifying what kind of goods each stakeholder can best handle and how. For example, handling of private goods should be left to the private sector and the state should not be involved except providing regulatory functions for such types of goods. He argued further that there were several evolving factors that affected the role of stakeholders during the past three decades. During the 1970s and 1980s, rural poverty reduction was based on a top-down integrated area approach with the state providing all goods and services. This approach changed substantially since the 1990s to putting people at the center of development, using bottom-up participation, empowerment, governance, and decentralization. This shift was facilitated by the end of the cold war accompanied by democratization and economic liberalization which are impacted by the following:

- revolutionary development of information technology
- burgeoning international trade
- increased flow of private funds into developing countries, which now outweighs the official development aid by 6 to 1
- fatigue of donors due to poor performance in poverty reduction as a result of poor governance
- economic and social globalization

88. According to Azumi, the revised approach to poverty reduction was accompanied by decentralization. The benefits of this process were improved access to and better quality of services for the poor, local communities' control of resources to invest in projects they care about, better information flows, increased efficiency and empowerment of the poor.

89. Azumi then presented two examples of participation: one was the innovative Aga Khan Rural Support Program (AKRSP) in Pakistan undertaken in close collaboration with an NGO called AKF. The lessons of this program are:

- gaining the trust of the local communities and the government
- forming of village institutions and organizations to be used as instruments to channel Social Action Programs
- creating appropriate organizational structures for village organizations and women's organizations

- introducing new technologies of natural resource management through specific sectoral programs that included demonstration, input supply and technical assistance
 - involving community organizations in planning and management of productive physical infrastructure.
 - promoting marketable products both agricultural and non-agricultural
 - training those organizations and community members especially women in micro-credit and savings
 - attracting as many donors as possible to financially support the program on a reasonably sustained basis.
90. The other program that Azumi quoted was a less successful program. The Mwea Irrigation scheme in Kenya failed in particular as the government organization involved in the project (parastatal) has been meddling with goods and services for which it had little comparative advantage. There was also a strong paternalistic relationship between tenants and the parastatal that stifled settlers' initiative and managerial skills. Finally, there was an over-concentration of power in the executive branch which discouraged participation.
91. Azumi concluded his discussions by outlining the role of stakeholders as follows:
- Communities and their organizations should be involved in the planning, implementation and monitoring of rural poverty reduction interventions.
 - Civil society should enhance the beneficiary capacity to organize, generate and utilize resources more effectively and in a transparent manner.
 - Local authorities should be able, through appropriate participatory methodologies, to determine the development needs of the local area and assist or lead the communities in implementing the development.
 - Private sector should undertake commercial activities in the rural sector including production, processing, input and output marketing, import and export and provide goods and services with strong 'private goods' characteristics (e.g. research and extension for commercial crops).
 - Central ministries dealing with the rural sector should be involved in sector development co-ordination including development of policy and legislation for the development of a sector, development and promotion of natural resource base for agriculture, regulatory functions regarding management of the quality and safety of agricultural inputs and produce, funding agricultural research, extension and information activities with strong public goods characteristics or that meet social objectives.
92. During the open discussions, concerns were raised regarding possible program delays due to excessive participation. Azumi argued that though the economic rate of return is sensitive to delays in construction/completion of projects resulting in delays in the realization of benefits, it should not deter participation even though the cost of participation in terms of delays and time consumed may be high. In the absence of participation, it is quite likely the intended benefits may never be realized.
93. Azumi also argued that for effective rural development and poverty reduction both top-down and bottom-up approaches are needed. Both directions mesh somewhere but in most of the countries there is a gap. The central government should delegate those responsibilities that can be handled better by lower level organizations. This may include fiscal authority (principle of subsidiarity). This requires however an effective local civil service structure working for locally elected leaders.
94. **Ms. M.R. Samarnayake, Chairperson, Institute for Participatory Interaction in Development** then continued the discussions on empowerment through a presentation on "Participation as a Pre-condition for Rural Poverty Reduction." According to Samarnayake, there is a need to explore a broad and systematic view of the factors that cause poverty rather than interpreting poverty on the basis of consumption and income. She listed three main sets of factors: (i) shocks, trends and seasonality (vulnerability context); (ii) poor functioning institutions and policies; and (iii) a basic lack of assets (human, physical, social, financial, natural).
95. Samarnayake expressed the need for rural poverty reduction strategies to be placed in the context of the overall framework of sustainable livelihoods. Participation of the local communities is the key factor in this process. This applies to all stages of the development cycle (information generation and appraisal, planning, implementation, monitoring and evaluation) that is a continuous process in the context of changing development needs.
96. She defined participation as a process through which the stakeholders' influence and share control over development initiatives and the decisions and resources that affect them. She identified the following seven types of participation:
- Passive participation: Unilateral announcement without consulting people
 - Participation in information giving: People answer questions of extractive researches using questionnaires with no influence by the community.
 - Participation by consultation : People participate by providing resources; e.g. labor in return for food, cash or other material incentives.
 - Functional participation: People participate by forming groups to meet pre-determined objectives related to the project, which can involve promotion of externally initiated social organizations which may or may not become self dependent.
 - Interactive participation : People participate in joint analysis leading to action plans and formation of new local institutions or strengthening existing ones, and people have a stake in maintaining structures or practices.
 - Self-mobilization : People participate by taking initiatives to change systems independent of external institutions but retain control over how resources are used.
 - Catalysing change: Emphasis is given to the involvement and stakes of community members in the environment to initiate change.
97. Samarnayake briefly summarised the following methodologies to operationalize the concept of stakeholder participation in development:

- Participatory Rural Appraisal/Participatory learning and action that provides a set of tools/techniques to be applied at different stages of the development cycle.
- Social assessment provides a methodology for incorporating an analysis of social issues and developing a framework for stakeholder participation in the design of a project.
- Stakeholder analysis provides a tool for understanding the social and institutional context of a project or policy.
- Participatory poverty assessment is a useful tool for participatory analysis of poverty conditions and causal factors.
- Participatory Monitoring and Evaluation is an application of these methodologies/participatory approaches in which a range of stakeholders, particularly the community, are involved in an assessment of a project, policy intervention or institution as part of an ongoing monitoring effort or in a final evaluation of the project.

98. Samaranyake also addressed how to institutionalise participatory approaches. She said that the key stakeholders, namely rural communities could play an active role throughout the process with the use of participatory approaches. In the process of mainstreaming participation, the role of structures and processes as outlined in the livelihood framework poses significant challenges. Finally she concluded by summarising the learning from various experiences of participatory developmental work. The steps involved included the following:

- The formulation, implementation, monitoring and evolution of any effort toward a poverty reduction strategy need necessarily consider participation as a precondition.
- Participatory analysis of rural poverty to identify the causal factors from the perception of the different stakeholders should form the basis of strategy formulation for poverty reduction.
- Promotion of opportunities to enable rural communities to take informed decisions in addressing access to assets.
- Enhancement of ownership of assets and creation of access to new ones should be seen “in the context of equity.”
- Transformation of external structures and processes so that people themselves can take control over them.

99. **Mr. Emmanuel H. D’ Silva, Operations Officer, World Bank Institute**, then spoke on “Making Participation and Empowerment Work: Lessons from the Field.” He began by describing the old culture of co-operation as ‘people’s participation’ and shared his field experience. According to him, sustained economic growth is essential for alleviating rural poverty in South Asia, but growth by itself is not enough. There should be opportunities for the poor to overcome poverty and they must get a sense of financial and social security.

100. While emphasising the role of participation in rural development, he elaborated the following forms of participation:

- Manipulative where participation is a pretence: people’s representatives lack power.
- Passive where people participate by being told what has already been decided.
- By consultation where people participate by being consulted or by answering questions.

- For material gains where people participate by contributing resources, such as labor in return for material gains from a project.
- Functional where participation is seen as a means necessary to achieve a project’s goal.
- Interactive where people participate in analysis, development of action plans and formation and strengthening of local institutions.
- Self-mobilization where people participate by taking initiative to preserve a resource or change an existing social system.

101. Elaborating on the impact of participation, he drew empirical evidence from a number of projects. For example, the financial value of forests protected by local villagers through their Van Samrakshana Samiti (VSS) program in India was two to three times the value of forests that did not have such a protection regime in place. The ecological improvement in the forests adjoining participating villages exceeded that of villages that did not participate.

102. He discussed lessons learned from his Adilabad (Andhra Pradesh) experience of women’s self-help groups (SHGs). Empowerment of the poor can be achieved through several means, such as increasing their assets, promoting SHGs of the poor, and organizing social mobilization. He mentioned some unique features of SHGs:

- Savings mobilization organized by SHGs as this can serve as a good entry point for other development activities.
- Where there is a conducive policy environment such as in Andhra Pradesh, and good community leadership at the local level, the self-help groups can flourish and step into other activities.
- Through financial leverage and improved skills provided by SHGs, it is possible for some women and their families to escape poverty.
- SHGs are well placed for social mobilization even though this is a daunting task and should not be underestimated.

103. D’Silva next went on to discuss the importance of good governance as a prerequisite for successful participation and empowerment. He recognized governance as the norms, traditions, and institutions through which a country exercises authority for a common good. Using figures on infant mortality and corruption, and per capita income and voice and accountability, he said good governance creates good environment for people’s participation and empowerment of the poor and improves development outcomes.

104. In summarizing, he pointed out that (i) social and administrative tools help to give voice to the powerless; (ii) creating community assets has a positive impact on poverty and helps reduce migration to cities; (iii) thrift can serve as an entry point for other development activities; (iv) public institutions need to be reoriented to work for the poor; and (v) the focus of governance should be poverty.

105. The last speaker in this section of the workshop on empowerment and participation was **Dr. Salehuddin Ahmed, Managing Director, Palli Karma-Sahayak Foundation**

(PKSF), Dhaka, Bangladesh. He made a presentation on “Empowerment of Rural Poor with Special Reference to Rural Women: The IFAD Approach.” He started with describing women as a class who bear the disproportionate burden of socio-economic inequity and deprivation in the rural society. In many countries substantial gender gaps exist in most areas e.g. health, nutrition, survival, education, access to resources and employment, and participation and decision making. He mentioned some major aspects of women’s status in Bangladesh :

- Female life expectancy at birth is 57.9 years compared to 58.2 years for men.
- In rural areas, a higher proportion of women belong to poor households and they are more likely to belong to labour selling household, which are among the poorest in terms of incomes and resource endowments.
- The female, especially in rural areas gets smaller shares of household expenditures on education, health and other facilities.

106. A number of approaches and programs in Bangladesh by the Government and NGOs for empowering the poor from their adverse economic situation are in place with varying degrees of success. He noted that the impact of such programs on women has been particularly striking, in terms of enhanced access to credit and increased labour market participation.

107. In addition to these specific programs other development activities not targeted specifically to women nevertheless had positive impacts on them. These included:

- Rapid expansion in rural infrastructure, especially roads, facilitating mobility of women
- Significant improvement in access to girl education
- Rapid increase in labour-market participation by women
- Huge expansion in micro-credit and associated social interventions
- Social capital created through group formation and social networks
- Safety net programs that are better tuned and targeted.
- More favourable demographic factors (e.g. lower population growth rate)
- Food self-sufficiency
- Increased budgetary allocation for poverty alleviation

108. Discussing gender disparities, Ahmed explained that women in Bangladesh play an indispensable role in the socio-economic development and in improving the quality of life of poor households that mostly remains unseen. He brought to notice that gender concerns of poverty relate to three major interrelated issues:

- Existence of double burden for the poor women resulting from living in poverty and being female;
- Presence of socio-economic, cultural, political and other factors preventing them from playing their due role and preclude them from benefiting from the development process and
- Continued generation of adverse impact on the poor women of conventional development interventions under the existing gender biased environment.

109. Ahmed explained that IFAD programs in Bangladesh focus a number of cross cutting strategic approaches to poverty eradication and nutritional improvement of the poor. He briefly discussed a few projects.

- Small holder Agricultural Improvement Project: The target groups are landless, marginal and small farmers with particular attention to women heads of households.
- Aquaculture Development Project: The target groups are poor fishing communities.
- Rural Infrastructure Development Project: It aims to accelerate farm, non-farm and social development and to reduce the extent of rural poverty by improving basic rural transport and trading infrastructure.
- Agricultural Diversification and Intensification Project: It aims to increase agriculture production, increase income of the poor, strengthen community organisations and increase services to the poor through government and NGO delivery systems.
- Employment Generation Project for the rural poor: It was designed to create a productive micro enterprise sub-sector to provide profitable self-employment for the rural poor, supported by public and private sector structures and processes.

Group Work on Participation, Empowerment and Governance

110. The ensuing group discussions focussed on the following three requirements for poverty reduction that were addressed by the resource speakers.

Participation

111. Participants concurred that all sections of society should participate in various decision-making processes that impact on their lives. Communities affected should have a feeling of ownership about their projects or programs. Collective decision-making leads to stability in the project and marginalizes areas of conflict. The advantages of participation are:

- Participation of the poor and marginalized in project management
- Commitment to a project goal
- Sustainability beyond project goals and prospects for long-term coalition
- Transparency and accountability
- Enhanced responsibility of all stakeholders
- Low risk of corruption

112. However participation comes at a cost. These costs were identified as follows:

- Initially participation processes are slow but may pick up speed later
- There is a danger of manipulation
- Individual interests may need to be sacrificed for a common goal

113. According to the participants, participation can only work if the following conditions are met:

- There should be common goals and objectives
- Common understanding and sharing
- Willingness to optimise resources
- High level of thrust and confidence
- Conducive cultural environment
- Informal and proactive approach
- Institutional co-operation
- Conducive macro policies for participation

114. They identified the following best practices that have been developed to enhance participation:

- Mobilising media
- Sensitizing political power
- Strengthening the potential for rural livelihood
- Leadership training that would allow promotion of participatory approaches
- Sharing of benefits

Empowerment

115. Participants believed that the disadvantaged groups including tribal people, women, and those living in remote, vulnerable, and disaster prone areas. The disadvantaged groups should be empowered so that they become conscious of their rights and are enabled to participate in development. They should be able to advocate on their own. This process would ensure sustainable development and ownership e.g. the Landless Labour Society in Bangladesh and the Community Forestry Groups in Nepal.

116. Empowerment would be required at different levels: project management, CBOs, GOs, NGOs should empower the beneficiaries and the people who are the rural poor. Governments should empower the locally elected bodies at the grassroots level as they mostly lack the capacity to undertake the development work. Empowerment would be required for various purposes such as:

- Human capital formation: formal and skill based
- To ensure access to natural resources, common property land, water and forests
- Access to financial resources (savings and credit) and group formation
- Information about how to get access to supporting institutions, like banks, irrigation and technology
- In the political field, women should be given a chance to involve themselves in decision-making processes, if necessary, through positive discrimination

Governance

117. The discussion in this working group focussed primarily on corruption issues with which many participants were confronted with in the past at various levels of intensity. Participants explained that there are three types of corruption: political, social and financial. The group agreed that only 40

to 50 per cent of project funds reach the targeted area or intended beneficiaries. In some cases, however, this may be as low as 20 per cent.

118. The following means to end corruption were proposed:

- Decentralisation
- Participatory approaches
- Introduction of a Citizens Charter, which defines duties and responsibilities of citizens
- Capacity building of the poor
- Strong enforcement system
- Right of recall for politicians who are not performing their functions well
- Use of information technology
- Social audit.
- Building an ethical value system

Conclusions: The Road Ahead

119. Based on the discussions and lessons learned during the workshop the participants summarized possible future approaches in rural poverty reduction in their respective countries. The discussions centered on three main aspects of poverty reduction that were extensively discussed during the workshop: (i) political/social, (ii) economic, and (iii) governance (including decentralization and empowerment). The participants also formulated a goal statement regarding the role of agriculture/rural development for the year 2015.

120. There were some common features that emerged from all country presentations that can be summarized as follows:

- As with regard to the goal statement, there was consensus amongst all participants that agriculture and rural development will have to play the key role in poverty reduction in the South Asian countries until the year 2015. Agriculture and rural development therefore cannot be regarded as a sunset activity.
- Diversification of the rural economy will have to be at the center of the development efforts. This would include in particular the creation of off farm employment.
- Achieving food self sufficiency and storage of food grain with large parastatals can become a drain on financial resources in the absence of governance sensitive to the poor and lack of distributive policies that may deprive the poor of their basic needs.
- Decentralization of planning, involving the poor in participatory processes and to an extent financial decentralization is on the rural development agenda of most countries. However, without commensurate accountability, village level local bodies may be reckless in spending public funds. Transparency in the state and at all levels of governance is called for rural transformation.
- Institutions relating to the poor need to be strengthened. However, this is a long drawn out process. Building institutions has its own logic and is dependent on the environment in which it is built.

- Social sector investment will have to be enhanced in rural areas if poverty is to be reduced in the countries concerned. This would apply in particular to a strengthening of education opportunities in the countryside.
- The strengthening of the financial system was also regarded unanimously as a high priority for rural poverty reduction. In particular, the expansion of micro-credit needs to be promoted.

Bangladesh

121. In Bangladesh it was considered necessary to establish an enabling environment and policy framework for establishing rural agro-based small- and medium-scale industries including on-farm and non-farm self-employment activities for the poor. This would require the change and/or promotion of some macro-economic policies such as price policies for the procurement of agricultural produces, providing limited subsidies especially on agricultural inputs and a reduction of interest rates to encourage private investments in rural areas. In order to promote the rural transformation process, it may be required to design appropriate policies for establishing small- and medium-scale agro-based industries with tax holidays and protection under the WTO framework.

122. Decentralization is considered a must in Bangladesh for poverty reduction initiatives to be successful. This would include local level planning at local government institutions and the development of policy guidelines for the provision of uninterrupted funding by the central government for projects/ programs that are beyond the capacity of local government institutions to undertake. Local government institutions should be given the authority to raise funds through local taxation and also be ensured of continued matching funds from central government.

Bhutan

123. The participants from Bhutan also argued for active price policies to boost agricultural production and for a continuation of existing subsidies in particular on transport, fertilizer, seeds and fruit plants in order to ensure a continued growth of agricultural production. They also felt a need to continue existing interest rate policies for low cost agricultural loans. While there was a general agreement for free trade with the SAARC countries, there was a perceived need to review the implications of Bhutan's accession to WTO. The participants stressed the importance of complementary rural infrastructure investments for poverty reduction such as health, improved sanitation and education. They emphasized the importance of NGOs in rural development and poverty reduction.

India

124. In India, agriculture and rural development still have a vast potential for further improvement and will have tremendous

multiplier effects. Further development of rural areas is a precondition to maintain peace in urban areas. According to the participants, the key for rural poverty reduction in India lies in the empowerment of the poor through encouraging participation, education, health and employment opportunities. It was proposed to build an "Agency for the Poor" which would require some policy shifts at the macro, meso and micro levels. Such changes will include removal of restrictions on the movement of agriculture produces, rationalization of support prices and procurement policies, revamping of research and development related policies (including promotion of gender sensitive technologies and of pro-poor biotechnology), reviewing of subsidies, restructuring of credit policies, promotion of agro-ecological zones as units for agricultural planning, enhancement of land quality, optimization of land and water utilization, land relations reform, improvement of linkages between markets, technology (IT) and credit support and social sector development. It was stressed that a major part of the rural poverty reduction efforts need to come from the non-farm sector such as rural entrepreneurship development, skill enhancement, storage and processing and the provision of infrastructure development.

125. Decentralization on the basis of principle of subsidiarity needs to be further promoted in India. This would include a review of the role of central and state governments and local governments and CBOs. While the central and state governments should primarily undertake policy development to help ensure the convergence of policies, maintenance of relationships with the external donor community, undertaking poverty surveillance and contributing to learning and knowledge, local governments and CBOs need to be responsible for the planning and implementation of the actual poverty reduction programs. This would include institution building for the poor, facilitation of social audits, catalyzing empowerment and ensuring transparency.

Maldives

126. Special geographic circumstances of the Maldives and high dependence on a few sectors such as fisheries and tourism leave some options for a further improvement of the living conditions of the rural populace. Maldives will continue to be heavily dependent on developments in the global economy and to have high cost of investments. The country will therefore have to diversify its export markets and to encourage foreign investments. Such investments could be enhanced by introducing leasing arrangements in the fishery sector.

127. It was however noted that there is no rural-urban discrepancy in the country and also due to its size, there is no real need for decentralization although the government has given some authority to the atoll heads.

Nepal

128. Various policies initiated in the past in Nepal did indeed jeopardize its rural development. Such policies included a land reform that did not benefit small farmers and inappropriate

technologies. In order to reduce rural poverty from the presently high level of about 38 percent to 10 percent by 2015, income-creating activities need to be enhanced and the issue of rural-urban interface be addressed. This could be achieved by increasing the farm and off-farm based productivity, promoting commercialization and introducing targeted programs for poverty reduction.

129. To enhance rural transformation and rural employment, participants suggested to focus on rural infrastructure development, promoting agro-based industries and rural tourism and increasing crop intensity. In order to achieve this, credit, extension, social services and time and labor saving devices such as biogas, solar energy and fodder need to be made available. This will require some policy changes. In particular, a market-based pricing system needs to be introduced, tax brackets for agro-industries reviewed and rural savings mobilized. The government also needs to seek ways to transfer overseas remittances into development investments.

130. Such an approach would require institution building at the community level, the promotion of social mobilization, a stronger involvement of women and the ethnic minorities in all social and economic activities and the building of a social safety net that includes subsidies for the poor.

Pakistan

131. Like most other presentations, the participants from Pakistan highlighted the future importance of rural development as the main factor to reduce poverty in the country. However the sector suffers from cyclical trends, inappropriate adjustment policies, trade liberalization and narrow focus on food production. In particular, the non-farm and the social sector have been neglected in the past. Accordingly, it was felt that poverty in rural areas can be reduced in Pakistan from its rather high level of 34 percent to about 20 percent in 2015 by focusing on the non-farm sector and improving service delivery in the social sector.

132. This would require the promotion of appropriate policies on import liberalization of farm inputs, continuation of agricultural support prices, promotion of crop insurance, involvement of the public sector in procurement to enhance price stability and in particular the creation of a favorable tax policies for the non-farm sector. Other policies however need to be either discontinued such as a gradual phasing out of farm subsidies or revamping of the policies for the banking sector in order to make it responsive to the rural non-farm sector. In this context, the participants felt that rural transformation in Pakistan needs to focus also on research and development, marketing and an improved social sector delivery system. To implement such a strategy, the human resources available in

rural areas need to be strengthened, credit made available and technical assistance in marketing (such as post harvest management) offered. It was noted that support for rural development in the past was more rhetoric devoid of broad program support and adequate financial and technical assistance.

133. The rural transformation process would be facilitated by setting up small industrial zones in rural areas, social mobilization in partnership with NGOs and enhancing social sector activities. Local governments need to be given the authority for local taxation, have to have a reliable revenues from the federal and provincial governments and be able to accept grants from donor organizations.

Sri Lanka

134. Over the recent decades, agriculture in Sri Lanka was indeed a sunset activity. Its contribution to GDP declined from about 30 percent at the end of the 1970s to less than 20 percent in 2000. This was substantially caused by the high export led growth initiated by the government and has led to educated unemployment and high aspirations of young people. Participants felt that the rural economy needs to be revitalized through the transformation of agriculture, enhanced rural infrastructure and increased off-farm employment to generate pro-poor growth.

135. Accordingly, macro-economic policies in Sri Lanka need to be consistent with liberalized markets but safeguards need to be included until international competitiveness is reached. Market liberalization also should go hand-in-hand with the build up of a strong social safety net. The participants stressed the need to promote development of small- and medium-scale enterprises through technological upgrading, marketing and product development, research and development, post harvest management and the use of modern communication techniques.

136. Substantial further devolvement in administration should be considered which would include networking and cooperation with NGOs. As a result, provincial councils could assume more responsibilities.

137. In concluding, participants and speakers suggested to continue the dialogue that evolved during the workshop. In any case, due to time constraints, the workshop was not expected to cover all relevant aspects of rural poverty reduction. Further in-depth discussions on specific policy issues and on issues that could not be covered under the this workshop were considered desirable. ADB Institute is currently considering a second phase of the program for the same group of participants that will be designed in close cooperation with the participants and resource persons.

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