



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



C7666



United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.257/4
5 October 1977

ENGLISH

Expert Group Meeting on Industrialization
in Relation to Integrated Rural Development

Vienna, Austria, 12 - 15 December 1977

INDUSTRIALIZATION IN RELATION TO INTEGRATED RURAL DEVELOPMENT IN
INDIA, NEPAL AND PAKISTAN ^{1/}

by

Luong the Sieu *

* Regional Adviser on Industrial Plans and Policies, ESCAP/UNIDO Division of Industry, Housing and Technology. The author was a member of the ESCAP Inter-Agency Team on Integrated Rural Development which visited these countries in August 1976.

^{1/} The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of ESCAP or of the secretariat of UNIDO. This document has been reproduced without formal editing.

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. ASSESSMENT OF THE PROBLEM	4
III. COUNTRIES EXPERIENCES	6
IV. OBSERVATIONS	7
V. ROLE OF UN ORGANIZATIONS	11
ANNEXES:	
1. INDUSTRIALIZATION AND IED IN INDIA	17
2. INDUSTRIALIZATION AND IRD IN NEPAL	35
3. INDUSTRIALIZATION AND IRD IN PAKISTAN	46
4. ESCAP REGIONAL PLAN OF ACTION ON IRD	57
CHARTS:	
1. CIRCULAR FLOW OF WORK - BASIC NEEDS OF THE RURAL POOR	15
2. RELATION BETWEEN INDUSTRY AND AGRICULTURE	16
3. IRD CONCEPTS IN PAKISTAN	55/56

.....

INDUSTRIALIZATION IN RELATION TO INTEGRATED RURAL DEVELOPMENT
IN INDIA, NEPAL AND PAKISTAN

I. INTRODUCTION

The great majority of the people in the ESCAP region are rural. Development of agriculture has been the concern of most governments of the region since their independence. Co-ordinated efforts to promote development of the rural areas has been attempted in many countries of the region. Parallely industrialization and its modernizing dynamics were considered as a center piece of development process to engineer the take-off of developing countries. Promoting agriculture and industry and strengthening their linkages were part of the strategy of development of the countries for years. Why then there is the recrudescence of interest towards rural development; what is Integrated Rural Development and what are the importance and role of industrialization in relation to Integrated Rural Development.

Although these strategies and concepts have been included in national plans as well as the international development strategy decades ago, a combination of international economic events have made countries more conscious of problems in rural areas and compelled them to adopt drastic measures to improve living conditions of the mass of the poor people.

First of all, the food crisis in 1972-1973 where production of major grain fell below the world consumption came as a shock to all political leaders. Confidence instilled only a few years earlier by the Green Revolution has been badly shaken. Appropriate international agencies have expressed concern. The World Food Conference held in Rome in November 1974 serves as a solid evidence of the concern. "The specter of famine which hang on hundred of million of human beings" was mentioned in the UNIDO First World Consultation on Fertilizer Industry in January 1977.

The world food crisis followed by rising prices of oil products, raw material and capital equipment in 1973 have compounded difficulties of developing countries in breaking away their poverty circles. Attention has been paid not on the technico-economic problems of rural development itself but on the failure of development to improve the lot of the rural poor in most of all developing countries. It seems that to solve the problems of poverty which has broad and magnitude/is geographically spread a coordinated and concentrated effort of all developmental factors is called for. The ACC has set up in 1975. a joint interagency planning experiment in rural development. The planning experiment was "to orient the programmes of/organizations along covering line and if possible to establish an agreed joint interagency programme in rural development". An interagency task force was set up, with a lead agency as focus point on a rotating basis. Participants in the Task Force were FAO, ILO, UNDP, UNESCO, UNICEF, WHO and the World Bank and ILO is the lead agency for the first year.

Parallely in the ESCAP region, there has been a growing awareness of these problems. The New Delhi Declaration adopted at the 31st Session of ESCAP has called for new development strategy aimed at directly at improving the lot of people living below the poverty line^{1/}

The ESCAP resolution 161 at the 32nd Session requested the Executive Secretary to draw up, in partnership with the agencies and international organizations concerned, a detailed programme of work on rural development, and take all the necessary measures conducive to its implementation. A regional Interagency Committee and Interagency Task were set up. An interagency mission on integrated rural development has visited 11 countries^{2/} of the region to learn from the country /experiences.

^{1/} In Asia it was noted that in 1969, 40 per cent of the people or 415 million persons were living in condition of absolute poverty defined as level of income below which even minimum of basic needs: food, shelter, personal sanitation, cannot be maintained. The World Bank used a rough criterion of annual per capita income equivalent to US\$50 or less in 1971 prices as measure of absolute poverty.

^{2/} These are Afghanistan, Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Papua New Guinea, Sri Lanka and Thailand.

In Intergovernmental Meeting on Rural Development was held in Tokyo in February 1977 and had proposed an Interagency Coordinated Plan of Action for Integrated Rural Development in the ESCAP region. The proposed plan is endorsed by the Commission in April 1977 and attached as Annex IV to this paper. At the first stage, the regional plan "would be a regular exchange of information and full consultations among each other's work programmes so that maximum possible complementarity of efforts, within the limitation of the existing UN structure could be promoted". UNIDO has sent participants to all the international meetings and missions. From meetings and programmes at global and regional level, there is a general consensus that:

(i) Rural development problems differ from country to country and the primary responsibility lies with the countries concerned.

(ii) Rural development must become a systematic and organic effort to be directed in all fields of activity towards bettering the quality of life and strengthening the productive capacity of the poorer sector of the rural population. Rural development programmes should ensure that the benefits accrue primarily to the rural poor.

(iii) Rural development is a multi-sectoral process encompassing all sectors of economic and social development, yet both government and agency structures are not organized to such an approach.

The ACC recommended that "each organization would review its activity relating to poverty oriented rural development and to hold consultation on inter-agency basis to assess the relevance to these activities to rural development as been roughly defined as to determine the need for and possibilities of joint or co-operative action".

From the above, rural development is not an integration of all economic and social development activities in rural areas but entails an integrated multi-discipline approach towards raising the living standard of a target group of the

rural population, mainly of the rural poor^{1/} This approach would involve socio-political elements as well as technical and economic matters. This paper shall examine mainly the technical and economic aspects of interrelation between industrialization and rural development. However, it should be understood that political and social structure could influence the economic strategy and particular relationship between industry and agriculture^{2/} Improving the living standard of the rural poor would mean to improve their productivity and production in their field of activities, provide employment opportunities to enable them to increase the quantity of goods in their consumption basket. Finally, if it is not possible to transfer more capital from the well-to-do segment of the society or from urban areas to improving the capacity of production of the rural area, the surplus of the value added created by activities of the rural people should be recycled to the rural area to increase their means of production. Since major occupation in the rural areas are agriculture, these elements should be related to agricultural activities. In this context what are the relationship between industry and integrated rural development.

II. ASSESSMENT OF THE PROBLEM

According to the concept of improving the standard of living of the rural poor, industrialization would not only include all the industries suitable in the rural areas^{3/} or industrial support of agro-related activities^{4/}

^{1/} The World Bank's rural development programme has put emphasis on assisting small scale farmers, those whose holding up to five hectares. This group is not the poorest in the rural areas. In Asia out of 97 million holding about 45 million or 46 per cent were under one hectare in size, about 21 million or 21 per cent between one and two hectares and about 20 million or 20 per cent were between two and five hectares. In India 25% of the people living in rural areas are landless labourers. Therefore, a programme of rural development to alleviating the rural poverty should be far more extensive than the programme to aid small scale farmers which has been estimated to 70 billions U.S. dollars as the total cumulative capital cost of achieving by 1985 an annual growth rate of 5% in small farmers production.

^{2/} For instance to which extent land reform which is crucial to involve the rural mass to improve agricultural production and equally induce rural industrialization shall not be discussed in this paper.

^{3/} See UN publication on "Rural Industrialization" No. /E.74.IV.4

^{4/} See UNIDO, Industrial Development Survey - Special issue for the Second General Conference of UNIDO.

industrialization in relation to integrated rural development would cover industrial activities which has bearing on the living standard of the rural poor. Thus industries would not be defined^{merely} by the nature of industries, the size of industries, location of industries or the use of inputs or final product of industries in the rural areas but would be related to the living standard or the quality of life of the rural people. To clear the concept the including charts attempt to indicate the relationship between rural development and alleviating rural poverty, industrialization and rural activities mostly agricultural.

The Chart No. 1 shows the flow process how rural activities could alleviate rural poverty. The rural poor dispose of labour, mostly unskilled, some local endowment and some simple tools. Their activities would enable them to increase their income therefore would enable them to buy more commodities to fulfil their basic needs.

The Chart No. 2 indicates interrelation between various productive activities mostly between agriculture and industry. Location of industries is an important factor. Distinction should be made between local industries and industries established outside of the rural areas. The model shows that industries in the rural areas would contribute (i) to increase agricultural production, (ii) provide more value added to agricultural products, (iii) increase goods in the consumers' basket of the rural poor and (iv) provide more employment to rural poor. The distinctive role of local industries is to provide more value added to local agricultural products at local level, therefore more disposable income thus it is essential that the value added should be recycled into rural area to increase rural activities. Other benefits to rural poor could be derived from other local activities (rural public works or activities supporting agriculture etc.) as well as industries outside of the region. It could explain on a national level policy-makers can adopt different strategies concerning rural industries since value added to agricultural products in national accountings is not affected by the location of industries.

Therefore industrialization in relation to integrated rural development could be the process of industrial development which assist in:

- (i) improving the productivity and production of the rural people,
- (ii) creating more value added to the rural areas,
- (iii) providing more employment to the rural poor,
- (iv) adding more goods to the consumption baskets of the rural poor,
- (v) improving the quality of life of the rural poor (housing, sanitation) and establishment of other facilities, physical and institutional infrastructures without which industries would not go to the rural areas.

III. COUNTRIES EXPERIENCES

Rural development and industrialization experiences in Nepal, India and Pakistan are attached in the Annexes. These countries have set up systems covering social economical and administrative aspects of rural development and are pursuing actively programmes of integrated rural development. The Annexes attempt to provide an overview of integrated rural development concepts, policies, strategies, programmes and related institutional set up, the place of integrated rural development in national planning in these countries. Potential and requirements for local industries are tentatively identified. The countries experiences have been drawn from the mission report of an Interagency team who has visited these countries in 1976. All these countries have area approach to promote rural development. Moreover, India has developed target group approach to promote the small farmers, rural artisans. The role of rural industry its articulation with national industry and with agriculture differ from country to country. In most of countries visited rural industry covers generally traditional village and cottage industries. The role of a modern small scale industry to promote the rural area and provide forward and backward linkage with agriculture and national industry is often neglected in integrated rural development programme. Often there is lack of coordination in programming agricultural and industrial production.

IV. OBSERVATIONS FROM COUNTRIES EXPERIENCES

Integrated industrialization and rural development should be viewed at two aspects: (i) integration of industrial and agricultural activities at different levels - national and rural level, (ii) integration of rural industries with national industries. Followings are some observations gained from countries experiences.

1) Low priority given to industrial component in the IRD programmes

The needs to provide employment opportunities to unemployed and under-employed rural people has been constantly emphasized in all countries studied. In India, it has been estimated that even with intensive agricultural development programmes there are not enough land to fully utilized people actually engaged in agricultural activities. It is estimated that non-agricultural activities should be created to provide employment to 30% of the rural people enabling them to have a minimum standard of living. However, rural industries as alternative activities to provide jobs and to increase income of the rural poor has been given low priority in rural development programmes. In Nepal, the allocation to the industrial component in the World Bank's project represents only 1.3% of the total cost. In India, the rural industries projects are separated from the integrated rural development programme and in Pakistan the industrial component of the integrated rural development is the home industry.

ii) Weak Link between agricultural and industrial development

Although harmonious development of agriculture and industry has been constantly emphasized in national development plans, still there is a lack of cross sectoral integration in the planning, programming and research stages. In planning there are still two separate chapters on agriculture and industrial development. A chapter on the inter-related development of agriculture and industry is yet to be developed. Projects with forward and backward linkages between the two sectors could be included. Timing and programming agro industrial projects, fixing responsibilities and coordinating activities of concerned ministries and agencies could be spelled out.

Research institutions are still sectorally oriented, a joint work programme in research activities could promote better linkages between agriculture and agro-industries. It is interesting to note that since 1976 India has promoted science and technology programme to support integrated rural development.

iii) Weak link between local and national industries

Possibilities to establish local industries which process local raw materials and provide inputs to regional or national have not been fully investigated. Rural industry in all countries visited are often viewed as traditional village and cottage industries. In India, there are some small scale industries to sub-contract to larger industries. There is not yet any official measures to protect these "captive industries". In some case when governments are compelled to take temporary measures against expansion of large scale industries (inflation, shortage of energy or foreign exchanges etc.). More often governments overlook the spill over effect of measures which take on large industries would affect more seriously these "captive industries" usually of small scale.

iv) Lack of an evaluation system on the effectiveness of measures to promote industries in the rural areas.

Countries have taken some measures to promote industry into the rural areas. However to have better use of available resources, countries are asking for an evaluation system on the effectiveness of these measures.

v) Co-ordination among various ministries

Usually there is a focal point of integrated rural development at the local level (Nerkaz or District Administration). However, the coordinating at the top level is loose under the form of committee. If integrated rural development is the first priority of the national policy, there should be a mechanism for closer co-operation at the national level such as a cell in each ministry dealing with integrated rural development to expedite administrative matters within the ministry.

vi) Appropriate products to be manufactured in the rural areas

There is not yet a clear cut policies promoting manufacturing goods in the rural area and nationally made manufactured goods. In Asia most of the rural manufactures have been closed down because of competition of the large scale industry. There is not any comprehensive system of protection of the locally manufactured goods. Manufactured goods in the rural areas should be defined either for local or national consumption or export. Each category of products should have a special package to support the industry in the rural areas.

vii) Appropriate plants

In most countries surveyed entrepreneurs have expressed desire of having low cost plants preferably in a hired purchase basis to process local products. There is a stress for developing appropriate technology to develop such plants.

viii) Identification and development of local entrepreneurs

The background of local entrepreneurs are usually from rich agricultural family. Survey in India has shown there is no dearth of young, ambitious persons with high initiative and motivation. They become successful entrepreneurs when they received: i) expert technical advice and guidance, (ii) exposure to modern technology and methods, and (iii) timely financial assistance^{i/} Local entrepreneurs are most aware of the great scope for starting new industries. It is interesting to note that most of them suggested many non-traditional industries, card-board from straw, rice bran oil, alcohol from molasses, fountain pen, electronic goods, coir products, thermos flash etc. However, these entrepreneurs do not have the technical know-how and competence for starting such industry. They also do not have any idea where the necessary know-how would be available. Under such circumstances they look to the government for technical guidance and advice.

1/ Socio-psychological factors influencing entrepreneurship in rural areas
(National Institute of Community Development, Hyderabad, India.)

iv) Marketing of products manufactured in rural areas

In most countries marketing or the selling of manufactured products is the most important factor to develop industry. These facts have been recognized at the preparatory meeting to the Ministers of Industry Meeting in Bangkok in August/September 1977. Governmental assistance to develop rural industry should consider equally to devise special measures such as governmental procurement policy and organizing network of distribution of manufactured of rural products. It has been shown that governmental emporium or handicraft sale centre could only absorb the most 25 per cent of the production of handicraft.

x) Involvement of the artisan and workers in the rural development scheme

Farmers and industrial entrepreneurs have received assistance from the Government, however, the rural artisan and industrial workers have not ^{been} involved in any schemes of the rural development and have no asset to use as collateral to obtain loan from commercial banks.

xi) Training of agro industrial workers

The rural and under-employed lacked basic skills required for efficient industrial development. Rural training and educational institutions including the primary skill required for evident industrial development. Rural training and educational institutions including the primary school should be given higher priority to teach the skills required for agro industry employment.

xii) Needs of an industrial development cell at lower level of rural development (preferably at the district or Markaz level)

It has been noted that in most of the countries visited not all local institutions dealing with rural development have an industrial development officer (Markaz, district office, rural banks etc.) It has been recognized there is a need of an extension-cum-technical advisory cell at the district level headed by a senior industrial development officer. The cell works in close cooperation with banking institutions and help local entrepreneurs getting appropriate assistance in time. It has been equally suggested that there should be a mechanism to bring

successful entrepreneurs (large or small scale enterprise locally or outside of the area) to give advice to young entrepreneurs.

V. ROLE OF UN ORGANIZATIONS ON INTEGRATED RURAL DEVELOPMENT WITH SPECIAL REFERENCE TO INDUSTRIALIZATION

The ESCAP Interagency teams have visited countries in the region to (i) ascertain the view of member governments regarding the strategies for a coordinated programmes of the UN for assisting member countries of the ESCAP region in integrated rural development and (ii) discuss with governments the identification of local areas in which governments might organize joint consultations with beneficiaries and implementors as a mean of developing integrated rural development programmes to which the agencies could make a coordinated contribution.

In all countries visited, there is an emphasis that the UN organizations should first assist countries in carrying out their actual programmes on rural development. Concerning industrialization, it consists of:

1. Technical assistance to identify industrial projects in the promoted rural areas.
2. Provision of information and technical assistance on the know-how of rural industries.
3. Providing information and analyzing countries experiences on the promotion of rural industries.

Concerning area development most governments have stressed on the criteria of replicability of the pilot project to other areas in the country. In consultation with other UN agencies, the ESCAP Secretariat has identified certain broad areas of action where the UN organizations could strengthen national efforts in rural development^{1/} Arising from discussions with government officials and experts during the Expert Group Meeting on IRD in Tokyo in February 1977, it seems that UNIDO would enlarge its assistance to countries in rural development in following areas:

1/ See Annex IV.

1. Industrial plans and strategies

i. To prove that integration of industries and rural development would not hamper the pace of economic development of developing countries. All countries are committed to improving the standard of living of their rural people. Industrial development is considered the center piece of development. At the Lima Conference, all governments of developing countries have committed to a faster rate of industrial growth. Due to limitation of available resources, developing countries are obliged to concentrate investment in some developmental sectors and are not yet sure that investment in rural industries would not divert their limited resources for achieving a higher rate of development growth. UNIDO should through studies and research and later pilot projects prove that integration of industries and rural development would not slow down the pace of national development.

ii. To evolve criteria, guidelines for a better allocation of resources among different categories of industries.

It has been said that industrialization should have a broad impact on the living conditions of the poor. The immediate benefits of an industrial venture in the rural area is to have a wage component in the value added of the project. A simple guideline or criteria on social cost benefits analysis concerning rural project (mostly medium and small scale) showing qualitatively and quantitatively how the project could benefit the poor would assist decision makers in their allocation policies.

iii. To provide a framework for a better analysis of differential costs of establishing and operating industrial in rural areas.

Government have policies and incentives measures to promote industries in the rural areas studies on the cost effectiveness of these measures would assist governments in their promotional efforts in attracting

and redeploing industries in the rural areas. Tentatively one could work out a system of a plan of reference to analyse the cost benefit of a rural plant versus an urban plant. (This method is analogue to cost-benefit analysis of electric plant, hydro or nuclear plant versus thermal plant).

2. Training

Identification and training of local entrepreneurs, local administrators and technical training of workers.

This component has already been mentioned in previous paragraphs.

3. Promoting co-operation between farmers and entrepreneurs

To study and later on to evolve the pilot projects involving rural people in rural industry development.

The scheme should evolve some form of local organization when farmers could be partners in industrial joint ventures in the rural areas.

4. Mobilization and channeling local savings to development of industries

It has been observed that the rural development in these countries are a gradualistic one (as opposed to the models of rural development in socialist countries) with no mechanism for increasing savings; ways and means to increase and direct local savings into productive investment would accelerate the pace of rural development.

5. Support to research institutions on integrated rural development

(through technical assistance or technological information)

6. Plan of Action

As mentioned earlier, the industrial component is weak in most of the integrated rural development programmes. UNIDO could either: (i) collaborate with UN organizations or directly with governments to improve the industrial component at the project level or (ii) approach government to evolve an integrated programme of industrialization and rural development. At the national level, it would consist of technological assistance in planning formulation and evaluation of alternatives

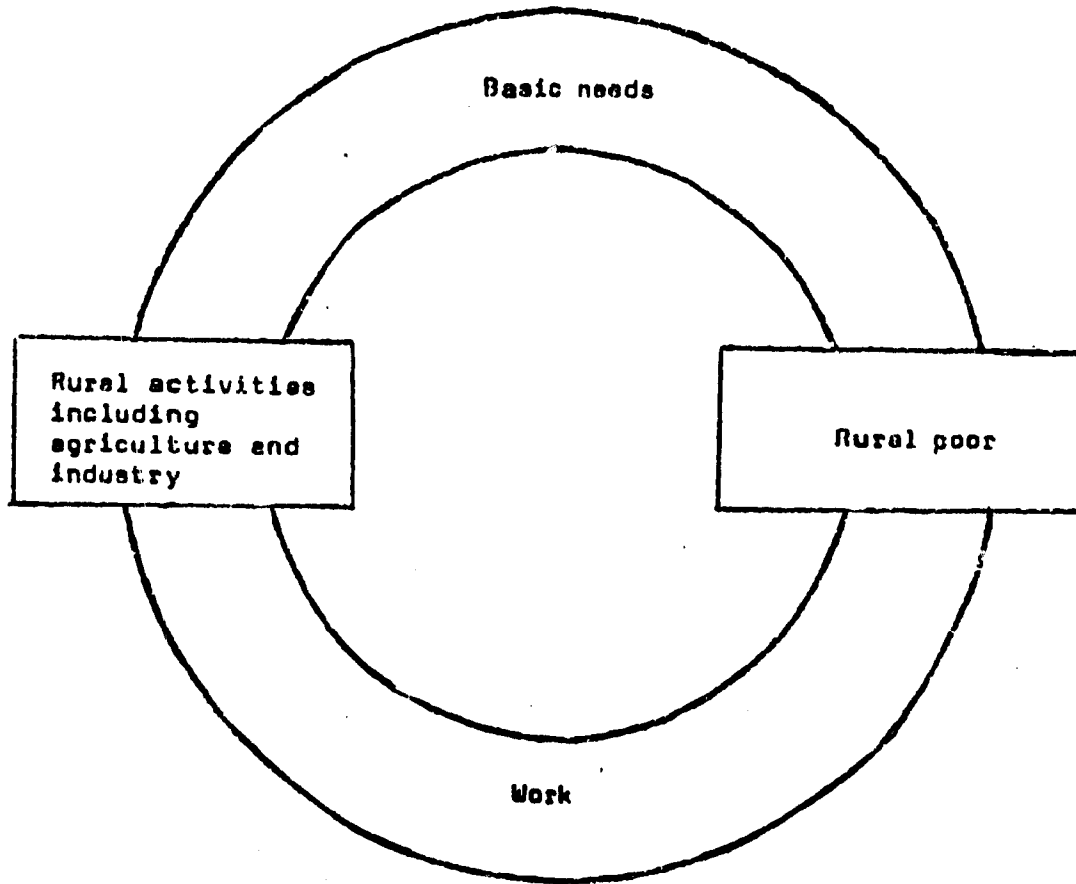
of policies and strategies, establishment and strengthening basic, institutional infrastructure including research institutions and training of administrators.

At the local and project level it could be some pilot projects involving:

- i) Identification of local projects,
- ii) Identification and training of local entrepreneurs,
- iii) Training of workers,
- iv) Identification of and creating an integrated industrial support service, including provision of inputs, loans and marketing facilities network,
- v) Training of local officers,
- vi) Establishment of local organizations to involve farmers and rural artisans into co-operation schemes and to increase local savings.

UNIDO has already developed considerable experiences on different branches of industry related to agriculture, small scale industry as well as industrial policies and institutions required for industrial development. These experiences could be linked together and could be main elements of a new UNIDO monograph on rural industrialization. Such a monograph could be of assistance to policy-makers and planners in designing an integrated rural development programme.

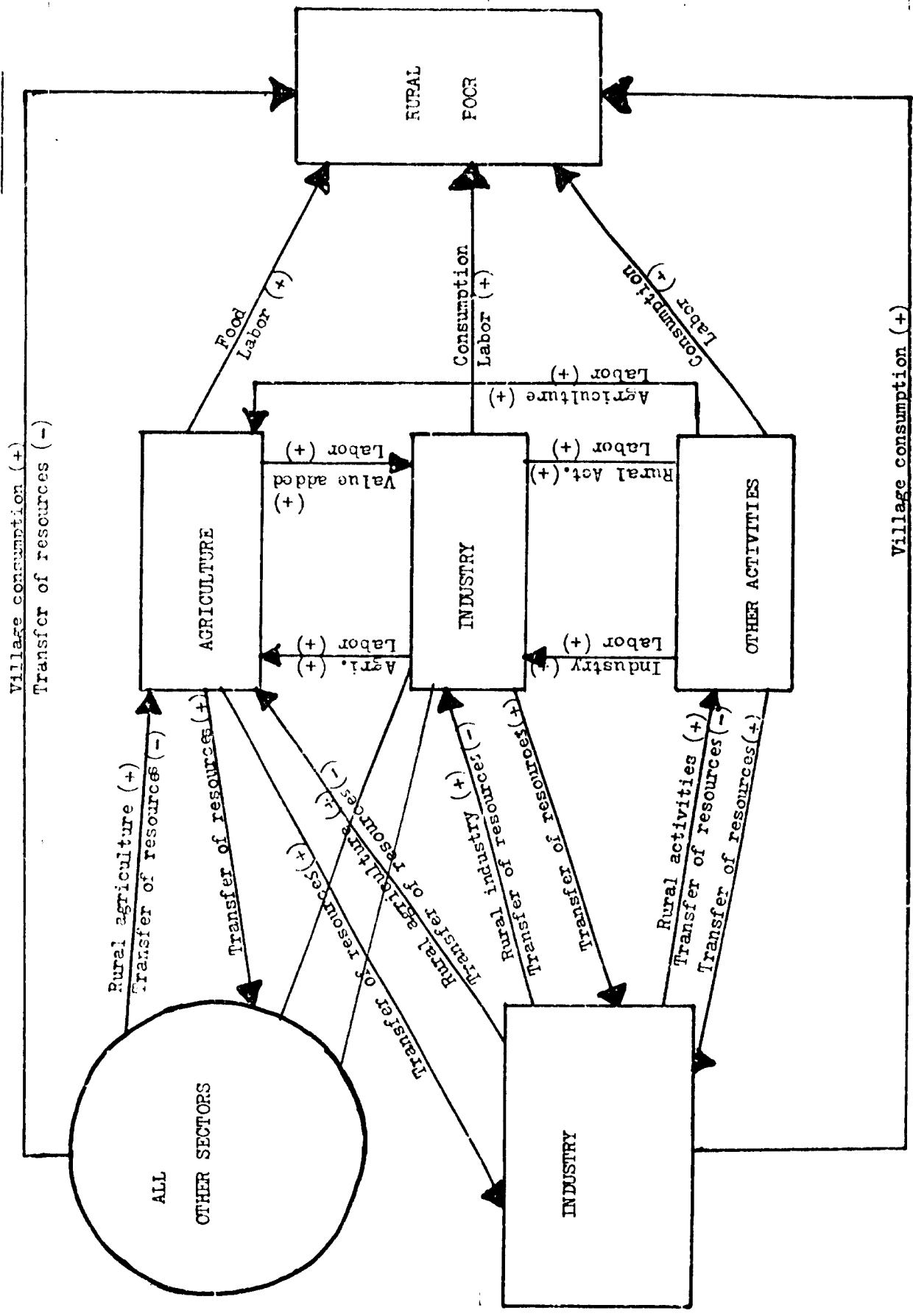
CHART I: FLOW OF WORK BASIC NEEDS OF RURAL POOR



This chart analogous to the classical circular flow chart of spending-income in national accounting. If rural people has more work their income would increase. They could have more goods in their basic needs baskets.

CHART II: SOME OF RELATIONS BETWEEN INDUSTRY AND AGRICULTURE

REST OF COUNTRY



* The upper part of the arrow is the direct effect of an intersectoral activity and the lower part is the reciprocal effect to the rural people.

+ increase
- decrease

ANNEX I

RURAL DEVELOPMENT AND INDUSTRIALIZATION IN INDIA

I. OVERVIEW OF THE RURAL SITUATION

About 80% of the total population live in the rural areas. According to the draft Fifth Five-Year Plan (1974-1979) document, out of the total 170 million labour force in 1971, 139 million were employed in the rural areas (113.3 male, 25.3 female) and 31 million in urban areas (28.2 male, 3.2 female). Unemployment or underemployment and low income are main problems in the rural areas.

It has been estimated in 1975 that in the rural areas there were about 5,000 million unemployed mandays in a year. Roughly 20% of the rural population belong to the households of non-cultivating wage-earners and the lowest 10% of the cultivating households. Data for earlier years indicated that for the bottom 30% of population unemployment was of the order of 2,500 million mandays a year.

The Fourth and the Fifth Five-Year Plan documents have defined poverty level in terms of a minimum level of consumption. Applying the standard of private consumption expenditure of Rs. 20 per capita per month (at 1960-61 prices) as a base minimum, it has been estimated that throughout 1957-66 almost half, or more, of the population lived in absolute poverty. While the percentage fell from 58 to 48 per cent, the number of people below the normative poverty line stayed around 240 million.

Agriculture accounts for about 47% of GDP, providing employment for over 72% of the labour force. In a country of the size and diversity of India, agriculture is not one homogenous activity. According to the Constitution the development of agriculture is the responsibility of state governments; while the central government assumes the role of policy-making and co-ordinating agency, for implementation it must rely on the states',

machinery. Accordingly, institutional arrangements under which agriculture is carried out differ considerably from one part of the country to another.

The average size of holding is 2.7 ha but around 41% of agricultural holdings are below 1 ha, accounting for less than 7% of the total agricultural land; 22% between 1-2 ha, accounting for over 12% of land; and about 18% of holdings are over 4 ha or more than 61% of the total agricultural land. While owner-operated holdings are prevalent, nominee ownership to avoid the land ceiling is quite common. Against these figures it can be noted that the Government of India has defined small farmers as those with land holdings of between 1-2 ha, and marginal farmers below 1 ha of dry land; in the case of irrigated land, the limits are about 50% of those indicated.

II. EXPERIENCES IN RURAL DEVELOPMENT

Over past decades of planned development several programmes have been formulated and implemented for the development of rural areas. Immediately after independence in 1947 a national Grow More Food Campaign was announced, and the unsatisfactory results led to the setting up in 1951 of an evaluative committee. Out of its recommendations the Community Development Programme was inaugurated in 1952, began on a pilot scale but soon expanded to cover the whole country.

General programmes of agricultural development were re-oriented so as to ensure that the mass of small and marginal farmers as well as agricultural labourers were increasingly able to share in the benefit. Some Special Programmes of Rural Development, Pilot Research Project in Growth Centres and Whole Village Development Programme were launched.

1. Community Development Programme

Projects undertaken under this programme were related to agriculture and animal husbandry, village and cottage industries, irrigation, education, health, etc. but the improvement and development of agriculture has occupied

the foremost position. Government functionaries were appointed to help in the implementation of the projects and to provide extension services. While there have been some variations in emphasis, the basic objective, that of achieving rural development through people's participation and initiative, remains unchanged.

The programme in modified form now covers the whole country, and its institutional infrastructure essentially comprises the extension service established at the state, district, block and village levels, which is a combination built up from the bottom of multi-purpose village level workers back by specialists at the block headquarters. Its basic unit is the block, which originally covered an area of about 1,300 sq. km. with about 300 villages and a population of 200,000, but revised since 1958 to cover an area of about 620 sq. km. with 110 villages and a population of about 91,000. All villages are now covered by blocks and in the whole country there are over 5,100 blocks.

The Block Development Officer is the administrator and co-ordinator of all programmes in the block area, assisted by technical specialists in fields such as agriculture, animal husbandry, rural engineering, health education, co-operatives, etc. These specialists are technically and administratively accountable to their respective ministries, but in the development programme they would be accountable to the BDO. While there have been drawbacks, in some States the block organization has been virtually the only field agency for carrying out development programmes.

At the village level work is entrusted to the Village Level Worker who renders technical assistance, acts as a catalyst, and helps to organize village groups for self-help undertakings, an agent through whom village needs could be made known to the BDO. The multi-purpose VLWs, about 12 in each block, serve as members of the Block staff. In addition 2 women VLWs are appointed for each block.

2. Special Programmes of Rural Development

Throughout the years several rural development programmes were undertaken for the weaker section of society and the weaker geographical areas of the country. While there are some others, only four major ones will be discussed.

(1) Crash Scheme for Rural Employment

Large scale rural works programmes were taken up twice: Rural Works Manpower Programme throughout 1960-69, and Crash Scheme for Rural Employment during 1971-74. The former was started on a pilot basis in 32 blocks and subsequently covered about 1,000 blocks; the emphasis was on increased agricultural production coupled with the creation of remunerative community assets, through labour-intensive schemes not involving higher technical skills and having low requirements of material and machinery. It was intended that the block organization and Panchayati Raj institutions were to be involved in planning and implementation; the programme, however, did not catch up sufficiently in many blocks.

Both the Rural Works and the Crash Programme were ad hoc in nature, and a need was felt to have a more concerned effort at least in some selected areas in order to clearly bring out the impact and to provide useful lessons for future programming. The Pilot Intensive Rural Employment Project was launched during 1972-75 in 15 selected blocks, an action-cum-study project to provide gainful employment in the project areas (one-third of the unemployed in the first year of operation, two-thirds in the second, and all in the third year); to create durable assets, to explore the possibility of imparting new skills; and, through implementation, to study the problem of employment with a view to evolving a comprehensive programme for the rest of the country. Due to financial constraint the employment generated was on a limited scale in accordance with the funds released to the State Governments.

(ii) Small Farmers' Development Agencies

In order to improve the economic condition of the weaker section and generate greater employment opportunities, 46 Small Farmers Development Agency and 41 Marginal Farmers and Agricultural Labourers projects were initiated during the Fourth Plan. In the Fifth Plan all the SFDA and MFAL projects have been made composite (increased in number of 160), and the emphasis is on crop husbandry for the small and marginal farmers. The subsidiary occupations for suitable areas will be supplemental programmes for the small and marginal farmers and agricultural labourers in the project areas, funded separately but co-ordinated at the project level.

The agencies in charge of SFDA/MFAL projects have a small membership consisting mainly of the representatives of the institutional agencies and concerned district officers, with the Collector or Deputy Commissioner as the Chairman. The main functions are to identify the participants (according to parameters laid down by the Government); draw up suitable programmes for improved agriculture and for subsidiary occupations; arrange credit through institutional sources; and get the programmes executed through the existing development and extension agencies in the project area.

For various programmes like minor irrigation, land development, soil conservation, animal husbandry, etc., the small farmers are allowed subsidies up to 25% while the marginal farmers and agricultural labourers up to one third of the investment cost, with a ceiling of Rs. 3,000 to each individual participant. In the case of group/community projects a liberal subsidy of 50% is allowed. The 87 projects identified about 5.7 million small farmers, marginal farmers and agricultural labourers (about half enrolled as members of co-operative societies), as of February 1976 0.28 million were assisted under minor irrigation and 0.24 million in subsidiary occupations. For the new projects under the Fifth Plan, as of February 1976 about 1.8 million participants

were identified (22% enrolled in co-operative societies): 7,000 were assisted to take up minor irrigation works and 547 to take subsidiary occupations.

(iii) Drought Prone Area Programme

The considerations underlying these programmes are as follows: the drought prone areas represent nearly 19% of the country's total area, accounting for 12% of population. Most have poor resource endowment and suffer from a stagnant rural economy. Every third year or so some people of the areas are compelled to migrate with their livestock. The institutional structure of co-operatives is weak.

Initially it was focussed on rural works and employment generation programmes, but later re-oriented and based on an area development approach. Under the Fifth Plan the main thrust will be to restore a proper ecological balance in the areas through development and management of irrigation resources; soil and moisture conservation and afforestation; restructuring of cropping pattern and pasture development; changes in agronomic practices; livestock development; and development of small/marginal farmers and agricultural labourers.

(iv) Tribal and Hill Area Development Programmes

Tribal development blocks are earmarked for special programmes. The economic programmes supplemented by additional programme of construction of trunk and arterial roads. Co-operative structure in the tribal areas are reorganized on a credit-cum-marketing basis. These large multi purpose production societies (LAMPS) would deliver to tribal people integrated services such as provision of short, medium and long term credit, agricultural inputs, consumer goods, marketing of forest and agricultural produce.

As the hill areas are concerned, the major thrust of the programme lies in the identification of backward hill region in states with sizeable hill areas and formulation of separate sub-plans for the development of these areas.

State governments are required to prepare integrated plans for these hills areas taking into account of particular physico-geographic conditions and resource endowment of their hill areas. Special outlays known as "special central assistance" are earmarked by the Planning Commission during each year. Worth to mention the Indo-German projects in the hill areas since the Fourth Plan. These projects are based on the "water shed" approach for integrated development of agriculture, horticulture, land-development and soil conservative measures, minor irrigation schemes, supported by animal husbandry activities and development of other infrastructures like roads, co-operative and marketing facilities.

3. Non-Agricultural Activities: Rural Industry

The concept of rural industrialization was taken in India long before her independence in 1947. It is part of the larger problem of regional (areas) development has to be adapted to suit the conditions of each particular region (area). Its main objective is to increase gainful employment in the non-agricultural sector of the region but the strategy that might be accomplished would depend upon prevailing conditions of the region concerned and over all national level of development. The concept of rural industrialization has evolved from the village confined industrial units which are mainly concerned with the processing of local raw materials for local markets with simple techniques to a broad concept of industrial enterprises established in the region to meet the local needs or to draw demands for their products from the rural areas. Recently, it has been adopted as a strategy for industrializing relatively backward areas through promoting agro-industries and the concept of appropriate technology. Employment and development of relatively backward areas are the most acute economic problems of India.

The village and small industries sector cover a wide range of traditional and modern small scale industries including handloom, khadi industries, powerloom, sericulture coil, handicraft industries, village industries.

and mechanized industries. In the following we shall consider only industrial development programmes which are closely connected with areas development and with rural artisans. These are:

1. Rural industrial projects programme.
2. Backward areas programme.
3. Rural artisans programme.

(i) Planning and Development of Rural industries

Balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions and areas and widespread diffusion of industry are amongst the important national objectives of India. The Industrial Policy Resolution of 1956 and the successive Five Year Plans of India have laid emphasis on these objectives.

The Third Five Year Plan laid emphasis on the need to encourage further growth of industries in rural areas and small towns as well as in less developed areas having industrial growth potential. The Fourth Plan provided for systematic identification of under-developed regions and initiating concrete programmes for widespread diffusion of industries. The Fifth Five Year Plan envisaged the creation of a suitable machinery to identify industries depending upon the needs and potentialities of the backward areas and also for drawing up an integrated plan for the development of infrastructure in selected growth centres. The creation and expansion of the basic infrastructure facilities and the creation of an institutional agency for co-ordinating the essential components of the industrial development programmes have been considered to be the basic pre-requisites for the rapid industrial growth of backward areas according to the Fifth Five Year Plan (1974-1979).

The main programmes being undertaken or proposed to be undertaken pursuant to the objectives and directives laid down in the five Year Plans

in non-metropolitan, backward and rural areas are briefly indicated below:

A. Rural Industries Projects Programme

The Rural Industries Projects Programme was sponsored by the Planning Commission in 1962-1963, as a centrally-sponsored scheme. The Programme was initially operated, as an experiment, in a few selected areas to evolve suitable methods and techniques for intensive development of small industries in rural areas, so that these techniques could be adopted later throughout the country. The main objectives of the programme are to enlarge non-farm employment opportunities and increase industrial production in rural areas. The Programme covers only towns and villages having less than 15,000 population.

Encouraged by the success achieved under the Programme during the course of 11 years of its implementation in 49 project areas, the coverage of the programme has been extended to 111 districts in the country. The additional districts are those which have been identified as industrially backward.

(1) Criteria for Selection of Rural Industries Project

The main criteria for selecting these projects have been:

1. Where agricultural conditions were favourable and a considerable agricultural effort is being organized and at the same time, there is heavy pressure of population.
2. Where agriculture was undertaken mainly under unirrigated conditions and there is considerable need for additional employment.
3. Where there was considerable under-employment because of unfavourable natural conditions and lack of development of potential resources.
4. Tribal and other backward areas.

5. Areas in which large industrial projects had been or were being established so as to achieve integrated industrial rural development, agriculture and small industries being developed together within the region of the industrial project.
6. The area should be backward district/approved by the Planning Commission for concessional finance and/or 15% subsidy on capital investment.
7. It should have adequate supply of power. In case this is not available the State Government should guarantee that this will be made available before the end of Fourth Plan Period.
8. It should have good means of transport and communication. In case these are absent at present, the State Govt. should guarantee to make at least the road communications and transport system, available before the end of the Fourth Plan.

(1) Objectives of the Programme

1. Enlarging employment opportunities.
2. Raising income and standard of living of rural communities.
3. Diversification of the rural occupation.
4. Reducing exodus to urban areas.
5. Eliminating regional economic imbalances.
6. Reducing inequalities in wealth and incomes.
7. Securing Social Justice.

RIP programme is essentially an extension programme. The main contents of the programme include identification and motivation of prospective entrepreneurs, guiding them in selected suitable products line and appropriate technology providing them with technical extension services and helping them in obtaining their inputs including credit facilities, raw materials, skilled labour etc. by way of package assistance programme as far as applicable.

Types of Industries

The types of industries which have been set up in Rural Industries Projects in the country include mainly agro-based industries, mechanical industries, particularly repairing workshops, certain items of chemical like soap detergents, leather industries and some industries based on plastic raw materials. A few industries have also come up based on scarce raw materials like stainless utensils, wiper blades, aluminium conductors, aluminium utensils etc.

B. Backward Areas Development Programme

Recognizing the need for expeditious development of industries in the backward areas, two working Groups were appointed in 1968 to:

- i) recommend criteria for identification of backward areas;
- ii) recommend financial, fiscal and procedural incentives for starting industries in backward areas.

Districts have been identified as industrially backward and certain special incentives/concessions are being provided by the Government of India and the national financial institutions for the rapid development of industries in these areas. The package of incentives for industrial units in backward areas include the following:

- i) Provision of credit assistance from Industrial Development Bank of India, Industrial Finance Corporation of India and Industrial Credit and Investment Corporations of India on concessional terms in all 246 backward districts;
- ii) subsidy @ 15% of capital investment of existing and new industries of 102 districts/areas;
- iii) subsidy @ 50% on transport cost of raw materials and finished products in certain hilly areas;
- iv) relief in income tax;
- v) liberalized import facilities for raw materials, components and spares;

- vi) supply of machinery on hire purchase from National Small Industries Corporation on concessional terms; and
- vii) licensing of large and medium scale enterprises under the overall objectives of attaining balanced regional development.

A number of promotional measures have also been initiated by the Small Industries Development Organization to encourage dispersal of industries to the selected backward areas. Detailed techno-economic surveys to identify industrial potentialities have been conducted for 166 backward districts. Intensive development campaigns have been organized in 96 backward districts by April 1975. 162 industrial estates have been set up in backward areas, in order to meet the growing requirements for technical consultancy, 5 existing branch Small Industries Service Institutes have been strengthened and 2 new branch Institutes have started functioning.

It has been realized that the most important reasons for backwardness of the districts are inadequate availability of economic and social infrastructure, lack of co-ordination in different sectoral programmes and functioning of multi-level financing, promotional and consultancy institutions, inadequate institutional arrangements to support, integrate, coordinate, and monitor various components of industrial development programmes. For undertaking integrated planning and development of infrastructure providing a package of financial, marketing and other services, identifying suitable industries and providing guidance to the State Governments/Corporations, it is proposed to create an appropriate machinery in the Fifth Plan. For this purpose a provision of Rs. 35 crores has been made in the Draft Plan. The details of the proposed organization are being worked out by a high-powered Committee.

(i) Development of Industries at selected growth centres: Strategy for Industrial Development

The policy outlined in the Fifth Plan with regard to accelerated

Industrial development of backward areas provides for integrated planning and development of infrastructure, a package of financial, marketing and other services to potential entrepreneurs in selected growth centres.

Accordingly, with a view to gaining the experience on a pilot level and evolving suitable plan of action for the fifth Plan, in respect of developing industries at most promising points, a modest programme of identifying one growth centre in each State in the backward areas for providing intensive techno-economic and managerial assistance to small industries was put under implementation during 1973-74.

(ii) Criteria for identification of Growth Centres

The following criteria for selection of growth centres were suggested:

- i) The centre is preferably located in one of the districts eligible for Central Subsidy on fixed investment;
- ii) Area surveys for the selected districts centres have already been conducted;
- iii) Selected centres are characterized by the availability of necessary infrastructure and social overhead facilities; and
- iv) Centres have the approval of Advisory Committee for Small Industries service Institute and are selected in consultation with State Industries Department.

Activities

The position with regard to selected centres growth activities undertaken and results achieved are given below:

- i) Fifty-one growth centres have been selected in the States/ Union Territories.
- ii) To identify the growth potential and specific project ideas, industrial potential surveys have been conducted in 23 growth centres. In these survey reports, as many as 711 potential

industries have been identified. These projects are likely to generate employment opportunities for 10,472 persons and entail a total fixed investment of Rs. 3.89 crores. The projects cover a wide range of items of manufacture like wire nails, die casting, fabrication, storage battery, cement tiles, pesticides, formulations, auto spare parts, watch parts, fruit preservation and processing, electrical appliances and accessories, solvent extraction of coconut oil, poultry and cattle feed, automatic p.v.c. shoe moulding, card-board, rice sheller, ACR conductors, etc. For use of prospective entrepreneurs, model schemes and pre-feasibility reports for selected items were prepared by the Small Industries Service Institutes.

- iii) With the objective of creating a climate conducive for expeditious promotion of small scale industries in the growth centres, motivating and matching the prospective entrepreneurs with the identified lines of investment and arranging for coordinated assistance and inputs from different agencies, intensive industrial development campaigns have been organized in 17 centres by the concerned Small Industries Service Institutes and State Departments of Industries. 866 entrepreneurs have been assisted in these campaigns. Total value of assistance sanctioned/provided to the entrepreneurs either in the form of loan assistance from Banks/Corporations or value of machinery on hire purchase amounted to Rs. 172.58 lakhs.
- iv) As a result of above intensive promotional measures, 54 new small units have started functioning in the selected growth centres. The units had a fixed investment of Rs. 27 lakhs and provide employment of 596 persons. It is estimated that in additional

5 selected growth centres about 200 new units are likely to be set up at a cost of Rs. 5 crores with employment possibilities for 4,000 persons.

(iii) Strategy evolved for development of growth centres

Special interest is taken by the Small Industries Service Institutes in developing industries at growth centres. A careful plan of action, in collaboration with Directorate of Industries was prepared by Small Industries Service Institute, New Delhi and implemented. Highlights of this programme are:

- a. Selection of growth centres;
- b. Conducting quick industrial potentialities studies of the selected centres to identify candidate industries;
- c. Preparation and printing of the study reports;
- d. Publicity of the content of reports in the centres by organizing industry development clinics to motivate and identify the desirous entrepreneurs;
- e. Matching of entrepreneurs with identified and approved industrial project ideas;
- f. Conducting special training programme to assist in preparation and finalization of bankable projects;
- g. Formation of a Working Group representing different official and non-official agencies concerned with the development of small scale industries to:
 - i) scrutinise and recommend the candidate industries for approval of Director of Industries;
 - ii) making a note of assistance required to be given to prospective entrepreneurs following matching done by Small Industries Service Institute;
 - iii) participating in industrial development clinic and training programmes;

- iv) assist in procuring of needed inputs and other assistance to selected entrepreneurs from different institutions;
- v) elicit entrepreneurs to different financial institutions/corporations;
- vi) conducting of an intensive campaign in the centres;
- vii) ensure effective follow up action;
- viii) review the progress of establishment of small industrial units in the centres.

C. Rural Artisans Programme

The Rural Artisans Programme has been taken up as a part of the scheme of "Small Farmers Development Agency (SFDA)/Marginal Farmers & Agricultural Labourers (MFAL) Programme launched by the Ministry of Agriculture in 1971-72 as a Central Scheme in 87 selected areas all over the country. The implementation of the programme in 40 out of 87 projects has been merged with the Rural Industries Projects Programme.

The objectives of the Rural Artisans Programme are to provide around training to village artisans to enable them to take up business/profession collectively or individually for meeting the local demand or setting up new enterprises based mainly on local resources and local markets. After completion of training, the trained artisans are supplied with improved tools and equipment and workshops at subsidised costs; arrangements are also made for power connections, etc.

With the transfer of the programme to Small Industries Development Organization from 1st April, 1974, a review of the existing activities and requirements of the artisans was undertaken in order to ensure that the training programmes cater to the felt needs of the area. Besides providing training in traditional crafts such as carpentry, blacksmithy, pottery and repair of agricultural implements etc. new training programmes were introduced in modern

trades such as manufacture of electrical motors, pump sets, leather and leather goods, granulated fertilizers, tubewell and tractor repairs, moulding, forging, turning and fitting, dyeing and printing, hosiery, sheet metal works, building construction, fruit preservation, etc.

As a "follow-up action", the artisans were assisted in obtaining improved tools and equipment to establish themselves gainfully in their trades. The project agencies provided subsidy at the rate of 25% in Small Farmers' Development Agencies and 33.3% in Marginal Farmers & Agricultural Labourers projects towards purchase of such tools and equipment. The balance amount was invested by the artisan himself for which loan facilities from financial institutions were arranged.

Branch Institutes in Backward Areas

With a view to providing technical, managerial, economic and other extension services, it is proposed to set up 20 branches of Small Industries Service Institutes in the backward districts of the country. Three projects have already been sanctioned and two have started working. Besides, five Branch Institutes located in the backward districts were suitably strengthened to provide services on an intensive scale.

Industrial Estates in Rural & Backward Areas

A salient feature of the small industries development programme in India has been the setting up of industrial estates with a view to encouraging and supporting modernization of small scale industries through provision of factory accommodation, common service facilities and other specialized services. By the end of 1973, 500 industrial estates were completed and working. Of these, 162 are located in industrially backward areas including 141 in rural areas with population below 5,000.

Selection of Industry

Special emphasis has been given to the selection of industry proposed to be developed during the Fifth Five Year Plan. In the context of the objectives of the Fifth Plan, stress has been laid on the development of items essential for modernization of agriculture, processing of agricultural produce, mass consumption items and ancillaries. A list of these industries entitled "Choose Your Small Industry" has already been published and is being given widest publicity.

As a follow-up measure, programmes for development of selected industries are being prepared. These include a wide range of industries under leather and leather goods, glass and ceramics, agro-industries, food industries, engineering and chemical industries.

ANNEX II

INDUSTRY IN RELATION TO INTEGRATED RURAL DEVELOPMENT IN NEPAL

I. Overview of Rural Situation

The Kingdom of Nepal with an area of 141,000 square kilometers has a population of about 12 million in 1973. The rate of population growth was estimated at 2.2 per cent in the early seventies. About 97 per cent of the population live in the rural area. Because of the rugged geography of the region there is a wide economic disparity between the Hills and Terai region. About 2/3 of the population is living in the Hills with 1/3 of cultivated land and 1/3 of the people being in the terai with 2/3 of the cultivated land. The need for integrated approach to rural development is stressed in the fifth five year plan (1975-1980). Unlike the fourth five-year plan (1970-1975) which emphasized on the maximization of output, the objective of the fifth plan is not only to maximize output, but also to make such output consistent with the minimum felt needs of the people. People oriented production, maximum utilization of manpower and regional balance are part of the main objective. The government has favoured growth areas or growth centers approach as instrument to rural and balanced regional development. Development programmes are concentrated in small areas with easy access either along already constructed roads or within a distance of one or two days walk from the nearest airport. Programmes are geared to production of essential goods and services for the mass such as foods grains, cotton textiles primary education, minimum health services including family planning, maternity and childcare, rural irrigation and roads, agricultural credit and land tenure, maximum utilization of labour, and more involvement of the people through the Panchayats and cooperatives. The government is undertaking both area development projects (among them are the Jiri Multipurpose Development Project and Integrated Hill Development Project) and nationally integrated rural development projects (small area development

programme, Reswa-Trisuhi rural development project). These are discussed below.

i) JIRI Multipurpose Development Project

The project was one of several pilot projects on integrated rural development undertaken in the countries during the fifties. The Jiri multipurpose project was initiated in 1957 and has financial support of Swiss Association for Technical Assistance (SATA) and technical assistance from FAO. The project started as a cattle breed improvement programme in a mountain valley, 110 kilometers east of Kathmandu. It was soon expanded to include pasture development, health and sanitation erosion control, communication and infrastructure development.

To implement the project, a Board was established in Kathmandu with representative of different ministries involved in the project. At the project level, a project committee was established with the participation of the Home Panchayat, Food and Agriculture, Forestry, Health and Education Department and representative of the village.

The project were faced to several problems. It required six days to reach the site because of the lack of roads so the produce cannot be sold easily to Kathmandu. There was equally the problem of co-ordination at the project level in regard to technical ministries.

ii) Integrated Hill Project

The Integrated Hill Development Project was initiated in 1971 with the support of SAYA. It covers an area of 12,000 square kilometer and a population of 140,000. The strategy was to build first an access road followed by development of activities in agriculture, forestry and health services.

A co-ordination committee was established in Kathmandu and at the project level there is a Committee composed of the Project Manager as Chairman of the Committee, the Deputy Project Manager and Representatives from Agriculture.

Forestry and Health Ministries as members. The Project Manager is designated by the Food, Agriculture and Irrigation Ministry and the Deputy by SATA.

iii) Regional Development Approach. Small Area Development Programme

The physical and economic disparities between the Hills and the Terai has led to the need of inducing a regional balance in development process.

The country is divided into North South axes (from Hill to Terai) or development corridors growth centers at specific location will act as marketing and services for the regional population and will induce further growth in term of agricultural transformation, location of industries and trade activities as well as social services. Inter axial traverses inter-connected growth corridors. The four growth axes are: Kosi from Biratnagar to Hondsagan; Gandaki from Bhairahawa to Jomsom; Karnali from Nepalganj to Jumla; Kathmandu from Birganj to Dhumche/Barbise.

Under the fifth plan 23 areas are selected throughout the country along these axes. Each area would be planned and implemented by institutions set up under the Panchayat system.^{1/}

1/ The Panchayat System and Rural Development Projects

The Panchayat system in Nepal is structurally integrated four-tiered system of administration comprising of:

- i. Village Panchayat (3,914 throughout Nepal). A Village Panchayat is the executive committee of a village assembly which is composed of the entire adult population. Each village has a minimum of 2,000 people and are divided into ward (usually 9 wards in the rural areas and 9 to 30 for urban areas having more than 10,000 people). The Village Panchayat is constituted by elected representatives of wards (1 each) and a chairman and vice chairman elected by the entire village.
- ii. District Panchayat (75). One representative from each village Panchayat and one third of the total members of each town Panchayat in a district from a district assembly. A district assembly elects the district Panchayat comprising of a chairman, vice chairman and 9 members. The district Panchayat has a secretariat and the staffs are appointed and paid for by the Ministry of Panchayat.
- iii. Zonal Panchayat (14). All members of the district Panchayat within the zone constitute the zonal assembly. Responsibilities include election of members to the national Panchayat and inter-district co-ordination and co-operation.

A village Panchayat, within its own jurisdiction, is responsible for development of agriculture, animal husbandry, cottage industry and road communication. Development programmes are initiated at village assembly meetings and submitted to the District Panchayat for technical clearance and financial assistance from grants allocated by the local Development Department to the District. Village projects are implemented through local implementation committee composed of village Panchayat Chairman, district assembly members and voluntary workers. Technical supervision is provided by the district Panchayat staff.

The district administration has been reorganized in 1975. Under the new system the Chief District Officer (CDO) is the administrative head of all functionaries of various line ministries associate with local development at district level. The CDO is the Chief of the District Secretariat. The District Secretariat would be the focal point of all line departments at the district level and will also serve as secretariat to the District Panchayat. The District Secretariat is divided into two wings, one for district development and the other for law and order. The District Development wing is directed by the District Development Officer who is in the same time Secretary to the District Secretariat and the District Panchayat. The District Development Office is divided into three divisions (i) Public works, (ii) Procurement and (iii) Development of Social Services. These divisions will prepare and implement district plans and programmes for development of roads, bridges, irrigation, drinking water, agriculture, forest industry etc. These units will also under technical assistance to village for the preparation of village plans and programmes and ensure co-ordination between village and district level projects. The District Panchayat is associated in the preparation of the district plan and approved the budget financed out of local resources.

Lines ministries are required to divide their plans and programmes into (i) district, (ii) regional and (iii) central categories and delegate administrative and financial responsibilities together with budget provision in respect of category (i) to the CDO. Lines Ministries will, however, exercise technical supervision over their staff at the district level.

The CDO has to report to the Ministry of Home Affairs while the PDO to the Local Development Department of the Ministry of Panchayat. The Small Area Development Programme is under the supervision of a Central Co-ordinating Committee with the Minister of Panchayat as Chairman, the Member, Planning Committee as Vice-Chairman and representative of different developmental ministries.

iv) Rashwa-Nuwakote Rural Development Project (World Bank Project)^{1/}

This World Bank assisted project proposed to development part of the Hill Districts of Rashwa and Nuwakote. The project is designed to benefit 29,000 families or 191,000 people in a representative area of the Hills.

The five-year project comprises development of more intensive agricultural extension (accompanied by wider use of improved crop varieties, provision for farmer and staff training, improvement in marketing and grading of horticultural produce and upgrading of research stations); livestock development (through improved animal health services, a small cheese/butter plant, a livestock market, an exchange programme for improved sires and improved fodder resources); establishment of a district organization (for improvement and extension of hill and rice terraces and rice valley irrigation); improvement in availability of inputs (through provision of warehouses and credit); soil erosion control; health centres and development of village water supplies; tracks and foot bridges and upgrading of existing trails; and improvement of cottage industries. It is expected that over the period, the project will provide 30,000 man months of employment.

^{1/} For further details please refer to the World Bank's Report No. 959a-NEP: Nepal Appraisal of Rural Development. Estimated total project cost is US\$ 11 million. IDA credit 8 million.

In developing these activities, the project considered the differing ethnic and sociological background of the project beneficiaries, their expressed needs and attitudes towards changes. Government services were decentralized to sub-centres (to insure equal and more effective coverage of all project residents) training centres were located as to cover local major ethnic groups; improved seed and livestock were provided on an exchange basis so that the smallest farmer may improve production; radios were provided to ensure greater awareness of project actions; the Panchayat system will be developed to allow greater participation in project development; irrigation system were modified to take account of traditional labour sharing; and the development of the elements which figures prominently in the list of expressed needs (i.e. development of village water systems, foot bridges and trails) were enhanced.

The implementation of specific project component at the central government level rests with the designated Project officers (at least Under-secretary level) from participating ministries (Food, Agriculture and Irrigation, Panchayats, Works and Transport, Forests, Health, Land Reform, Industry and Finance) or agencies (Agricultural Development Bank, Dairy Development Corporation and Agricultural Inputs Corporation).

The overall coordination for project planning and implementation is done by the Ministry of Panchayats through a Project Co-ordinating Committee (PCC) composed of the Secretary of Panchayats as Chairman and the different Project Officers. A full time Project Co-ordination, appointed by the Ministry of Panchayats, who works under the general direction and supervision of the Secretary is also the Secretary of the PCC. He assists the district in the preparation of the detailed district development plan, liaison between central ministries or agencies and the districts and is responsible for project procurement and monitoring.

The execution of the project components at the district and village levels are done in accordance with the District Administration Plan (discussed previously). Each concerned ministry will indicate to the Chief Development Officer funds annually available for development projects. The annual district development plan are prepared by the District Panchayat under the supervision of the Chief Development Officer. Technical approval is secured from the concerned ministries.

Implementation of individual components of a project is under the direct supervision of the technical functionaries of the concerned ministries but under the supervision of the Panchayat Development Officer and with the support and co-operation of the District Panchayat. However, the villagers are also expected to execute certain components such as small irrigation scheme, drinking water schemes and trail development under the advice and support from the district administrators. Maintenance will also be their responsibility.

Monitoring of projects will be the responsibility of the Panchayat Development Officer (under the guidance of the CDO) at the project level; officials from concerned ministries from the Local Administration and officials from concerned HMG ministries at the national level.

Improvement of cottage industries is included in the project. It consists in improving traditional activities of weaving local wool and imported cotton from India by providing better looms and low cost equipment for washing, carding and spinning wool at common facilities centres. Credits for purchase of inputs and more efficient looms would be provided through the Department of Cottage and Village Industries. Training of local weavers and technical assistance to cottage industry would be provided at the promotional and training center established by the Department of Cottage and Village Industry.

II. Industrialization in relation to Rural Development

The topographical situation and the economic structure of Nepal have led to emphasis on development of infrastructure, communication and agriculture. In development plans, industries/^{have} always been given third priority after the two former sectors. To help sustaining modernization of agriculture and foster rural development thus checking migration of population, provide job opportunities for working labour force thus diverting job pressure from agriculture sector are among the main objectives of industrial development in Nepal. In the new investment policy, village and cottage industry, basic industry such as fertilizers, agricultural tools, etc... import substitution or export oriented industry based on local raw material such as agro-industries etc. are respectively classified at the top of categories of industries entitled to investment incentives and concessions. These include income tax holiday and exercise tax exemption, rebate on custom tax on imported equipment electricity charges and raw material, preference for foreign exchange supply and preferential interest rate. Additional investment privileges are given to non-metropolitan, rural and mountainous areas. Village and cottage industries (industries with fixed investment less than 200,000 rupees) do not require licence. Institutions and legal infrastructure have been set up to promote decentralization of industries and cottage and village industries. Various institutions have been set up to promote small scale, cottage and village industries.

The Department of Cottage and Village Industry has been created in 1957 with the main functions to increase the production of handicraft industry through support for modernization expansion and marketing, to increase production of local raw materials based goods, to provide training facilities and loans in the form of plant and machinery, to recommend loans for cottage and village industry to commercial banks. The Industrial Services Section of the Department which supervises and looks after industrial promotion and

technical aspect of cottage industry development. This section make necessary arrangements to provide raw materials to sell to handicraft emporium to supervise pilot projects of industry, established in various districts of the country. There are four regional offices of the department responsible for providing technical services, loan and undertake industrial feasibility for regional planning. Recently the Department has innovated a new way of attracting village entrepreneurs by sending mobile team to village to attract village entrepreneurs into cottage industry. The Industrial Services Centre created in 1974 supervises different type of support and service to industry as part of its planning activity. The Centre undertakes regional industrial potential studies carry out survey of industrial sector and subsector to prepare industrial development plan and programme for Nepal. The Centre is also responsible for supervision of and management of industrial districts. Currently, there are seven industrial districts in the four regions of Nepal which promote industries based on local raw materials. The Nepal Industrial Development Corporation has been reorganized in 1975 and functioned as Industrial Investment Bank with the objective to promote industry in Nepal through financial, managerial and technical assistance to Nepal industry, give loans to cottage and small scale industry. The rate of interest of these loans varies according to the location of industry. Since 1976 the NIDC does not financed projects whose fixed assets are less than Re. 200,000.-. The Central Bank, the Nepal Rajtra Bank give preferential interest rate of cottage and village small scale industry. The handicraft and emporium reorganized in 1966 under the Company Act 1964 with a view to promote industrial production with the objective to market the products of handicraft and cottage industry and to supply the cottage industry and handicraft industry basic inputs on raw materials. The emporium is closely co-ordinated with the Department of Cottage and Village Industry mainly in product design, market planning and research in the international market research with the trade promotion center.

III. Integrated Rural Development

Industry in Nepal is based mainly on processing of agricultural product mostly rice milling. Although the Government has made provision to promote village cottage industry and small scale industry and has created regional centre to promote local industry, however, industry is not yet integrated in programmes of regional development. The industry in Nepal has grown out of first necessity of industrial substitution. There is a weak linkage between industry and agriculture. Although it is said that industry should promote the modernization of agriculture but there is not a feedback of modernizing agriculture for the development of industry and the identification of new agricultural products for industrial development. In national plans, industrial development and agricultural development are two separate parts of the plans. The integrated plans and interlink between industry and agriculture are still to be developed. The extension services for industry and agriculture are still isolated activities, there is no communication between the two system of research for integrated industrial development. At the regional level, although the district secretariat is the focal point, industrial and agricultural development activities are supervised by the secretariat office, however, the development of agriculture and industry are still following the line organization of the ministries. Industrial districts established at regional centers aimed at promoting regional development, however the link between industries to be promoted with regional activities mostly agricultural are lacking. Loans, credit system have been organized for major large scale industry and for agriculture activities. Loans to local artisans are handled by the Village and Cottage Industries Department. The industrial structure is still isolated, there is not yet a link between local and village industry and regional industry and national

industry. No definite policy to protect rural industry from larger scale industry from urban areas. Handicraft and cottage industry suffered from the lack of market, however, development and improvement of this industry is promoted through improvement of technical assistance, training and provision of equipment rather than extension of the market. During the visit to Nepal, the Ministry of Agriculture have expressed governmental wish to receive aid to establish pilot plant in some rural areas to process fruit juice for export.

ANNEX III

RURAL DEVELOPMENT AND INDUSTRIALIZATION IN PAKISTAN

1. Overview of Rural Situation

Agriculture contributed about 34% to the GNP in 1975/76; employed about 55% of the labour force (15.6 million out of 21.1 million) and accounted directly for over 40% of export earnings. Of a total land area of 196.7 million acres, 75 million acres can be used for cultivation but only 50 million acres are now under cultivation and two-thirds of this is irrigated. Wheat is the major foodgrain crop; rice has become an important export item; cotton is the major cash crop; livestock production is small but growing, while hides are an important export earner. In bad crop years, Pakistan has had to import good grains. Drought, floods, water-logging, and increasing soil salinity are serious problems.

The population in 1976 was estimated at 72.4 million, growing by some 3% annually, and about 72% live in rural areas. Population density varies from about 500 per sq. mile in the Punjab to 20 per sq. mile in Baluchistan.

Farms are mostly small in size. According to data compiled by the Planning Board for 1960 for Pakistan as a whole, about 2% of farms are 50 acres or more, representing 15% of the cultivated area. On the other hand, about 50% of farms are 5 acres or less in size, constituting about 11% of the cultivated area; in some areas the figure is relatively high, reaching 92% of farms in Hazara District. In terms of ownership, about 64% of the owners with holdings of less than 5 acres each owned less area than 0.1% of the landowners with 500 acres or more. Only about one-third of the total number of cultivators own their farms; 45% are landless tenants and 23% are owner-cum-tenants. Some 57 per cent of those who obtain their livelihood in rural areas are tenant farmers and landless labourers, the latter accounting for about

10% of households. Figures for 1972 indicate that despite attempts at land reform and rent reform, over 60% of the farmers rent all or a part of the farmland which they cultivate, and a very large proportion of them are sharecroppers.

Recurring food shortages, mass poverty, 50% of the labour force under-employed, growing open unemployment, a rapidly growing population and labour force, wide disparities in income distribution, and 90% of the farm community in the category of small marginal farmers, tenants, sharecroppers with uneconomic-sized holdings and low productivity, are some of the problems to be faced in a strategy for rural development.

II. Integrated Rural Development: Strategy and Concepts

Since independence Pakistan has attempted various programmes on rural development. The village agricultural and industrial programme started in 1952 aimed at increasing agricultural production through provision of rural infrastructure and establishment of industries on self help basis. The Basic Democracies programme was a political system aimed at involving local people in local development programmes. The rural works programme emphasized on provision of job opportunities through labour intensive rural public works. The Agricultural Development Corporation was set up along Basic Democracies programme to provide loans and necessary agricultural inputs to farmers. These programmes has proven inadequate. The concept of Integrated Rural Development as a central policy and programme for improving the quality of rural life and for increasing the volume of agricultural production has been evolved since early seventies.

The criteria on which the concept and operational strategy of rural development in Pakistan is based are summarized below:

- 1) Maximum participation of the people at village/group of villages level through organized institutional arrangements.

- ii) Mobilization of human and material resources with greater emphasis on the former.
- iii) Decentralization of decision making process, planning and execution.
- iv) Effective delivery system to ensure that benefits and services reach the target group according to the felt needs.
- v) Evolution of self-reliant and self-supporting institutions with built-in mechanism for monitoring and evaluation to ensure effective implementation on accountability.

Institutional Framework

The Integrated Rural Development Programme envisages an institutional arrangement from a grass-roots upward whereby the felt needs of the rural community are identified by the people themselves and met through the process of integration of nation-building departments and other agencies connected with the development of the rural economy. To ensure the maximum participation of the people at the grass-root level a comprehensive Agrarian Reform Law was announced in May 1972. The ceiling on individual was scale down from 200 to 60 hectares of irrigated land and from 400 to 120 hectares of non-irrigated land. Land are distributed to tenant and farmers free of costs. An effective Local Government set up is most essential for this programme as it contributes to political stability; provides a sense of participation on behalf of the people; provides a structure for articulation of local socio-economic and political demands and their subsequent transfer to the provincial or central governments.

The Local Bodies Act envisages the following institutional framework for this programme in Pakistan:

Primary Unit - The lowest level where farmers can get together for operational performance is the geographical limits of village or group of villages. This is a homogenous community which can meet frequently for discussion of production plans and development schemes. At the primary unit level, the main task is of mobilizing and organizing the people for the purpose of identification of development needs, formulating action plans for development, developing local resources and for the ultimate self-management of projects.

Markaz - The real hub of integration activities is the Markaz. It is established as a focal point to provide supporting facilities such as the services of various nation-building departments, banks, supply of inputs, credit machinery workshops, storage, marketing agro-based industries, health, education and recreation etc. to the rural population of the project area. The village co-operatives are federated at the Markaz level. The Markaz is a growth center of a production area comprising 50 to 50 villages, mostly with small and medium sized farmers with a view to improving their socio-economic status by intensive rural development programme. At the Markaz level, the tasks would be:

- the planning of the development of the project area in terms of identification of development needs, action programmes to meet such needs, and resource mobilization for action programmes;
- co-ordination of the implementation of action programmes;
- the provision of production inputs and services; and
- monitoring the progress and implementation of projects and programmes.

District Level - The elected district Council supervises and coordinates the implementation of development projects in the district. At the district level, the technical department would have the responsibility for backstopping their functionaries at the Markaz level. A total of over 714 IRD Markaz are planned to cover approximately 43,000 villages of Pakistan. In 1976, 133 Markaz have been established. The cost of establishing and operating the Markaz for 5 years until it become self-supporting is estimated around 7 million rupees per Markaz.

Provincial level - The Rural Development Board presided over by the Chief Minister coordinates and evaluates the work of various departments in the field of Rural Development. The Board is responsible for policy making, budgeting, approval of plans, coordination and evaluation of IRDP Projects. At the Provincial level, the tasks will be the laying down of operational targets, formulating of operational policies, evaluating Markaz area plans and providing higher level backstopping facilities, and monitoring the achievement of targets in the different Markaz areas.

Federal Level - At the Federal level, the Ministry of Social Welfare, Local Government and Rural Development is responsible for policy guidance, follow-up action, international assistance, coordination and evaluation of the programme. The National Rural Development Council under the Chairmanship of Prime Minister reviews the programme quarterly and lays down policy guidelines for the implementation agencies. The main tasks which are to be performed at the national level are:

- planning and policy development;
- setting of macro-operational goals;
- mobilizing of resources (both internal and external);
- manpower development.

In order to meet the training requirements of personnel employed in rural development, the farmers, the counsellors, and to impart skills necessary to make the villagers productive citizens, a National Centre of Rural Development is being set up by the Federal Government. This Centre will consist of a number of institutes which will impart training in specialized subjects not only to Government functionaries but also to the target group including, women and youth.

III. Rural Industrialization in Pakistan

In Pakistan a small-scale industry is defined a "manufacturing enterprise which either uses no power or employs less than 20 persons". This definition includes village industries, whether producing for local consumption or wider markets, and cottage industries which are carried on in the home usually with the help of family members. Small-scale industry occupies a significant part in the Pakistani economy. In former times weaving was the national industry of the people and spinning was the pursuit of millions of women. During the Indo-Pakistani separation, small-scale and cottage industries were an important sector to absorb the refugee artisans and skilled workers.

In 1974/75 small-scale industry contributed Rs. 3,800 million to the GNP, which is evaluated to be 104,000 million Rupees. The contribution of large-scale industries during the same period was Rs. 12.4 billion. The exports of major small-scale, rural and artisan industries were estimated at Rs. 1,200 million of 11% of the total exports of principal commodities of Pakistan. According to an IBRD study, the household industries contributed to

9% of the total employment, meanwhile factory manufacturing provide employment to only 5% of the total employment. In the rural areas, the non-agricultural activities, excluding services, have declined from 18% of the total labour force to 15% in 1972, meanwhile the labour force in the agricultural sector has increased from 68% to 70% during the same period. The most striking aspect revealed in this study is the reversal of the normal shift from agriculture to industry. Taking into account some inadequate statistical measurements in the rural areas, this change in trend does reflect the limited absorptive capacity of the non-agricultural activities and the increase in unemployment or under-employment are attributed to this sector^{1/}. This situation could equally be the result of past policies which favoured the development of urban industries, and in the rural areas most developmental efforts of the Government were confined to developing the agricultural sector or activities supporting the development of agriculture.

As early as 1952, the Government created the Pakistan Industrial Development Corporation which started setting up important industries in the public sector with trained personnel and arranging training programmes in backward regions where raw materials are available but private entrepreneurs were shy to invest. These industrial units were set up even in such remote areas as Bhakka, Daudkhel and Harnai. However, even this decentralization of industries did not turn these areas into real growth poles because of the urban-oriented type of industries catering to the needs of the urban people. The successful industries were in the urban areas near large towns such as Karachi and Lahore.

^{1/} A survey in a district in 1973 has revealed that the turn over of agro-industries work out to only Rs. 2/per capita per year.

Agro and cottage industries are among the main components of the integrated rural development approach through the Markaz system. Recently, most of the agro industries, such as cotton ginning, rice husking and milling, flour mills in the private sector have been nationalized in order to accelerate the spreading of agro-industries in the rural areas. The ownership and management of these units are under the responsibility of the respective corporations of Pakistan and the supervision of the Ministry of Food and Agrarian Management. In the next Five-Year Plan the small industry would be treated as an integral part of the industrial sub-sector and not as a relatively unimportant adjunct. A comprehensive approach, whereby a package of services consisting of the supply of inputs, design and marketing of the outputs, would be encouraged and fiscal and commercial policies would be updated to meet the requirements of small-scale industries. The total investment allocated for the small-scale and miscellaneous industries is Rs. 2,000 million or 5% of the total investment programme for the industrial sector.

The development of small industries within each province is the concern of a Provincial Small Industries Corporation. At the national level at National Small Industries Advisory Council and Advisory Panel on Individual Industries have been created to coordinate the development of small-scale industries. The Provincial Small Industries Corporation is more concerned with the development of industrial estates than with rural industries.

The Ministry of Social Welfare, Local Government and Rural Development is dealing with home industries under the welfare programme of training women and youth to provide additional income to the family.

Prospects and Requirements

There are great prospects for the starting of such industries which are labour intensive in order to utilize the huge reservoir of un and under-employed labour force. Some of these can be:

(i) Shoe making (ii) Leather (iii) Carpentry and wood work
(iv) Furniture for local use (v) Agri implements and tools
(vi) Khes and Durries (vii) Carpets and Rugs (viii) Oil expelling
(ix) Cotton ginning (x) Sericulture (xi) Straw baskets (xii)
Manufacture of feeds (xiii) Making of spices and curry powders
(xiv) Straw articles (xv) Special handicrafts for women such as
embroidery (xvi) lace work, etc. which has an export demand
(xvii) Poultry farming (xviii) Tobacco curing and manufacture
(xix) Sun drying of fruits and vegetables (xx) Laundry (xxi) Soap
making for local use, etc.

As conditions in different project areas differ therefore, no single uniform list of industries can fit all centres. Industries will have to be fixed for each centre on the basis of a) Nature of availability of raw material, b) local demand for the products, c) special skills already developed in that centre and d) stage of development of infrastructure. The following incentives were required to accelerate the progress for agro-based industries.

1. Identification of agro industries projects;
2. Extensions of loans to entrepreneurs willing to establish plants in rural areas;
3. To diminish the cost of erecting industrial plants by giving rebate on import duty on machinery for industries in the rural areas and to secure land at cheap price near the Markaz for industrial purposes.

GRAPH REPRESENTATION OF I R D P

MARKAZ

CONCEPT

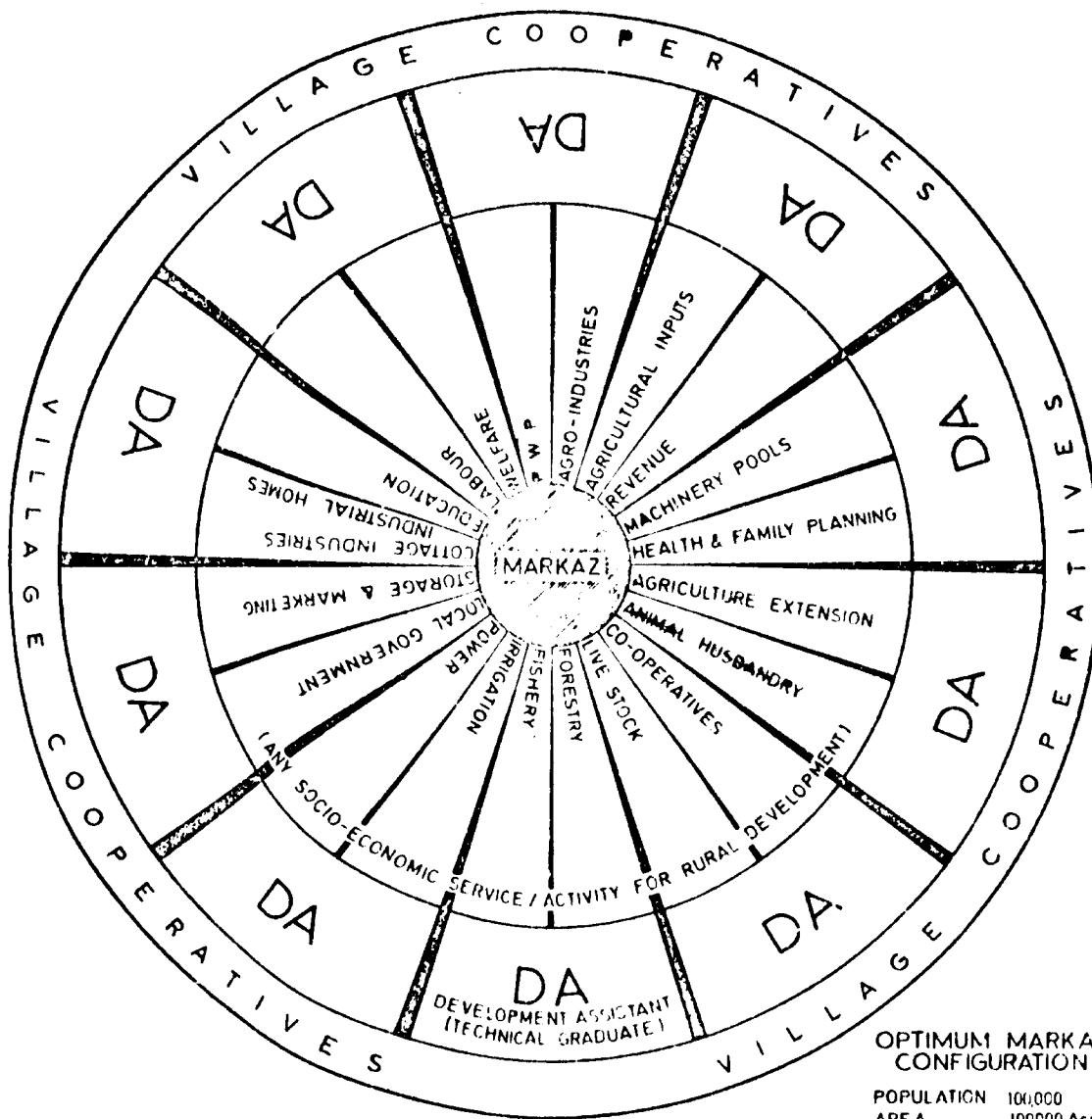
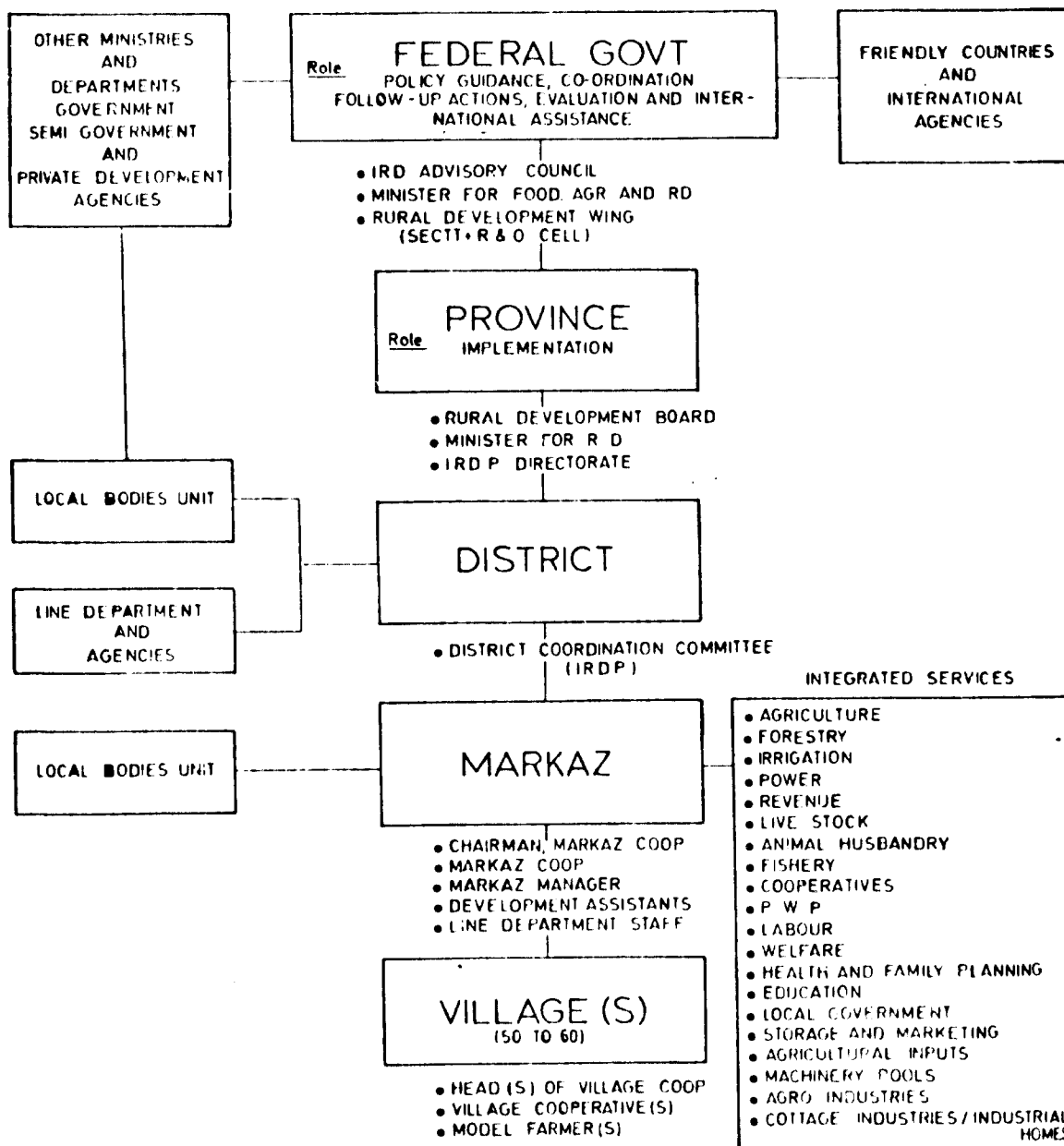


CHART REPRESENTATION OF I R D P

MARKAZ CONCEPT



ANNEX IV

INTER-AGENCY CO-ORDINATED PLAN OF ACTION FOR INTEGRATED
RURAL DEVELOPMENT IN THE ESCAP REGION

INTRODUCTION

1. The Inter-agency Co-ordinated Plan of Action for Integrated Rural Development in the ESCAP Region is conceived as a set of activities on rural development by the United Nations system to be formulated on a co-ordinated basis upon request from participating member countries. The objective of the Plan is to offer a systematic support to national endeavours for rural development with an anti-poverty focus through mutually complementary efforts on the part of the United Nations family.
2. The Plan has been formulated by the Inter-agency Committee comprising the heads of United Nations agencies and international organizations concerned in the region. Earlier the Inter-agency Committee submitted for consideration by the Inter-governmental Expert Group Meeting on Integrated Rural Development held at Tokyo from 1 to 7 February 1977 a document entitled "Framework for a Regional Plan of Action" (PCO/IEGM/IRD/1), which was prepared on the basis of the reports of two inter-agency teams to eleven developing countries in the region. The team visits had been arranged so that consultations could be held with Governments as part of the follow-up action on resolution 161 (XXXII) adopted by the Economic and Social Commission for Asia and the Pacific at its thirty-second session in April 1976. The resolution expressed grave concern at the complexity and magnitude of the problem of mass poverty in the region, particularly in rural areas, and requested the Executive Secretary to draw up a programme of work in partnership with the specialized agencies and international organizations concerned. In formulating the Plan, the Inter-agency Committee has attempted to incorporate the recommendations of the Expert Group on the proposals contained in document PCO/IEGM/IRD/1.

1. UNDERLYING PHILOSOPHY, CONCEPTS, STRATEGY AND APPROACHES

3. The Commission at its thirty-second session emphasized the importance of integrated rural development in promoting the self-reliance of the developing countries. Following resolution 161 (XXXII), the main objective of integrated rural development may be stated as improving the quality of life of the rural poor and their environment through greater productivity and increased access to resources and services, particularly for meeting basic needs, which include food and nutrition, housing, clothing, education and health. This will involve a multitude of measures designed to ensure a more equitable distribution of production assets, particularly land, and their efficient use through appropriate technology, along with better access to relevant social services for the rural poor.

4. The solution to rural poverty should be based on increased productivity and employment creation, particularly in agriculture and allied activities. In this connexion it is necessary to accelerate agrarian reforms and to create other institutional changes in the field of production inputs, credit, marketing, farm machinery, storage, and agro-industrial processing. The need for expanding rural industries and other non-farm employment is equally important.

5. The Commission resolution emphasized the objective of drawing the entire rural labour force into the mainstream of economic activity, harnessing the creative energies of the rural people, and checking the drift of the rural population to urban centres. This would call for the opening up of a wide range of socially productive occupations in the rural areas for the benefit of the unemployed and under-employed, thereby awakening the dormant economic productivity of the rural people through appropriate methods of motivation and mobilization, in the absence of which additional investments on physical inputs alone are not likely to serve the objectives of integrated rural development.

The active participation of women and youth through upgrading of skills and expansion of socio-economic opportunities would be especially important.

6. A viable indigenous technological base needs to be systematically developed, backed by innovative educational and training policies relevant to the needs of the rural poor, and specially designed to improve the productivity of disadvantaged areas, communities and families. It must be emphasized that technology is not an exogenous ingredient which has to be taken as given: it can to a large extent be planned and given a specific orientation. Technology policy needs to be related to the goals of greater productivity and participation by the rural majority and to be linked with the learning process of the people who are to practise it.

7. Preference must be given to basic education, non-formal education for adults, and on-the-job training of farmers, artisans, and peasant technicians. The content of basic education has to be related to the local environment and work situation. The village school, which in some countries tends to become alienated from the local scene and requirements, has to be developed as the focus of co-ordinated action serving other developmental activities, such as scientific experiments in agriculture, health services, etc.

8. An important aspect of integrated rural development in regard to health services is to devise means whereby everyone, everywhere has access to basic health care and to more specialized care when needed. Such basic threats to health which relate to poverty as infection, malnutrition and under-nutrition, lack of potable water and multiple environmental hazards are unlikely to be countered by conventional health services techniques. The emphasis has to shift to the maximum use of locally available resources, through local training of villagers as health workers who will remain in their own community to deliver basic health care, utilizing adapted technologies, including also indigenous healers, traditional doctors and birth attendants.

upgrading their skills wherever necessary. Provision of comprehensive services to mothers, children and families who are most in need, stepping up at the same time a better understanding and development of family planning is another important requirement.

9. Harmonization of development with environmental quality will call for policies that will ensure that resources, particularly those that are non-renewable, are utilized on a sustained basis for meeting basic needs of the poor and with a view to improving the quality of the over-all environment.

10. Rural development should thus be viewed as a dynamic process involving the entire gamut of regular employment, increased income and production, higher productivity, better standards of health, nutrition, education, clothing and shelter, and harmonization of development with environmental quality. Given the present emphasis on an inter-sectoral approach to rural development, in making allocation decisions in respect of scarce inputs for development, Governments face difficult problems of choice in terms of sectoral thrusts, geographical areas and different subgroupings within the rural poor. Nevertheless, since rural development involves the totality of a number of discrete sectoral activities, the cross sectoral approach is increasingly being adopted in national rural development programmes.

11. The rural development situation varies considerably from country to country. Strategy and programmes on rural development cannot be uniform and would depend on the particular circumstances as well as the socio-economic and political objectives being pursued by individual countries. While considerable efforts in rural development have been made, in the light of past experience, there is a need to reconsider whenever necessary concepts, strategies and programmes with reference to their impact on increasing farm incomes and on improving the quality of life of the rural poor. In this respect countries have placed emphasis on a shift in responsibility for the decision-making and

implementation in regard to rural development in favour of self-reliant, local communities.

12. Such emphasis can be given concrete expression only through the creation or strengthening of necessary community structures which can truly reflect the requirements and aspirations of the poor. Suitable institutional mechanisms such as co-operatives should be promoted for the participation of the landless and other disadvantaged groups in the development process, in line with the socio-economic and political objectives of the member countries. Various kinds of co-operatives are playing and should play an important part in rural development and in the improvement of the well-being of the rural population.

13. Many Governments are encouraging the growth of and experimenting with alternative community organizations, such as small farmers' co-operatives, farmers' associations, cultivation committees, etc. Recent experience, however, tends to show that there is a danger that even such special mechanisms could be taken over by the more prosperous groups in the rural society for their own benefit unless safeguards are carefully built in. Governments are alive to this possibility and various measures are being tried to remedy the situation. In the membership and management committees of village co-operatives/councils or farmers' association, proportional representation according to the various strata and occupations of the rural society is being experimented with to prevent their possible domination by a minority. Special interest group organizations for small farmers, landless workers, women and youth are also being fostered, both by direct intervention of Government and through non-governmental initiatives. Initial responsibilities for planning and implementing rural development are, in many cases, entrusted to government agencies, at least partly in view of the prevailing hierarchical social system and pending the growth of truly broad-based and development-oriented local institutions of the rural population.

14. In delineating potential areas for international collaboration and assistance, the point needs to be reiterated that responsibility for rural development rests essentially with the Governments. The Commission at its thirty-second session urged member Governments to give increasing attention to problems in the field of rural development, including the adoption of integrated policies and programmes. As the challenge of rural poverty for the developing countries in the region is both massive and urgent, it is necessary for Governments to explore ways of mobilizing and committing additional resources in support of the rural poor. While external agencies could help in specified areas in support of national endeavours, the Governments themselves must review and where necessary reformulate their rural development policies and orient their programmes with political decisiveness and commitment in order to ensure, as emphasized in the Commission resolution on the subject, an appropriate allocation of resources of all kinds to the rural sector with a view to securing growth with social justice. Identification of the required external inputs by Governments should be undertaken within this framework. Only in this manner can co-ordinated programmes by the agencies and international organizations be developed in the context of local requirements and capabilities, as required by the Commission. The Plan of Action identifies broad areas of collaboration and the type of activities which could be undertaken by international agencies in support of national endeavours to alleviate rural poverty.

II. NATURE AND SCOPE OF THE CO-ORDINATED PLAN OF ACTION AND CRITERIA FOR PROJECT SELECTION

15. The discussion with member Governments served to bring out the fact that there is a commonality in many of the inputs required to support their campaign against rural poverty. The Inter-agency Co-ordinated Plan of Action identifies certain broad areas of action where the United Nations family

could strengthen national efforts in rural development with an anti-poverty focus, and envisages various types of international collaboration and assistance. The Plan can only be operationally significant if the formulation of its components is related to the experiences of developing countries in the region irrespective of their specific economic and social systems. The various activities under the Plan must correspond to the requirements of different socio-political agro-ecological and agricultural production systems in the region.

16. Some of the activities under the Plan will be country-specific and others inter-country in coverage. Country-specific area development projects will receive priority, while inter-country activities will be cast in a supporting role. Both the country-specific and inter-country projects will be identified by Governments, with assistance whenever needed from the Inter-agency Committee. Accordingly the contents of the Plan will not be a set of preconceived projects to be imposed on the Governments, but will be a collection of co-ordinated activities by the United Nations family based on requests from member countries.

1. Country-specific programmes

17. An important requirement for country-specific projects is their replicability within the country, as the aim is not to set up a few show-piece projects on an isolated basis. It is envisaged that the country-specific programmes will include the following types of activities to start with.

18. Ongoing programmes. A large number of national programmes and projects in rural development are already under implementation, and many more are under preparation by member countries. Some of them are being undertaken with assistance from United Nations agencies, bilateral and multilateral donors. These ongoing (and planned) programmes and projects in rural development and area development could usefully be evaluated against the criteria of their

impact on the poorer rural groups, and of their potential for replication. Based on such evaluation, Governments might wish to consider modifying some of their approaches, to refrain local organizations and to improve both the delivery and the receiving mechanisms for governmental services for benefiting the rural poor at the local level. The Plan could on request provide co-ordinated United Nations assistance for this purpose. An important objective in any such activity would be to build up local capabilities for undertaking such tasks rather than have them performed by visiting experts on a long-term basis.

19. Area Projects. Among the developing member countries of the region there is now an increasing concern with "area" planning at the regional, provincial and district levels in co-operation with local officers and in consultation with the people directly involved. It is generally recognized that local capabilities in this regard need improvement if the objectives are to be more effectively realized. Specific projects could be initiated to provide useful supplements in areas where major schemes of infrastructural development are already proceeding. Alternatively, these projects could be initiated as integrated, composite projects in new areas. Many countries have already expressed interest in an exercise of this nature. The significance of such area projects will lie mainly in introducing and testing new initiatives in the planning and implementation of rural development projects, in focusing on the problems of the rural poor, and in encouraging the effective participation of the people in the progressive achievement of self reliance. With built-in processes of detailed monitoring during implementation, such projects could provide useful experiences to facilitate the better planning and implementation of integrated rural development projects both in the country concerned and in the other participating countries. An important consideration here again will be the development of local capabilities in the design and implementation of the projects so that they may be replicated in other localities in that country and possibly in other countries as well. The Co-ordinated Plan for the region could, on request, assist participating member countries in formulating and implementing rural development

projects in compact areas of the countries concerned, in line with the concepts and objectives enumerated earlier.

20. Pre-project assistance. The Co-ordinated Plan could also assist member countries, on request, with a comprehensive and co-ordinated programme of assistance in such fields as (a) better assessment of local needs and aspirations; (b) making comprehensive inventories of resource endowments in selected areas; and (c) for socio-economic surveys. The emphasis will be on adapting known techniques to suit the local environment and on training local staff to develop and use such techniques on a continuing basis in the formulation and implementation of integrated rural development projects, building on the experience already gained in the execution of development projects with a substantially physical infrastructure. Co-ordinated United Nations assistance in these fields could make a direct contribution to Governments in the design of rural development projects, policies and programmes aimed specifically at the alleviation of rural poverty.

21. Monitoring and research. Quite apart from inter-country differences, there is no single model which, in toto, could be successfully replicated even within a single country. The operational and organizational modalities will need to be tailored to the specific social, economic, political and cultural circumstances of each given local area if the objectives of popular participation and localized planning are to be realized. Thus, a continuing process of monitoring and research will be an indispensable part of a successful integrated rural development programme: the Plan could make an important contribution in this field also by helping to develop new tools or improve existing ones and to tackle obstacles to further progress.

22. Training. A major constraint for Governments undertaking integrated rural development would be in regard to availability of suitably trained manpower at various levels. Special efforts will be needed to orient existing personnel and to establish a cadre of workers at the grass-roots level for stimulating local initiative for rural development and for bringing to bear an inter-disciplinary approach in

formulating and executing projects, monitoring progress and in evaluating results. There are already a number of national training institutions providing a variety of training courses. The Plan could, on request, strengthen, support, co-ordinate and diversify such national efforts, including the dissemination of experiences of countries in their experimentation with the institutional structures and operational mechanisms that would promote the objectives of integrated rural development. Officials as well as community leaders and workers at the local, provincial and national levels could be usefully exposed to the theory and techniques of decentralized planning and to their links with planning at the national level and made familiar with some of the more innovative and pioneering experiments in organization and motivation, which have been undertaken in a somewhat isolated manner so far in the region, in order to better equip them in the performance of these tasks. Similar areas for supportive action will be in building up local organizations to mobilize human, physical and financial resources for integrated development, in improving research and development capabilities for upgrading indigenous technology to make it more productive and in tune with the local endowment and environment, in both agricultural and non-agricultural pursuits. Technical and other support under the Plan will aim specifically at increasing national capabilities for self-reliance in these fields and not at substituting for national expertise from outside.

23. Allocatory policies. While institutional and organizational reforms have a major role to play in the success of poverty-focused rural development, the commitment of larger financial and other resources to the rural areas will in itself make an important contribution. Member Governments committed to the eradication of rural poverty might, therefore, also establish progressively increasing targets for the redirection of government budgetary allocations to the rural areas and for improvements in the rural-urban terms of exchange in general. The formulation of poverty-focused rural development policies and programmes could be assisted by a careful analysis of the effects of relevant policies, individually and in combination. The Plan could on request provide participating Governments with co-ordinated United Nations assistance

in an analysis of allocations and of the impact of policies on rural poverty.

24. Non-governmental initiatives. Apart from the range of techniques and systems resorted to by Governments, there have been important initiatives in rural development - largely at the village or small group level - by semi-government agencies, academic bodies, groups of scientists and technologists, and private organizations, which have worked with the approval of Governments and often in close collaboration with government departments. There remains considerable scope for the cross-fertilization of ideas and approaches between such initiatives and those generated through the regular wings of government. This is particularly so in methods of achieving operational flexibility, of motivating and training field workers, of establishing rapport with the rural people and of promoting progressive self-reliance among local communities. At the country level, the Plan could on request assist such a cross-fertilization so that the total impact could be maximized by building on the mutual experience of these two complementary streams.

2. Inter-country programmes

25. At the regional or subregional inter-country level, there appears to be scope for an immediate action programme to cover groups of concerned countries linked together either by common needs or by potential to provide assistance among themselves. It is thus envisaged that there will be a network of participating countries for major lines of activity under the Plan, sharing a common focus of combating rural poverty. In an important sense, the proposed Plan is conceived as a co-operative venture in the spirit of technical co-operation among developing countries (TCDC), to help participants achieve accelerated and more significant results in the rural areas during the next decade or so. The Co-ordinated Plan will thus act essentially as a catalyst, a facilitator and a clearing-house for the benefit of the member countries. It is envisaged that the following types of inter-country activities could be usefully initiated under the Plan.

26. Clearing-house. Member countries have adopted many different institutional and organizational structures to plan and implement programmes of integrated rural

development. There is thus already a rich and varied background of experience from which useful lessons could be drawn in formulating poverty-oriented strategies in individual countries. The Plan could act as a clearing-house for the exchange and dissemination of such country experiences. Initially, this function will entail the establishment of repositories of selected case-studies on integrated rural development programmes. Such material could include both the substantive and the methodological aspects of rural development under different socio-political systems.

27. Action oriented research. In addition to the available literature, there is also considerable scope for continuing action oriented research at the regional level which could provide useful inputs for better planning and implementation at the country level. An illustrative list of possible research areas could include: the role and functioning of organizations for the landless, women and youth; local community organizations to benefit the poor; improvements in administration; rural technologies and industry; motivation; population factors, health, nutrition, family planning, utilization of labour; alternative educational systems and techniques; impact of development on environment. Some of the traditional concepts and approaches to project formulation, implementation monitoring and evaluation, many of which were developed in the more immediate context of industrial projects, may need to be reviewed and revised in relation to projects for integrated rural development in their varied aspects, some of which are directly quantifiable while some others are not. The Plan could assist, co ordinate and support regional and inter-country exercises in these fields.

28. Exchange of experiences. The Plan could also co ordinate and facilitate exchange of national experiences by the interaction of rural development practitioners (including non-officials) and researchers from the participating countries. Apart from periodical seminars, study tours, workshops and other forms of consultations for this purpose, the Plan could also assist and co ordinate the inter-country transfer of experience through the interchange of researchers and practitioners between participating member countries.

29. Interchange of expertise. In the field of training, also, the Plan could not only assist and co-ordinate the strengthening and better utilization of available training facilities in member countries, but also help participating member countries to make fuller use of the facilities, including technical expertise, already available with each other as an important avenue for TCDC in the ESCAP region.

3. Criteria, implementation and review of projects

30. Within the framework of the Co-ordinated Plan for the region, member countries will be invited to indicate their interest and the particular areas that would be of immediate benefit to them. Guidelines will be developed and communicated to countries to help them in the formulation of concrete projects under the Plan. Whenever necessary, project identification/preparatory teams, comprising an inter-agency multidisciplinary group of experts, could be sent to the countries concerned on their request, to assist in this process. These teams will utilize and develop local capabilities, and will work in the field for sufficiently extended periods under the leadership of local officials.

31. For project selection, the following consideration among others will be borne in mind by the Inter-agency Committee. The least developed countries can be given special priority as far as possible in the allocation of scarce international resources. The past experiences in rural development of the countries and their corresponding current requirements will be relevant factors. An important consideration will be the general replicability of area projects within the country and the potential to promote economic, including technical, co-operation among developing countries. Individual projects will, of course, need to have an identifiable anti-poverty focus, in accordance with the over-all objective of the Plan of Action.

32. Criteria for projects under the Co-ordinated Plan to ensure consistency with the present objectives of integrated rural development will include:

- (a) Maximum participation of the people at local level through an organized institutional mechanism;
- (b) Mobilization of human and material resources for agricultural and industrial activities and the building up of the infrastructure needed for rural development based on local resources and needs;
- (c) Decentralization of the decision-making process in planning and implementation that will also be consistent with the needs of planned regional development;
- (d) Effective delivery system to ensure that benefits and services reach the target-groups according to their needs through reorganization and co-ordination of the relevant public services;
- (e) Promotion of self-reliance and self-supporting institutions with built-in mechanism for monitoring and evaluation to ensure effective implementation and accountability;
- (f) Inclusion of environmental considerations wherever appropriate.

33. The components of the Co-ordinated Plan will be developed together by the interested countries and the Inter-agency Committee in a flexible and pragmatic manner. Based on agreed criteria and guidelines, and with possible assistance by the project preparatory teams whenever needed, interested countries will identify country-specific and/or inter-country projects for a period of time (one to five years), indicating the requirements for external assistance. Each project under the Plan will be examined by the Inter-agency Committee, which will also identify particular inputs from various agencies and provide help in mobilizing the required resources.

34. The approved projects will be implemented by the Governments with assistance, whenever needed, from the United Nations family. As in the process of formation, the Governments will have the initiative and responsibility for implementation, monitoring and evaluation. At all these stages the Governments will explore ways of actively involving non-governmental organizations, including co-operatives and voluntary agencies. Periodically, there will be a joint review of progress of projects undertaken under the Plan by the international agencies and the countries concerned.

III. INSTITUTIONAL ARRANGEMENTS

35. There would be advantages in developing an institutionalized arrangement for member countries and international organizations to interact effectively and on a co-ordinated basis in the context of the proposed Plan of Action in the region.

36. Some member countries have an already functioning agency with central co-ordinating responsibility for undertaking integrated rural development projects. Others might wish to consider setting up similar arrangements in the context of their own plans and programmes and also with reference to the proposed Plan of Action. Member countries participating in the Plan could facilitate a continued and fruitful exchange of views and co-ordinated action by nominating or establishing a central institution or group, representing different disciplines, government departments and interests relevant to rural development, to serve as a focal point and by designating a permanent liaison for the Plan.

37. In determining the nature and composition of projects under the Plan, the national co-ordinating agency referred to earlier will dovetail this exercise with the more general country programming exercise undertaken in respect of JNDP assistance.

38. For the purposes of the Co-ordinated Plan of Action a liaison officer at the country level will be nominated by the Inter-agency Committee on behalf of participating members of the United Nations system to maintain regular contacts with the national co-ordinating institution or group. This officer will work in close touch with the resident representative of UNDP in the country.

39. In the execution of the Plan of Action, inputs from different agencies will be clearly identified and mutually agreed upon, in accordance with the established procedure, on a project by project basis. International funding agencies and other sources of assistance will be encouraged to participate at the earliest possible stage for project identification and formulation. Full account will also be taken of the available expertise in the developing countries and in this connexion efforts will be made to compile a list of technical experts in the region.

40. In the light of the requirements for implementing co-ordinated programmes, the previously ad hoc arrangement of inter-agency mechanisms for consultations in the region is being strengthened and formalized. The Inter-agency Committee and its Task Force are already operational. The Inter-Agency Committee, comprising regional heads or representatives of the agencies and international organizations concerned under the ex officio chairmanship of the Executive Secretary of ESCAP, is the machinery in the ESCAP region for the co-ordination of efforts under the Plan of Action. The Committee will assist, upon request, member countries in the planning and implementation of their integrated rural development programmes under the Co-ordinated Plan. The Committee will, in addition to providing a regular forum for consultations and review for the specialized agencies and international organizations concerned at the regional level, also liaise with the Administrative Committee on Co-ordination Task Force on Rural Development for ensuring a complementarity of efforts at the global, regional and national levels. Secretariat services to the Committee will be provided by ESCAP.

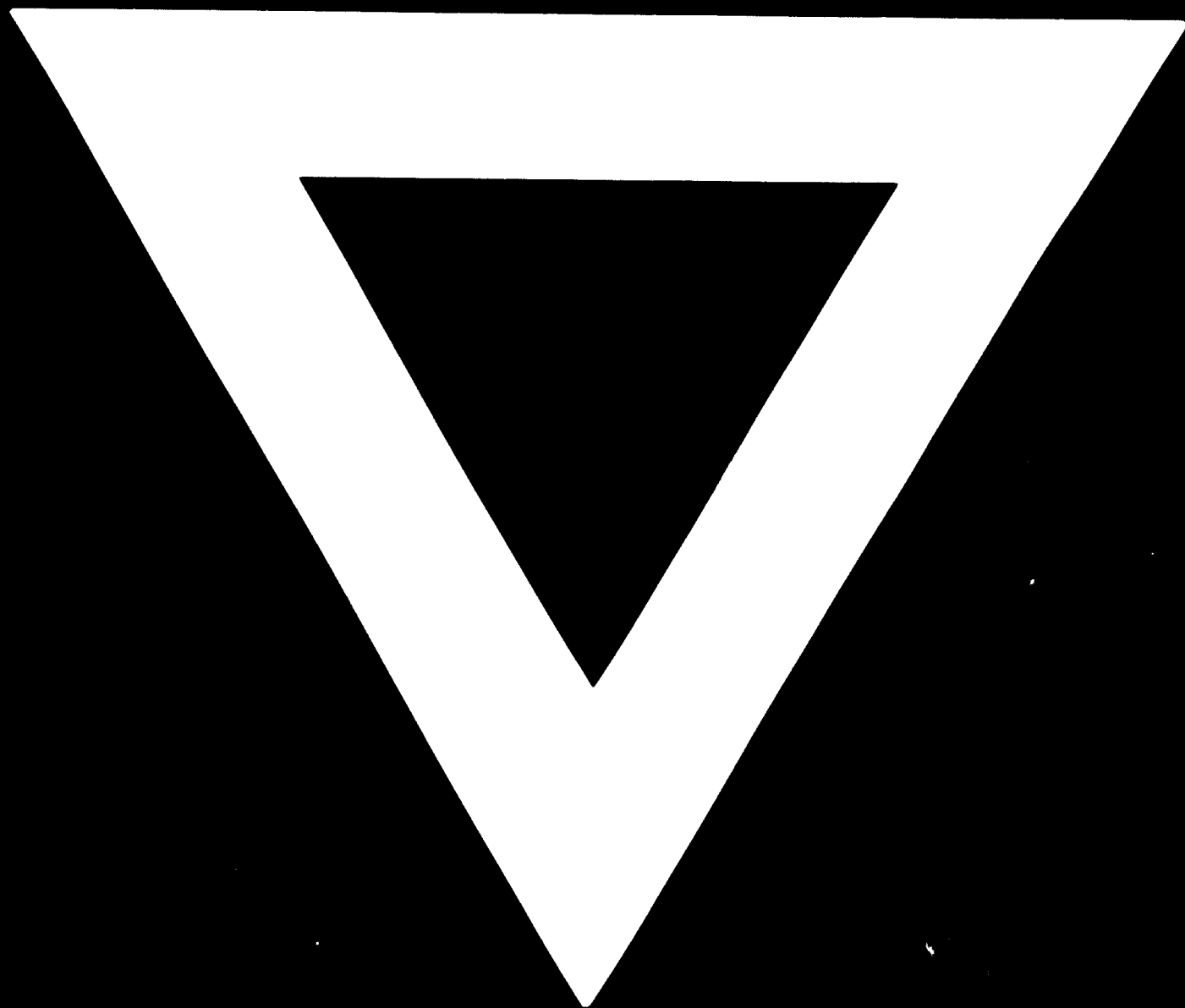
41. The Inter-agency Task Force consists of representatives of participating agencies and international organizations, acts in an advisory capacity on technical matters to the Committee and carries out any specific task assigned to it by the Committee. The Task Force may be mobile to lend support to countries whenever necessary.

42. The co-ordination among international organizations envisaged under the Plan of Action will be facilitated by a reorientation of their staff from a purely sectoral approach to an inter-sectoral one, with a specific awareness of the interrelationships involved and more generally an awareness of the new requirements of integrated rural development designed with the ultimate purpose of equipping the rural poor to produce more and lead a more satisfying life. This is an aspect that is engaging the attention of agencies.

43. The initiative to attain co-ordinated efforts on rural development at the regional level is consistent with the efforts made at the global level and in some respects provides a lead to the global approach. Its success will depend as much on the efforts of Governments as of the international agencies and organizations concerned.



C-671



78. 11. 09