South Asia: Those Who are Left Behind

Issues and Perspectives

Nurul Islam

Reprinted from
Asia-Pacific Journal of Rural Development
Vol. 1, No. 1, July 1991

INTERNATIONAL
FOOD
POLICY
RESEARCH
INSTITUTE

1776 Massachusetts Avenue, N.W.
Washington, D.C. 20036-1998 U.S.A.

Reprint No. 224

Asia-Pacific Journal of Rural Development
Vol.I, July 1991, No. 1

South Asia : Those who are Left Behind Issues and Perspectives*

NURUL ISLAM
Senior Advisor,
International Food Policy Research Institute (IFPRI)
Washington D.C.

Abstract

South-Asia contains 46.4 percent of the poor of the developing world and the large majority of them live in rural areas. The rural poor are predominantly small and landless farmers, the extreme poor amongst often them do not have access to food providing minimum nutritional requirements. The mainstream thinking, regarding appropriate development strategy for alleviating poverty in these areas, seems to be veering around to the position that both economic growth and increasing social expenditures to deal directly with certain aspects of poverty are needed. This present paper concerns not so much with reducing inequality as with alleviating poverty. The paper with this end in view examines the income distribution in South-Asian countries. It suggests three inter-related sets of measures to alleviate poverty in South Asia : (1) necessity to stimulate the economic growth and at the same time to ensure that the poor participate in the benefits from the process of growth; (2) necessity to expand the social expenditure of the government on the broad-based improvement of the health, education, sanitation and nutrition of the entire-population; and (3) necessity to ensure direct measures either to transfer income or food (the most basic of the minimum human needs) or to undertake employment programmes, designed for the very poor to provide them access to minimum income.

---

* Paper read in the Plenary Session of South Asia Regional Conference of Society for International Development (SID) held during 26-28 November 1990 in Dhaka, Bangladesh. Published with the permission of the author and the approval of the President, SID-Bangladesh Chapter.

After examination of the economic growth pattern of South-Asia, the author observes that the pattern and nature of growth needs to be broad-based with a bias towards increasing the productivity and income of the poor. He suggests promotion of accelerated agricultural development, strengthening of rural non-farm activities etc. for such broad-based development. The author considers that the technology appropriate to low potential areas are to be developed and the resources for investment in the low potential areas, with lower rates of return in some instances should be made available. The author advocates access to credit for the poor farmers to obtain to a greater extent the new technology and inputs. He emphasises the delivery of inputs and services to the poor. A broad-based rural and agricultural development strategy requires a decentralization of the decision making functions including the mobilization and use of resources at the level of local government, the success of which is dependent on ensuring an overall democratic environment. The allocation of financial resources from the national government to the local government might be tied to the poverty alleviating programmes of the local government and the independent evaluation and assessment by the national government of the implementation of the centrally financed poverty alleviating projects and consequential impact on poverty alleviation.

The author suggests that in the short run two important measures to improve the conditions of the poorest section of the population are : (a) a large variety of employment and income generating labour intensive projects; and (b) subsidized distribution of food to the poor.

The consensus seems that there is a need for choice of both economic growth and measures designed to deal directly with the alleviation of poverty. The overall framework of economic policy and programmes which promotes labour intensive or employment oriented development strategy should find a predominant place in policy dialogue between donors and recipient countries. The role of external assistance directed towards rural primary health care and education services, nutritional programmes, infrastructure and rural electrification needs to be emphasized.

The Nature and Magnitude of Poverty

South Asia contains 46.4% of the poor in the developing world while its population is 31% of the total population in the developing world.[1] The total number of poor in South Asia was estimated at 520 million in 1985 accounting for 51% of the population, whereas the number of the extreme poor is about 300 million, accounting for 29% of the population. No more than 3% of the total consumption is needed to lift the people living in extreme poverty above the poverty line whereas 10% of the aggregate consumption is needed to lift all the people living in poverty (as against extreme poverty) above the poverty line.[2]

In terms of relevant social indicators characterizing poverty in South Asia, the performance of South Asia is below the average for the developing world as a whole. For example, while the infant mortality is 172 per thousand, the average life expectancy is 61 years and net primary school enrollment is 74%.[3]

The large majority of the poor in South Asia live in the rural areas; most of them are employed in agriculture or in related occupations. The poor tend to have large families and have a high dependency ratio. The poverty amongst children is of particular concern. It is difficult to find clear evidence that women are universally poorer than men but in terms of access to social services, i.e., health and education, and in terms of participation in the labour force women are more disadvantaged than men.

The rural poor in South Asia are predominantly small farmers and landless labourers. For example, in Bangladesh 84-93% of the rural population owning less than one acre of land are below the poverty line whereas 68% of the rural population owning between 1.5 and 2.5 acres are below the poverty line.

The rural poor therefore are very poorly endowed with the most important rural asset, i.e., land; they also suffer seriously from a lack of access to human capital, i.e., health and education.

The extreme poor amongst them are those who often do not have access to food which provides minimum nutritional requirements. Also, since they do not have access to productive assets, they cannot benefit from development projects which require a) resource base to expand production or income, b) substantial physical energy requirements for performing additional work; and c) personal savings for investment, which might divert initial income gains away from being used for acquiring food. The extreme poor not only include landless labourers and tenants who are unable to offer collateral for loans, procure inputs and take risks; but also they include women who are heads of households and not allowed to own land. The assetless rural poor are heavily dependent on non-farm income. They face a wide range of contractual arrangements in the labour market characterised by gender segmentation, low geographical mobility and patron client relationships. Those without any assets or stocks to fall back upon suffer most when agricultural output declines due to natural disasters like floods, droughts or policy induced failures in production. They are unable to provide for unexpected costs of sickness, death and other social obligations.

In South Asia, lack of land and rural malnutrition is highly correlated. In Sri Lanka, whereas one-third of the farm households are caloric deficient, amongst the landless caloric deficient households constitute 56%. In Pakistan, energy deficient households are larger in size and more dependent on off-farm earnings. In Bangladesh, in farming households with less than one acre, four times as many households are found to be malnourished than in the group with more than one acre. Frequently, in South Asia, high rates of malnutrition are observed in the groups with particularly low shares of off-farm income as well as in those who have a high share of off-farm income. Among households with a less specialized, more mixed income source, the prevalence of malnutrition is lower.[4]

The urban poor either suffer from open unemployment or work in the urban informal sector sometimes with occasional and irregular employment; energy deficient households frequently belong to such occupation groups as the construction workers and artisans. They are not necessarily poorer than the rural poor; in fact, in terms of income level, they are better off.

Even though urban incomes are generally higher and urban services and facilities are more accessible, the poor town dwellers on occasion may suffer more than rural households from certain aspects of poverty such as housing in slums and squatter settlements with severe overcrowding, bad sanitation and contaminated water. Often living in illegal and dangerous sites, they are subject to forcible eviction, floods and landslides, as well as chemical pollution.

Obviously with rapid urbanization the absolute number of the urban poor is rising; increasingly there are single parent households amongst them. It is estimated that about 20 million urban children may be without families.[5] Even though the evidence of undernutrition, especially chronic malnutrition, is lower in urban than in rural areas, the children of the urban poor suffer from a multiplicity of infections caused by hazardous living conditions and lack of hygiene.[6]

The magnitude of poverty in selected South Asian countries is seen below.[7]

Table 1

Percentage of Population below the Poverty Line

India	(1983)	43
Pakistan	(1984)	23
Sri Lanka	(1982)	27
Bangladesh	(1985-86)	35.9

Poverty Alleviation : Issues and Policies

What is the appropriate development strategy for alleviating poverty in these countries? The perception amongst economic policy makers and analysts regarding the appropriate policies for alleviating poverty has undergone significant changes over the years; in fact, it has wavered between economic growth and redistribution as the potent weapon for assault on poverty. During the 1960s it was widely believed that the benefits of economic growth would "trickle down" to the poor and would reduce poverty. Therefore, concentration on accelerated economic growth was the most effective way of reducing poverty. By the early 1970s.

the perception changed significantly and redistributive measures such as redistribution of assets or direct income transfers to the poor gained popularity. As the 1980s dawned, the debt crisis, on the one hand, and the adverse external trade environment, on the other, led to the pressure for structural adjustments in many countries, causing slowdown in economic growth and in the government expenditures on social sectors in many developing countries. In many cases, poverty worsened.

The mainstream thinking seems to be now veering around to the position that both economic growth and increasing social expenditures directly to deal with certain aspects of poverty, are needed to make a dent in poverty. Moreover, it is now widely recognized that not all types of economic growth, but only broad-based employment-oriented growth, which generates income and employment opportunities for the poor will help reduce poverty.

Economic growth is frequently associated with increasing inequality, unless income redistribution, specially the redistribution of assets, is undertaken at the inception of the growth process. As economic growth accelerates, inequality worsens first and improves only late (Kuznets curve). However, if inequality worsens very considerably, it may more than offset the positive effect of income growth, on poverty and as a consequence, the latter may worsen. Income inequality increases in the initial stages of growth because the better endowed regions in a country as well as households with higher education, skills, organizational and entrepreneurial ability respond to and take advantage of the growth opportunities much faster than others. The demand for human capital increases fastest and hence those endowed with human capital gain high increase in income.

The concern, however, in the context of the present paper, is not so much with reducing inequality as with alleviating poverty. Economic growth is essential for the reduction of poverty expressed in terms of percentage of population below the poverty line—measured in terms of a level of income or standard of living or command over goods and services. It is not a sufficient condition but, without economic growth poverty can not be reduced. How fast economic growth will have an impact on poverty depends on the (a) magnitude of the growth rate, (b) the length of the period during which growth takes place and (c) the degree of income inequality. With a given growth rate, the higher the degree of inequality, the lower is the impact on poverty and the longer it takes to make an impact on poverty. In a recent study of twelve countries it is shown that roughly the same percentage reduction in poverty takes place (about 41-43%) in three countries enjoying rates of growth varying between 4.4% and 2.7% per year. In the country with the lowest rate of growth in per capita income, reduction in inequality was the highest and in the country with the highest rate of growth, there was no reduction in inequality. In another case, with 4% rate of growth in per capita income, poverty was reduced by no more than 23% because there was only a slight reduction in inequality and the growth rate was sustained for about half the length of period covered in the countries mentioned earlier. In yet another case with 5% rate of growth in per capita income, i.e., the highest rate of growth amongst the 12 cases, over a period of twenty years, poverty was

Table 2

Human Development Index and Associated Indicators [1]

Country	Human Development Index	Life Expectancy at birth (years) 1987	Adult Litaracy Rate (%) (1985)	Real GDP per capita: Actual PPP $ 1987	Real GDP per capita: Log 1987	Calories per capita % of req-uirements 1985-87	Population with access to Health Services (%) 1985-87	Population with access to safe water (%) 1985-87	Population with access to sanitation 1985-87
India	0.439	59	43	1053	3.02	100	-	57	10
Pakistan	0.423	58	38	1585	3.20	97	55	44	20
Bangladesh	0.318	52	33	883	2.95	83	45	46	6
Sri Lanka	0.789	71	87	2053	3.31	110	93	40	45
Nepal	0.273	52	26	722	2.86	93	-	29	2
Bhutan	0.236	49	25	700	2.85	-	65	-	-
Low Human	0.116								
Dev. Index to									
Countries	0.489								
Medium Human	0.501								
Dev. Index to									
Countries	0.790								
High Human									
Dev. Index									
Countries	0.996								
All Developing Countries		62	60	1970		107	61	55	32
Least Developed Countries		50	37	690		89	46	35	20

[1] Human Development Report. pp 128-131.
The GNP figures are adjusted for national differences in purchasing power.
Since there are diminishing returns in the conversion of income into the fulfilment of human needs, the adjusted GDP per capita figures have been transformed into logarithms.

reduced only by 29% because there was a substantial increase in inequality of income during the same period.[8]

The income inequality in South Asia was less than in East Asia or in Latin America or the Near East. For example, in Malaysia, or in the Philippines the lowest 20% of households had about 5% of the total income of all households and the highest 20% had about 50%, while the highest 10% had about 33% of income. In South Asia, on the other hand (India, Pakistan, Bangladesh), the lowest 20% of the households had about 8% to 9% of total income of all households, the highest 20% had about 40%-45% and the highest 10% had about 25%-30% of the total. In Sri Lanka and Pakistan, in that order, there was a higher degree of inequality than in India and Bangladesh.

Table 3

Income Distribution, 1981 - 1987

Percentage Share of Household Income by Percentile Group of Households

Country		*Lower 20%*	*Second Quintile*	*Highest 20%*	*Higher 10%*	*ICP Estimate of GDP Per capita USA-100*
India	1983	8.1	12.3	41.2	26.7	4.5
Pakistan	1986/85	7.8	11.2	45.6	31.3	8.1
Bangladesh	1981/82	9.3	13.1	39.0	24.9	5.0
Sri Lanka	1985/86	4.8	8.5	56.1	43.0	11.2
Nepal	-	-	-	-	-	-
Thailand	-	-	-	-	-	-
Malaysia	1987	5.6	9.3	51.2	34.8	16
Indonesia	1987	8.8	12.4	41.3	26.5	-
Philippines	1985	5.5	9.7	48.1	32.1	10.8

Source : World Bank, World Development Indicators 1990. Table 30.

In the light of the past experience in South Asia and elsewhere, three interrelated sets of measures are required to alleviate poverty in South Asia. First, it is necessary to stimulate economic growth and at the same time to ensure that the poor participate in the benefits from the process of growth. This will require that growth generating policies have a pro—poor bias. This is a moot question whether under certain circumstances, the introduction of bias in favour of the poor in growth stimulating policies may not slow down the rate of growth itself. Secondly, it is necessary to expand the social expenditures of the government on the broad-based improvement of the health, education, sanitation and nutrition of the entire population; at the same time depending on the extent of poverty and access of the poor to the social services it may be necessary to target these measures towards the poor. Thirdly, in spite of the above measures, it may take a long time for the very poor, including vulnerable groups like women and children, to share the benefits from the process of growth and expanded social expenditures, especially in terms of access to minimum employment, income and basic nutrition. This requires direct measures either to transfer income or food (the most basic of the minimum human needs), or to undertake employment programmes, especially designed for the very poor in order to provide them access to minimum income. The provision of a 'safety net' for the very poor is especially important in view of the fact that fluctuations or instability of income and employment, including access to food, hit the poorest the hardest. At times there is a sudden loss of income or entitlements as well as shortages and rising prices of food and, the consequences are often an acute deprivation, fall in nutritional levels and even famines.

Economic Growth in South Asia

The rates of economic growth in the countries of South Asia since the 1960s have been lower than in East Asia, Near East and Latin America, as seen in Table 4.

During 1965-73 per capita income growth rate was about 1% and was no more than one quarter or one-third of the rate of growth in other developing regions. Even Sub Saharan Africa, enjoyed a rate of growth in per capita income which was three times as high as South Asia. However, the rate of growth in per capita income has been accelerated in South Asia to 2 - 3.2% in subsequent periods; yet this region until the 1980s grew at a slower rate than all the regions excepting Sub Saharan Africa. The highest growing region during 1965-88 was East Asia with 5.2% growth rate, and South Asia grew at one-third of this rate (Table 4).

The countries in South Asia differed not only in terms of growth rate of overall GDP but also in terms of investment and savings rate (Table 5).

The relative differences in savings rate were not always reflected in the corresponding differences in investment rate, implying difference in the inflow of external resources. Also differences in the investment rate were not always reflected in the differences in growth rate in income. This was partly due to the differences in the productivity of investments which was especially noticeable, when comparisons were made between the high growth countries of East Asia and South Asia. However, partly the predominance of agriculture in all South Asian countries meant that the relative differences in overall economic growth rate did not necessarily reflect the investment rate; this was because agricultural growth especially in the small scale sector was often due to non-monetized investment as well as greatly increased use of fertilizers or high yielding seeds which are not reflected in the investment estimates.

Table 4

Growth Rates of GNP : 1965-1988*

Region	*Per Capita GNP ($) 1988*	*Growth Rates*			
		1965-73	*1973-80*	*1980-86*	*1965-88*
South Asia	320	1.0 (3.6)	2.0 (4.1)	3.2 (5.6)	1.8
East Asia	540	5.4 (7.9)	4.4 (6.5)	6.6 (7.9)	5.2
Sub-Saharan Africa	330	3.0 (5.9)	0.1 (2.7)	-2.8 (0.3)	0.2
Latin America & Caribbean	1840	4.1 (6.5)	2.4 (5.1)	-1.6 (0.9)	1.9
Developing Europe, Middle East and North Africa	2000	5.6 (7.5)	2.1 (4.2)	0.8 (3.2)	
Low Income Countries		3.6 (6.0)	2.4 (4.6)	4.0 (6.1)	
Middle Income Countries		4.6 (6.9)	2.4 (4.9)	0.1 (2.5)	

* World Bank : *World Development Indicators*. April 1990. The base year for the estimates of growth in 1980 constant prices. Per capita GNP is in 1988 prices. Figures within brackets indicate GDP growth rates.

Table 5

Country	Per Capita GDP 1988 US$	GDP Growth Rate 1965-80	GDP Growth Rate 1980-88	Agriculture GDP Growth Rate 1965-80	Agriculture GDP Growth Rate 1980-88	Gross Savings Rate 1965	Gross Savings Rate 1980	Gross Savings Rate 1988	Gross Invest. Rate 1965	Gross Invest. Rate 1980	Gross Invest. Rate 1988
						(x % of GNP)					
India	340	3.6	5.2	2.5	2.3	15	20	21	17	23	24
Pakistan	350	5.1	6.5	3.3	4.3	13	6	13	21	18	18
Bangladesh	170	2.4	3.7	1.5	2.1	8	2	3	11	17	12
Sri Lanka	420	4.0	4.3	2.7	2.7	13	24	13	12	36	23
Nepal	180	1.9	4.7	1.1	4.4	0	7	10	6	14	20
Bhutan	180										
Thailand	1000	7.2	6.0	4.6	3.7	19	22	26	20	27	28
S. Korea	3600	9.6	9.9	3.0	3.7	8	23	38	15	31	30
Indonesia	440	8.0	5.1	4.3	3.1	8	30	25	8	22	22
Philippines	30	5.9	0.1	4.6	1.8	21	25	18	21	30	17
Hong Kong	9220	8.6	7.3	-	-	29	24	33	36	29	28
Singapore	9070	10.1	5.7	-	-	10	30	41	22	43	37
Malaysia	1940	7.3	4.6	-	3.7	24	32	36	20	29	26

Source : World Bank, World Development Reports 1983 and 1990. Tables 2 and 3 Appendix.

In all countries in South Asia there was a need for considerable increase in savings rate; in countries like Bangladesh, Pakistan and Nepal, savings rates were very low, compared with other developing countries. In the fast growing South East Asian countries there were either high rate of savings in the initial years as were in Thailand and Malaysia, which further increased over the last two decades, or very fast increase in savings rate starting from low rates as was the case in Indonesia. In countries like Pakistan and Sri Lanka, savings rate has been relatively stagnant over the last few decades. In Bangladesh there was a significant decline. What was needed was not only an increase in savings rate but an increased efficiency of investment in all countries, if growth was to be accelerated.

Experience of the post war period in both developing and developed countries, confirms two factors are crucial to promote that among the factors promoting a high level of efficiency of investment; (a) allocation of resources in response to price signals of a competitive market economy and (b) adequate scope for private initiative and enterprise to own, manage and use productive resources in response to profit incentives. The state has a vital role to play in the legal setting and regulatory framework within which the market functions; it must ensure the enforcement of contracts in economic transactions, the maintenance of law and order, and safety of private property forestall as well as regulate the emergence of monopolistic forces in the economy. It needs to intervene through indirect control as well as direct participation. Private and social costs and returns differ due to either the presence of externalities or high risks and uncertainty. The private enterprise often tends to underestimate the future returns or overestimates the expected costs in the presence of risk and uncertainty.

The precise nature of the government's role either in implementing indirect controls or in direct participation in the economy not only varies from country to country but also changes over time. In the South Asian countries, private enterprise in trade and small rural activities had a long historical tradition. Therefore, direct state enterprise to compensate for the absence of private enterprise in these sector was not necessary even in the early stages.

In the light of the past experience in this region the time has come to reassess the role of the state in promoting economic development in South Asia. In many instances the government overstretched itself in areas where private enterprises could play the major role while some of the essential functions of the government were performed inefficiently or inadequately. The essential functions were the design and implementation; of macro-economic policy, including an appropriate tax policy or its implementation, investment in physical infrastructure, like transport and communications; or in research and development for the generation and diffusion of technology; investment in social overhead capital such as education and health facilities. An efficient and carefully focused government intervention in these areas has a critical role to play in promoting growth in the South Asian countries. The issue was not whether the size of the government was to be reduced and whether big government is necessarily bad government. The challenge was to determine the optimum size and range of functions which the government could perform most efficiently. Efficiency rather than ideology was to be the main criterion. On the other hand, indiscriminate privatization led to private monopoly, with all its inefficiencies and adverse income distributional consequences, privatization in fields of activity or in regions where the private sector was not as yet developed, i.e., in high risk or innovative activities, was undesirable. Moreover, a hasty privatization of activities formerly performed by the government created problems of transitional adjustment as well. The speed and nature of privatization as well as the implementation of appropriate policy measures to ensure an efficient and competitive private enterprise, in many instances, lagged behind.

In the East Asian countries rapid economic growth did not take place in the context of a *laissez-faire* government policy; efficient and selective government intervention in the allocation of resources was widely practiced by the East Asian countries. Secondly, the controls and interventions were used broadly to facilitate or expedite the operation of the market forces rather than oppose or obstruct them. For example, they picked so-called "winners" providing them with state assistance; the government selected industries or economic activities for providing them with various measures of state assistance such as subsidies, import protection and export credits. Wherever mistakes in selection were made, they were quickly remedied and the next set of activities or priorities were chosen, which in the judgement of the government held high prospects of success. Thirdly, the degree and nature of interventions were changed or relaxed, in response to changing circumstances; for shift from import substitution to export promotion took place as circumstances warranted on grounds of efficiency and growth.

One area in which the South Asian government extensively intervened was foreign trade and exchange rate policy. However, these interventions were not very well chosen; more importantly they were not efficiently implemented and adjustments in policies and programmes were not made rapidly enough in response to changes in circumstances. This created inefficiencies and led to misallocation of resources; moreover, import substitution strategy was carried on further and for a longer period than was necessary; adverse effects began to accumulate; vested interests developed and the bureaucratic controls were too entrenched to permit subsequent changes without major frictions between pro-reformers and anti-reformers.[9]

Directing Growth Process in Favour of the Poor

As studied earlier, economic growth is a necessary condition for reducing poverty but the pattern and nature of growth needs to be broad based with a bias towards increasing the productivity and income of the poor.

There are two ways in which a pro-poor bias in the growth process can be introduced - one is to promote a broad based development, which is highly labour intensive and makes efficient use of assets which the poor have. For example, in agriculture it will imply an increased productivity of the small farmer on the one hand, and on the other hand, an expanded employment opportunity for the landless labourers in farm or in non- farm activities. In South Asian countries even though the share of agriculture in GDP is on the decline (in Pakistan, India, Sri Lanka, it is around 30-35% of GDP), it is still a predominant source of employment and income in the rural sector. Furthermore, a predominant proportion of the population of these countries live in the rural areas i.e., 70 - 80% of the population. Also the major share of employment in the rural areas is provided by agriculture.

The first step in the direction of promoting a broad- based development, therefore, was accelerated agricultural development.A second set of measures was needed so that the growth process was to have significant impact on poverty. These measures included a greater access for the rural poor to land and other assets and inputs.

Agricultural progress would not only improve income and employment in the agricultural sector, but also contribute to overall development in South Asia, through intersectoral linkages between agriculture and the non-agricultural sector through consumption as well as production, both forward and backward, linkages. This was evidenced by the experience of the fast growing agricultural regions in South Asia, i.e., Punjab in India and Pakistan as well as areas within Bangladesh, where the Green Revolution spread widely.

The non-farm sectors which responded strongly to agricultural growth in the first instance were usually the trade and services sectors, both of which were highly labour intensive, and had a favourable impact on the employment of the poor. The strength of consumption and production linkage depends, amongst others, on such factors as the abolute level and growth rate of per capita income in agriculture, which determines both the volume and structure of demand.

The access to technology, infrastructure, credit, training and extension etc., as well as the degree of competition which local industries, both household and small scale, face vis-a-vis the products of the urban industries, determine the degree and magnitude of the response of the rural non-farm activities to the demand stimulus originating in the agricultural sector. The availability of transportation and communication facilities determines not only the extent of market dispersion but also the degree of interlinkages between villages and towns or semi-urban areas.

The lessons of the spread of Green Revolution in South Asia in the recent past are as follows : Because of an increasing pressure of population on land, growth in agriculture was mainly due to yield-increasing technological change. In the regions and for crops which benefited from new technology, higher farm profits accrued to all producers including small farmers. Increased production led to an increase in demand for agricultural labour as well as for purchased inputs, marketing and transport services which in turn expanded employment. At the same time, increased consumer spending out of the higher profits fueled the demand for rural trades, services and consumer goods. Real rural wages tended to rise or at least did not fall in spite of the increasing population. Workers migrated from the poorer areas to take advantage of the expanding income and employment opportunities in the growing areas.

Under conditions of South Asian countries, where domestic prices were often effectively delinked from world prices, increases in production resulting from technological change tended to keep real output prices down or at least prevented them from rising in the face of increasing demand. As the process of import substitution was completed, increased production tended to lower prices with favourable impact on the low income consumers, excepting where farm price support programme, held prices up and resulted in large publicly held stocks of food grains.

In India, between 1965-1966 and 1970-1971, as increased production replaced imports, there were substantial gains in farm profits and income in the rural sector. As additional food grain had to be absorbed domestically, priced tended to fall; thus gains in increased agricultural productivity were transferred to consumers. Employment in agriculture grew by about 20% during the 1960s and 1970s despite low food prices; with an increase in employment the total wage bill expanded. Despite a drastic shift in the distribution of rural income from wages to profits in the early part of the Green Revolution, i.e., the late 1960s, rural income distribution was remarkably stable for the period as a whole. A fall on money wages was not fully offset by a fall in food prices. The effect of adverse wage trends on the rural poor was, however, partially alleviated because of an increase in agricultural employment; the poor also gained from increases in non-agricultural income.[10]

As in India, so now in Pakistan and Bangladesh, in regions where agricultural growth was sustained at a high rate for sometime it helped alleviate rural poverty.[11] This was because the Green Revolution technology was in general labour demanding or absorbing; even when mechanization took place, increased labour intensity, on the one hand, and employment expansion associated with the processing, marketing and distribution of increased output, on the other, continued to expand the absorption of labour.

The Green Revolution did not evenly spread across all regions in the South Asian countries nor across all crops. This certainly produced large differentials in regional income growth. The lagging regions or the population engaged in producing crops which did not enjoy technological change did not share in the gains, except in so far as they benefitted from lower consumer prices and expanding employment opportunities in the growing region.

Agricultural growth in South Asia until now was concentrated in well endowed and high potential regions, with favourable agro-ecological characteristics. Some of these regions not only had a high-density of population but also a high proportion of the poor. If poverty in the low potential areas was to be alleviated, two pronged measures were necessary. First, the technology appropriate to the low potential areas was to be developed; a wider range of activities, including an appropriate combination of crops, livestock, and forestry projects were needed to be promoted. The resources for investment in the low potential areas, with lower rates of return in some instances, should be made available as the growth in high potential areas would generate surplus for investments. In the short run there was going to be a trade off between growth in the high and low potential areas. Moreover, in the long run, migration from the low potential to the high potential and fast growing regions should contribute to the alleviation of poverty. Emphasis on human capital formation in low potential areas, as well as development of infrastructure was likely to facilitate outmigration. The role of infrastructure is crucial in the diffusion of technology, in the diversification of agricultural output, in increasing cropping intensity, specialization and diversion of labour amongst various rural areas and villages in view of enlarged marketing opportunities has been emphasized in recent years.[12]

Enlarged Access to Assets, Inputs and Credit

South Asian experience confirmed that neither farm size nor type of tenancy was a serious constraint on the adoption of new seed varieties. Although different rates of adoption by farm size and tenancy were observed, within a few years of introduction, lags in adoption due to size or tenancy usually disappeared. In most cases, however, small farmers, for example as in Bangladesh, used as much as or even a greater quantity of modern inputs per hectare such as fertilizer and irrigation water than the case with the large farmers. Falling behind in the adoption process was not necessarily bad since it actually permitted a small farmer to avoid risks of early adoption.

The Green Revolution in certain instances, however, led to a transfer of land from the tenants and sharecroppers to land owners for self-cultivation. With increasing profitability of cultivation in some areas, for example in Pakistan (Punjab), self-cultivation by owners was encouraged but the result was that the farm size increased over time. Tenant cultivation declined sharply during the Green Revolution and continued to decline at a slower rate until the mid-1980s in Pakistan.[13]

Two other factors facilitated the decline of tenant farming. First, the subsidized mechanization increased the use of tractors and other capital intensive technology; tractors made large farms less dependent on the wage labour or tenants. Land ceiling or tenancy legislation either did not exist in Pakistan or was ineffective. Second, the change in land/tenant legislation in 1959 and 1972 also accelerated the decline of tenant farming. The land-tenancy laws became increasingly unfavourable to the land owners; it was less profitable and/or more risky for them to rent out their land.[14]

Any significant redistribution of land in South Asia was not found feasible politically. The political forces in favour of such a redistribution could not be mobilized. Laws passed remained unimplemented; loopholes were abundant and difficult to avoid. A greater security of tenure was, however, urgent; the possibility of a successful implementation of such a manoeuvre was somewhat greater than was the case with land redistribution. Land laws which prevented women from owning land independently of husbands, were needed to be changed. The common property resources like grazing land, forests, and village water supplies which provided an important source of income and food for the very poor were increasingly privatized. New institutional arrangements such as village level management of common property resources were yet to be devised. As employment opportunities, both farm and non-farm, expanded and as the organization of the agricultural labour force, encouraged by the spread of rural education took place, the implementation of whatever legislation was passed in this regard was likely to be facilitated.

Access to credit is crucial for the poor farmers to obtain greater access to new technology and inputs. The assetless poor if provided with credit without any collateral, could gain access to non-land, income generating assets such as livestock, trees, and irrigation equipment as well as inputs for increased production, both farm and non-farm. The access to credit could enable the poor farmers to obtain ownership of and control over irrigation equipment like tubewells and small pumps for the supply or sale of water to fellow farmers. Again, the poor can borrow to own and manage livestock either for the supply of milk or for hiring out their services as draft animal for cultivation. The poor borrowers could breed poultry and sell their products. The creation of assets—the nature, pattern and magnitude of such asset creation or the delivery of the appropriate inputs to the very poor depend on the needs and characteristics of the poor in a particular situation. Innovative approaches are called for.

In this connection mention might be made of the largest scheme of this type in South Asia which was the Integrated Rural Development Programme in India. This programme made grants and loans at below market rates of interest to about 30 million rural households over the last ten years or so. The loans were disbursed by local officials on the basis of eligibility criteria related to average household income. Given the poor state of data and given the possibility that the local officials could manipulate the eligibility of borrowers, the scheme kept the door open for corruption or misdirection of resources to the unintended beneficiaries. An identification of the poor by means of such clear indicators as the size of holdings or location in disadvantaged regions might have worked better.

Grameen Bank in Bangladesh and similar credit institutions elsewhere in South Asia, demonstrated that the poor farmers when organized into groups, had achieved under "peer pressure" not only a much higher rate of repayment than the big farmers, but also they not only were willing and able to pay high interest rates and made at the same time an efficient use of credit facilities. The cost of supervision and management, including the organization of groups amongst the borrowers and the training of often illiterate rural poor in the operation of the credit mechanism was very high; a certain amount of subsidy to the cost of administration of small loans could not be avoided. What was needed was not only a close supervision but also a strict enforcement of contractual liabilities and obligations involved in loan transactions.[15]

The provision of credit to the rural poor to endow them with income earning assets requires for its success, as the Indian experience indicates, a number of preconditions. The supply of assets must be adequate or should be capable of being increased rapidly in response to increased demand created by the availability of credit. Second, complementary inputs and services to enable a productive use of assets—augmented through credit, should be provided. Third, the flow of the outputs/services yielded by the assets should conform to the structure of rural demand, otherwise the resulting imbalance between the structure of demand and that of supply would results in losses, non-repayment of credit and eventual collapse of the programme. In many instances in the IRDP in India, credit provided for the purchase of bullock could not be used because the supply of bullocks was inadequate; there was not sufficient feedstuff or adequate pastures for the buffalo and there was no corresponding growth in marketing and distribution services for the sale of milk or other products.

So long as the overall amount of credit supplied and the percentage of the rural poor covered by the scheme were small, the individual borrowers might be able to identify, on the basis of their own assessment, the appropriate assets with adequate income earning capacity. This was the case with the Grameen Bank. However, if, a massive, large scale credit programme was to be launched, as in the case of Indian IRDP, it is necessary to ensure through public action at the level of local government, the identification of a stream of productive income generating project, so that they are mutually supporting in terms of supply of complementary inputs, on the one hand and expanding markets for each other's outputs, on the other.

The delivery of inputs and services to the poor through appropriate targeting was not only difficult to accomplish because the benefits tended to be deflected to the non-poor in view of the latter's political power; but also frequently there were very high transaction costs in dealing with a widely dispersed large number of individuals, each requiring a very small amount of services or inputs. If the poor got together in order to provide economies of scale as well as to gain bargaining power, the transaction costs and leakages in the delivery system could partly be scaled down. Similarly, at the initial stages of introduction of new technology such as fertilizer or pesticide, when the high cost new technology was not yet mastered by the farmers and the risks were high in terms of low or uncertain returns, a subsidy for a temporary period might be needed. The argument that a subsidy once introduced could not be reduced or eliminated was not valid as the recent experience of South Asian countries indicated. In this context what was most important was to ensure an abundant supply of inputs and credit at the market price or at the opportunity cost of inputs; once scarcity developed, the rationing was inevitable and the poor were likely to lose. It was not easy to prevent the rich and the powerful from preempting resources for themselves through their dominance or influence over the delivery system and the administrative or implementation machinery.

Also, a broad based rural and agricultural development strategy required a decentralization of decision making functions or authority, including the mobilization and use of resources, at the level of local governments. However, in order for decentralization involving people's participation to succeed, it was necessary to ensure an overall democratic environment in which multiple parties with free press, free and fair elections and freedom of association are allowed to function. In other words, a system of representative, democratically functioning local governments can not effectively survive in an environment in which the national government was not based on democratic practices and institutions. In some South Asian countries where authoritarian national governments introduced local governments based on local level elections, it was easily subverted and made to become a part of the overall, national authoritarian process.

Questions have been raised, however, whether the decentralization of the decision making process in resource allocation and development activities, would not strengthen the hands of the rural elite vis-a-vis the rural poor. It is argued that in the national political arena there are countervailing forces to offset the power of the rural elite, for example, the urban industrial and trading classes, the urban middle classes as well as the industrial workers, whose interests do not coincide necessarily with those of the rural elite. Also at the national level, if the agricultural workers are organized, they are able to gain some influence on the national decision making process. After all, as of now, the poverty alleviating measures have mostly been promoted by the national governments. Also the representatives in the national government who are elected from a rural region or district, have an incentive to offset the power of the rural elite in the same region; they compete with the local elite for winning the votes in the rural region in order to get elected to the national government; they have, therefore an interest in promoting measures which help the rural poor. So, as long as the distribution of the principal rural asset, i.e., land, which determines to a large extent the distribution of the rural political power, is unequal, what is needed is to generate as much a plurality of political forces as possible at all levels, local and national. Furthermore, the allocation of financial resources from the national government to the local government, might be tied to (a) the poverty alleviating programmes of the local government and, (b) an independent evaluation and assessment by the national government of the implemenation of the centrally financed poverty alleviating projects and consequential impact on poverty alleviation.

The Crucial Role of Social Expenditures :
Access to Health, Nutrition and Education

Poverty has many dimensions. A lack of access to income and food are very important but not the only aspect of poverty[16] A lack of access to health, nutrition and education facilities/ services which are both important components of welfare and of human capital formation constitute the other dimensions of poverty. These different dimensions of poverty synergistically interact with each other.

Access to food does not improve nutrition if not accompanied by access to health and sanitation facilities. A lack of access to pure and clean drinking water, availability of latrines, facilities for sewerage or for disposal of wastes from both human and animal are important factors in the determination of morbidity. The capacity of individuals to derive adequate/ optimum nutritional value from the consumption of food, depends on the health of the individuals. At very low levels of food intake, and increase in food intake has a significant impact on improving nutritional status measured by anthropometric indicators such as weight and height by age, but beyond a certain level its impact is circumscribed by lack of access to health and sanitation services.

An increase in income for the poor causes an increase in demand not only for food, clothing, shelter, transport and trade-related services but also for health and education services. At the same time, an increased access to health, sanitation and education facilities not only improves welfare but also enable individuals to make an efficient use of the income earning and the productivity enhancing opportunities opened up by the growth in income.

However, the health and eduction services in response to increase in individual demand, if they are to be provided through the market mechanism, will have to wait a long time until the income of the poor reaches a very high level. The divergence between the private and social costs or benefits, especially in the provision of primary eduction and health care, justifies a very prominent role for public or state action.

There is no evidence of a positive and strong relationship between the indicators of social development such as infant mortality, life expectancy, literacy or primary school enrollment, on the one hand, and the levels of per capita income, the other. The indicators of social development are positively related to the availability of health and educational services. The latter is in turn a function of the level of public expenditures on these services. Furthermore, amongst the developing countries, per capita level or share of social services in public expenditures in different countries are not very closely related to the level of per capita income.

There were countries which had attained high levels of income or achieved high rates of economic growth, but did not undertake large public expenditures on social services; again, there are others who precisely did so. At the same time, they were those amongst developing countries which waited until they had achieved high rates of growth or levels of income, before they decided to undertake large public expenditures on health and education especially directed towards the poor.

Education, as evidenced in South Asian countries as well as elsewhere in the developing world, contributes to increased productivity of labour by the growth of skills, and entrepreneurial ability at all levels. The small farmers, when educated and endowed with skills of numeracy and literacy, have higher productivity; they can use and manage inputs more productively and respond to the opportunities - the market and technological opportunities - more effectively. This is also true of small non-farm enterprises such as rural and urban trading and services, including those in the urban informal sector[17]

Education gives workers more self employment options and enables them to choose amongst better alternatives. Secondary and technical education contribute greatly to the development of small scale, widely diffused, non-farm employment including industrial enterprises.

Even though it is true that primary education for the landless labour in South Asia does not lead to their increased productivity on the farm, on which production decisions are taken by farmers and not by the workers, it still nonetheless improves their prospects of higher income by enabling them to seek alternative opportunities or employment, both rural and/or urban. They can make effective use of resource6 placed at their disposal, for example, credit for financing self employment in various non- farm activities in the rural areas.

Similarly, the improvement of health has an impact on productivity, mostly for the very poor. The greater physical capacity for hard work is often constrained by lack of adequate food and nutrition. During peak agricultural season, requiring hard work for harvesting, for example, adequate food intake has a significant impact on productivity and wages. Also in year-round agricultural operations, it has been found that for casual agricultural workers, there is a close relationship between energy intake, nutritional status and real wages[1]8

One singular aspect of the access to social services in South Asia is a very significant gap between males and females as shown in Table 6 . Except in Sri Lanka the gap between sexes in terms of Literacy Rate and access to primary and secondary education is very significant.

In the South Asian context the interrelationship between poverty and population is important at both the household and national level. A large and growing population makes the task of financing and managing expenditures on health, education and nutrition, difficult, especially in view of their severe resource constraints.

A number of measures are needed to expand the access of the poor to health, education and nutrition. There is a need for increased public expenditures in social sectors in all of the South Asian countries. This requires a redirection of priorities in public expenditures, including a reexamination of the heavy burden of military expenditures. This issue cannot be entirely divorced from foreign policy and geopolitical considerations including the prospects of future regional cooperation.

Secondly, there is the question of priorities for the allocation of resources between public expenditures on human capital formation, on the one hand, and physical capital development, on the other. Even if it is accepted that human capital formation promotes in the long term, and often indirectly, increase in productivity and growth, in the short term a larger allocation of resources to social services may dampen growth. A heavy burden of social expenditures in a stagnant economy can not be sustained for long. On the other hand, the higher is the level of income in the later years, the greater is the amount of resources which can be made available for expenditure on social services. At higher levels of income and investment the short term dampening effect of social expenditures on growth of increased social expenditures is less severe.

In recent years, the several, South Asian countries have increased public expenditures on social services. (Table 7). Sri Lanka has been in the forefront in according high priority to public expenditures on social services. However, Sri Lanka at the time of independence in the late 1940s not only had a per capita income which was already higher than that of the other countries in South Asia, but also a higher level of social development in terms of education, nutrition and health standards. This was due to a higher level of government expenditures during the pre-independence days, which was continued in the subsequent period as well. At the same time, the per capita income growth during the immediate post-independence period was as high as 2.2% during 1960-1970 and 2.5% during1970-1980. It has been argued that the improvement in social conditions which took place in this period was partly due to high level of government expenditures on social sectors and partly to growth and income[19]

Was economic growth in Sri Lanka during the 1960s and 1970s sacrificed for high social expenditures? In other words, if social expenditures were lower, would the resources so saved have been invested directly in physical investments, i.e., infrastructure, agriculture, and irrigation, etc? During this period, however, there were other factors apart from behind the high burden of social expenditures, which were considered harmful to the process of growth. The macroeconomic policies including foreign exchange rate policies and domestic investment policies were considered by many to be unfavourable to growth and efficiency. In fact, one could even suggest as mentioned earlier, that the high level of social expenditures by contributing to the formation of human capital exercised a favourable impact on growth - in fact, might have offset the adverse effects of inefficient policies on growth and consequently on poverty.

The relative burden of social expenditures on the budget was evidenced from the fact that during 1960-66, expenditures on the social sectors, including food subsidy, constituted 12% of GNP; during the next period, i.e., 1967-1973, the percentage averaged at about 10%. Subsequently, it dropped to about 9% and 6 -7% respectively during the late seventies and early eighties respectively[20]

From 1977 onward, policies were changed; a greater emphasis on growth was placed and social expenditures were cut down. At the same time there was some improvement in macroeconomic policies including exchange rate and pricing policies; also there was a very large inflow of external resources which led to acceleration in rate of investment and income. Even though growth was accelerated in the post-1977 period, the favourable effects of

Table 6
Male and Female Groups
(Female as % of Males)

Country	*Literacy Rate 1970*	*1985*	*Primary Enrollment 1960*	*1985*	*Secondary Enrollment 1986-88*	*1986-88*
India	100.3	43	51	50	72	54
Pakistan	100.0	37	48	28	55	42
Bangladesh	98.6	33	51	39	84	46
Sri Lanka	106.1	81	91	90	97	110
Nepal	97.6	13	31	5	45	31

Source : UNDP, Human Development Report 1990, pp 144-145.

Table 7
Expenditures on Social Sectors

Country	*Health Expenditures (% of GNP) 1986*	*Private Expenditures on Health (Per capita PPP $) 1985*	*Education Expenditures (as % of GNP) 1986*	*Primary Education Expenditures (% of total education exp.) 1985-88*
India	0.9	2.6	3.4	43.3
Pakistan	0.2	20.0	2.2	40.2
Bangladesh	0.6	-	2.2	39.1
Sri Lanka	1.3	6.6	3.6	93.5
Nepal	0.9	-	2.8	35.7
Bhutan	-	-	-	-
Low Human Dev. Countries	0.8	4.2	3.2	43.2
(excl. India)	0.7	7.5	3.1	43.0
Medium Human Dev. Countries	1.5	11.8	4.0	43.8
(excl. China)	1.5	-	4.3	49.7
High Human Development Countries	4.6	82.5	5.1	34.1
All Developing Countries	1.4	7.1	3.9	41.1
east Developed Countries	0.9	-	3.3	46.2

[1] Human Development Report, 1990, p 148.

income growth were not adequate to offset or compensate the adverse effects on poverty, resulting from a reduction in social expenditures, including food subsidy. During this period the per capita calorie consumption declined for the second lowest decile of population while it increased for the highest decile. The latter was able to offset the adverse effect of the fall in food subsidies by a high rate of growth in their income. Thus, it is now increasingly recognized that, in order to combine growth with poverty alleviation, it is necessary to combine an increased efficiency of use of resources, both public and private, with policies and programmes designed to increase employment and income for the poor as well as enhanced targeting of social expenditures towards the poor[21]

First, each country must decide on an appropriate balance between social and investment expenditures keeping in mind that at the extreme there is an important trade off between growth and poverty reduction. In most countries of South Asia the balance so far has been titled against social expenditures.

Second, there is the need for increased efficiency in the use of resources within each of the social sectors, i.e., education and health, etc., with a view to enhancing their impact on the poor. In the health sector there is the need for a shift in emphasis away from curative health services, mostly concentrated in the urban areas, towards preventive health and primary and secondary health care services, particularly in the rural areas, which have been neglected in the past. In the education sector, the required shift is from expenditures on higher educational institutions in the urban areas to rural primary and secondary education as well as technical education, in both rural and urban areas. South Asia, as compared with East Asia, spent relatively larger amounts in higher education vis-a-vis primary education; consequently East Asia had literacy rates as well as levels of enrollment in primary and secondary education higher than in South Asia. Also, the pressure of unemployment amongst those with higher education was much greater in South Asia. The need for a redirection of the social expenditures towards the poor does bring into clear relief the possibility of conflict of interests between the poor and the non-poor.

Third, the appropriate method of financing education, health and nutrition services needs careful consideration. This in turn is linked up with three interrelated issues i.e., (a) the degree of decentralization to the local government for financing and implementation; (b) relative role of public and private enterprise; and (c) extent to which these services, particularly the specialized health services and higher educational institutions catering to the needs of the rich or the non-poor, are to be paid for by the beneficiaries. For example, in several South Asian countries in the past, private enterprise with assistance from the goverment played an important role in the provision of both primary and secondary education. In some countries, such as Bangladesh, the government recently embarked on a large scale "nationalization" of primary and secondary schools, which resulted in a greatly increased burden of the government budget. However, this is not to deny that in the provision of education and health services, particularly primary education and health services the public action should play the most predominant role. In fact, the role of local governments in the provision of such services is crucial in terms of both mobilization of resources as well as effective participation of the beneficiaries in the design and implementation of such services.

Direct Poverty Alleviating Measures for the Poor

The two sets of policies enunciated before, i.e., (a) a broad based employment oriented development strategy which involves the poor in the growth process, and (b) increased social expenditures directed towards the poor, are not enough to improve the conditions of those who are very poor. In this latter category are included those whose wages and income adjust very slowly or those who are unable to take advantage of the growth opportunities in the short or medium run or those who are located in distant, unproductive and low potential areas. Except the aged, sick and disabled, most of the poor are expected in the long run to participate in the growth process through participating in income and employment generating activities, but in the short and medium run they may be left behind; in the interim, therefore, other measures are needed to alleviate their poverty.

Two important additional measures are required in the short run to improve the conditions of the poorest section of the population, while the process of economic growth, through its direct and indirect linkages, works out its long run beneficial effects. They are (a) a large variety of employment and income generating labour intensive projects such as physical infrastructure, roads, excavation as well as drainage, repair and maintenance of irrigation schemes, construction of market towns, with associated physical structures, water supply, electricity, etc., and (b) subsidized distribution of food to the poor.

A question has often been raised as to how far the poverty alleviating measures can be narrowly targeted towards the real poor. How costly, both administratively and financially, the targeting schemes are as compared to the non-targeted schemes? Moreover, even when targeting may be more cost effective it may be less sustainable politically. It has been argued that the poverty alleviation schemes which bring benefits to the non-poor, ranging from the direct participation in an imperfectly targeted scheme to external benefits associated with or guaranteed by such a scheme, is often politically more feasible. This is because schemes with wider coverage often permit the formation of political coalitions which mobilize support for them. For example, the benefits from the assets created by a public works project such as roads or irrigation canals can be far more widely distributed than the wages of the participants. Again the participation in public works projects is potentially open to anyone willing to accept the required conditions of employment. Today's well-off farmers or landless labourers could be tomorrow's target groups because of a decline in income or employment. The potential participants in public works programme are therefore larger than the actual participants at any one time. Many who do not participate in such schemes may still value the insurance benefits of such a scheme.

Among a few successful well targeted poverty alleviating measures is the Maharashtra Employment Guarantee Scheme in India. [22] It provides employment to the unskilled manual labourer on small scale rural public works projects such as roads, irrigation facilities and reforestation, etc., at wage rates which are at par with the prevailing agricultural wages. It was introduced in the mid-1970s and it expanded to reach an average annual employment of about 750,000 persons during the period 1977-1983. By 1984-1985 growth of employment amounted to 180 million person days, representing 3% of total rural employment. It was variously estimated that the scheme alleviated three-quarters to one-third of the extent of unemployment among landless or near landless households in 1977-1978. During 1978-1979, a survey indicated that 90% of the workers participating in the scheme were living below the poverty line, whereas in the state as a whole, only 49% of rural households were below the poverty line. The mean income of the participating households was found to be 20% below the poverty line, while 53% higher than that of the same classes of rural poor who did not participate in the scheme. The wage bill for the employment scheme has typically represented 70% to 80% of the governments' total expenditures. Excluding the foregone earnings of the workers, their net gain was 50% to 60% of the wages they received.

An evaluation of the Maharashtra Employment Guarantee Scheme indicated that the proportion of the poor in the state declined faster than expected on the basis of initial conditions in the State and the rate of growth of its income.

The scheme not only raised the average earnings of the workers over the course of the year but also provided a greater stability of income. It had the potential as an effective famine prevention measure; in fact it could serve as an early warning of impending food shortages or famines. It improved the functioning of labour markets by reducing wage differentials between sexes and ethnic groups.

The guarantee of employment helped to mobilize the rural poor as a political force. The scheme was funded by taxes on the urban rich who did not resist the increased tax burden because they felt that the scheme kept the rural poor from migrating to the city, thus overburdening its physical and social infrastructure, and the overcrowded slums. Several questions were, however, raised about the scheme; one related to the claim that a disproportionate share of the extra benefit emanating from the projects (i.e., roads, buildings, soil conservation, reforestation, irrigation, drainage, etc.), went to the rich and this was an important factor behind the wide political support for the scheme. Second, the recent requirement that wages paid should be equal to the statutory minimum wage, while in private employment legal minimum wages were often avoided, was expected to increase excessively the financial burden of the scheme by diverting the unemployed away from private employment to the more attractive employment opportunities under the scheme. Third, the productivity of the assets created by the scheme was likely to be kept low, to the extent that labour inputs tended to be maximized and inadequate provisions were made for non-labour inputs. Roads without adequate provision of culverts and, bridges etc., did not last long. [23]

Another well known employment scheme for the poor in South Asia was the Food-for-Works Program in Bangladesh. This was introduced in the mid-1970s and had grown considerably over time. During 1987-1988 one-hundred million days of labour were employed on this scheme. The scheme organized employment for wages paid in kind, on such projects as construction and maintenance of roads, irrigation, drainage, and embankment projects, etc., and was successfully targeted towards the poor. While 25% of the rural households had per capita income of Taka 1500 during 1980 - 1982, 60% of the households who participated in the scheme came from this income group. Seventy-five percent of the participating households were landless or had land less than half an acre whereas for the rural population as a whole the proportion of landless labourer was only 45%. Seventy percent of the food aid used to finance Bangladesh's food for work project was disbursed to the participating workers. Of the wages received 50% to 60% were net gains accruing to the participants after deductions were made for foregone earnings.

The benefits of a rural public works project also included indirect effects which expanded employment opportunities might have had on rural wage rates or other earnings from alternative rural activities. Both the schemes in India and Bangladesh tended to keep up the level of agricultural wage rates. The assurance or guarantee of employment as provided under the Employment Guarantee Scheme in India, played a role in enhancing the bargaining power of the agricultural workers. There were also possibilities for using public works projects as vehicle for enhancing the skills of the rural poor.

The employment schemes for the poor, as analyzed above, provided for a self selection of participants who were very poor and were in search of employment. This minimized the possibility of leakages, of direct benefits going to the non-poor. Also the chances of missing the target group were very small. If the targeting was to be based on such poverty indicators as the size of land holdings the implementing agency would have been provided with considerable discretion in the selection of beneficiaries; this could have opened the possibility of corruption and leakages.

The full development potential of long-term employment and income generating programme as described is often constrained by the need to provide a maximum of amount of employment for unskilled labour out of a given budgetary provision for such schemes. The constraints which were thus imposed upon the quantity of non-labour inputs detracted from the quality of assets which were created.

As mentioned earlier, the Maharashtra scheme was financed largely by special taxes i.e., income taxes on urban professionals, sale taxes and a surcharge on irrigated land and partly by general revenues. The immediate incidence of the cost of financing was probably the heaviest on the urban non-poor. Bangladesh's Food for Work programme was financed by food aid. As the South Asian countries achieved increased self-sufficiency in domestic food production, they would be able to use domestic food surplus for rural public rural work programme. However, this would pose the problem of finding resources for financing the procurement and storage of surplus food by the public sector agencies.

Rural public employment schemes may not be equally effective in the alleviation of poverty in all circumstances. Certain subgroups of the poor may be unwilling to participate, though an advantage of such a scheme is that such subgroups can often potentially be identified by such indicators such as old age or physical disability. Transport costs including time also reduce the gain to the participants. Cost effectiveness of the poverty alleviation schemes will be lower in areas of lower population density and higher transport costs and vice versa.

A successful programme of rural public works projects requires effective functioning of local government for mobilizing both human and financial resources. The local governments with a broad-based popular participation should have the responsibility of identifying, designing, and implementing the development projects. The national or central governments need to provide technical and engineering services to the local government to ensure the formulation of productive projects, which contribute to long term and sustained rural development.

As distinguished from public employment schemes, various types of food subsidy schemes provided a direct income supplement to the poor as well as increased access to food i.e., the most important basic need of the poor. The subsidized distribution of food for the poor in South Asian countries took a number of forms. They included (a) the distribution of food through ration cards, (entitlements to quantities of selected food consumed by the poor), to designated households considered as poor, (b) food stamps, which carry a certain amount of monetary value, available to the poor households for the purchase of selected food items as in Sri Lanka, since the 1980s, (c) school feeding programme, (d) feeding of preschool children through health and maternity clinics and (e) feeding of vulnerable groups such as women and children as in the Bangladesh vulnerable Group Development Programme.

In Sri Lanka food subsidies in the form of free rations contributed the equivalent of 16% of the purchasing power of low income families in mid-1970s. In Bangladesh on the other hand, food subsidies increased the consumption of the poorest 15% of the urban population by 15% to 25% in 1973-4. During the late 1970s food subsidies contributed about half the income of low income families in India's Kerala State.[24]

While the poverty alleviating effect of the subsidized food distribution system in South Asia was acknowledged, there was an increasing concern about its high budgetary costs, partly due to the fact the benefits accrued to the non-poor as well. Not only the urban families or households which were richer than their rural counterparts had a disproportionate share of the benefits but also the civil servants, both in the government and the army as in Bangladesh, benefitted from the system.

The design of a cost effective system, therefore, demands a lot of care. The burden on the budget should be kept manageable; at the same time it must be ensured that the system should be focused on the genuinely poor. However, there is a trade off between a wider coverage and the lower administrative costs, on the one hand, and the narrower targeting and the high administrative costs, on the other. To be cost effective a system of targeting has to be based on easily identifiable characteristics of the poor.[25] A considerable amount of discretionary power should not be left in the hands of those who administer such a system. To distribute food to the landless or to subsidize cereals (inferior) which are consumed mainly by the poor or in areas in which the poor population is heavily concentrated—are amongst the various ways in which a system of narrow targeting can be designed.

There is, moreover, an additional problem that a very narrowly targeted scheme may not get wide political support for its continued financing, especially when financial stringency occurs and the middle classes wield a considerable political power. The political support for the broad based food subsidies in Sri Lanka before the mid-1970s was partly due to its wide coverage. The real value of targeted food stamps introduced since 1979 in Sri Lanka were quickly eroded with the progress of inflation. Moreover, there was no provision in the scheme for the inclusion of the newly born or those whose income suffered serious losses in subsequent periods. This experience indicates that the effectiveness of targeted policy measures should be subject to constant monitoring, especially under conditions of rapid socioeconomic change i.e., price changes, changes in wage levels, or changes in income, and unemployment.

Both school feeding programmes and feeding of vulnerable groups in rural areas, as in Bangladesh, hold out good prospects, if they are combined, in one case, with efforts to build up good primary and secondary educational systems and another case, with training and educational facilities for the poor including women, to equip them with skills for gainful employment. School feeding programmes in primary and/or secondary schools have been often recommended as a way not only of improving the nutritional levels of the school going children but also of ensuring a higher level of school attendance. Admittedly, food taken at schools by the children partly replaces food taken at home, and does not constitute a net addition to their energy intake. However, in any case there is a net addition either to their energy intake or to the income of their family.

The feeding programmes for vulnerable groups in Bangladesh are meant for the poorest women and children. They are very narrowly targeted. The programme is increasingly combined with efforts to impart skills and training to the women for enabling them to engage in income earning activities.

The problem in both of these instances is how to devise a cost effective method of administration of such programmes for example school feeding programmes must not divert the valuable time of the teacher from their primary responsibility. The role of NGO's/PVO's in the administration of feeding programme outside or inside the schools is worth examination.

Conclusion

South Asia contains the majority of the poor in the developing world. Also in terms of average per capita income, they lie at the lower end of the low income developing countries. In the years following their independence all of them proclaimed that one of the important objective of development policy was the alleviation of poverty. However, there was no consensus amongst the policy makers/analysts as to the best or most appropriate way in which this objective should be pursued or be achieved. There were those who believed that economic growth was the most effective way of reducing poverty through the effects of growth "trickling down" to the poor. On the other hand, there were those who advocated reliance on redistributive measures which directly contributed to increased income and consumption of the poor and/or provided employment opportunities to the poor by a systematic pro-poor bias in the design and implementation of development projects; this involved providing the poor with greater access to inputs and credit etc., as well as health and education services.

A consensus seems to be now emerging that both economic growth and measures designed to deal directly with the alleviation of poverty are needed. However, the problem remains as to the choice of an appropriate balance between the two sets of measures. The choice of an optimum balance is not unrelated to (a) the acuteness of the current level of poverty, and (b) how much and within what time frame the growth rate can be accelerated to make a dent on poverty.

South Asian countries differ widely amongst themselves in terms of growth rate in per capita income. The differences are the combined result of differences in (a) overall growth rate, on the one hand, and, (b) growth rate in population on the other.

In most of these countries growth in the per capita income needs to be accelerated as a part of the poverty alleviating development strategy. In view of the fact that the large majority of the poor are in the rural areas, an accelerated increase in rural income is a necessary condition. The key to an increase in rural income in South Asia is held by agriculture and non—farm rural activities linked to the development of agriculture. Infrastructure, technology, credit and appropriate macro and sectoral policies, including output and input price policies are essential ingredients of an employment oriented, broad based agricultural development strategy. The rural non-agricultural sector in all of these countries has not been able to develop high productivity activities, partly due to demand constraint and partly due to a lack of technology and infrastructure.

All the countries have at various times adopted policies and programmes which are designed to direct resources to the poor in order to endow them with assets or employment opportunities in agricultural as well as in non-agricultural activities. Subsidies or inputs as well as credit were often introduced on the grounds of enlarging their availability to the poor. However, prices frequently encouraged demand in excess of supply resulting in shortages; this in turn required the introduction of administrative allocation of scarce inputs or credit, in which the rich and the affluent because of their greater political and economic clout tend to preempt a major share.

A viable rural credit programme directed towards the poor, for financing farm and non-farm activities, is essential; there are various examples in South Asia. Many of them were experimental and successful, but as yet with very limited coverage; it is a moot question as to how effectively these programmes can be expanded to serve a large percentage of the rural poor.

There is an urgent need for not only expanding public expenditures on health and education sectors but also redirecting them towards the poor, especially in the rural areas, with an increasing emphasis. There is a need for an innovative mechanism for financing such expenditures, including the rich beneficiaries buying for the cost of their services; while the poor can get subsidy. This is especially needed in view of the heavy financial burden of a considerable expansion of health and education services, especially primary education and health care services.

How to introduce the schemes for targeted food distribution for the poor while maintaining incentive prices for producers, as well as high levels of development expenditure on agriculture, in the context of limited public resources, poses a substantial challenge. Technological change focussing on large farmers in agriculture resulting in an increased output may face a demand constraint as the phase of input substitution is completed. Unless there was a rapid increase in non-agricultural income. The income of the rural poor can be substantially raised, if food, surpluses can be used for undertaking on a large scale labour intensive public works projects.

Unequal ownership of land in rural areas is frequently associated with unequal political power. Land redistribution apart from its contributions towards the alleviation of rural poverty is also likely to help in the growth of viable, democratic, broad based local government as well as rural development institutions with possibilities of popular participation on a wide basis.

Resource constraints will continue to plague the South Asian countries in their effort to mount large scale anti-poverty programmes. How far the international authority is willing and able to allocate resources on the basis of anti-poverty orientation of the recipient countries is an unsettled question, in view of the political and extra economic considerations governing external resource flow. Per capita external resource flow to South Asian countries is related neither to the level of their overall per capita income nor to the extent of poverty within individual countries as shown below:[26]

The role of international community in some of the South Asian countries, where foreign aid is a predominant source of development finance and policy advice, is important. The overall framework of economic policy and programmes which promotes labour intensive or employment oriented development strategy should find a predominant place in policy dialogue between donors and the recipient countries. No less important is the role of external assistance directed towards rural primary health care and education services, nutritional programmes, infrastructure and rural electrification. A shift in the composition of foreign assistance in these directions is more often than not likely to stimulate or initiate a change in priorities of national expenditures; frequently, a corresponding increase in counterpart national resources is needed in order to make an efficient use of additional development assistance.

The alleviation of poverty in South Asia is the primary responsibility of the national governments. However, frequently governments are subject to many pressures from interest groups. Obviously their objectives are often complex and multidimensional : to stay in power to serve particular interest groups, and sometimes to enrich themselves. For the governments to be responsive to the needs of the poor, an open multi-party democratic political system in which the issue of poverty alleviation is high on the agenda of the political parties is needed. The resistance to a reduction in the move of the rich and powerful groups in social expenditures is likely to be great while the potential beneficiaries of change generally have little voice or political muscle. That is why the poor need to be organized if they are to articulate their demands and mobilize support for anti-poverty measures[27]

A massive programme of poverty alleviating measures requires a decentralized political and administrative structure, for not only mobilizing resources but also for designing and implementing, with the help of resources so mobilized, the rural development projects.

Notes

1. World Bank. WDR 1990. Poverty p. 2. The poverty line in 1985 ppp dollars is $275 per capita a year for the extreme poor and $370 per capita a year for the poor.

2. Poverty is conceived in this context in two dimensions i.e., not only in terms of levels of income and consumption, but also in terms of access to such essential social services as education and health and nutrition. The indicators of poverty are therefore measured in terms of income needed to provide minimum standards of consumption and secondly in terms of the levels of life expectancy, infant mortality and literacy, etc. WDR. p. 29.

   These data are based on official poverty lines in respective countries which are not the same. World Bank. World Development Report, 1990. pp 41-43.

3. The corresponding averages for the developing world as a whole are 121 per thousand, 62 years and 83%.

4. J. V. Braun. Emerging Patterns of Absolute Poverty and Strategies for Its Rapid Reduction. IFPRI-SIDA Seminar. Stockholm. May 1990.

5. M.A. Hussain. Nutrition Policy and the Urban Poor in Developing Countries. Food Policy Vol. 15. No. 3. June 1990. pp. 187-192.

6. Ibid'p. 189.

7. The figures for Bangladesh are taken from S.R. Osmani, Notes on Some Recent Estimates of Rural Poverty in Bangladesh, Wider-Helsinki, September, 1989. The Challenging Arithmetic of Poverty in Bangladesh, Background Paper. World Development Report, 1990. World Bank, October, 1989.

8. World Bank, World Development Report, 1990. pp. 3.18-3.19.

The reason why a head count index of poverty (percentage of population below the poverty line) declined faster, with a given rate of growth but a lower degree of inequality in per capita income, was that a low degree of inequality implied a high degree of concentration of the poor people around the poverty line. Under the circumstances poverty gap in the sense of the gap between the average income of the poor and the poverty line was very small, so that a growth of overall income "pulled up" the income of the majority or a large segment of the poor people. When income inequality was high, the poor were dispersed widely below the poverty line, i.e., the proportion of the poor who were the farthest from the poverty line was high. Hence the impact of economic growth on reducing poverty was considerably less.

9. World Bank, World Development Indicators. April 1990. The base year for the estimates of growth in 1980 constant prices. Per capita CNP is in 1988 prices. figures within brackets indicate GDP growth rates.

R. Wade, The Role of Government in Overcoming Market Failure : Taiwan, South Korea, and Japan, with Helen Hughes (Ed), Explaining the Success of East Asian Industrialization, Cambridge, Cambridge University Press, 1985. S.K. Helleiner, Trade Strategy in Medium, Team Adjustments, World Development. Vol. 18. No. 6, June 1990.

J.N. Bhagwati, Poverty and Public Policy, World Development, Vol. 15, No. 5. May 1988.

10. H.B. Binswanger and J. V. Braun, Technological change and Commercialization of Agriculture : Impact on the Poor, World Bank/IFPRI, Poverty Research Conference. October 1989.

11. Amanda Wolf, The Relation Between Growth and Poverty : An Overview. July 13, 1990, IFPRI Unpublished Manuscript.

E. Ahmad and S. Ludlow, Poverty, Inequality and Growth in Pakistan, World Bank. Background Paper for the World Development Report, 1990.

12. M. Hussain, Nature and Impact of the Green Revolution in Bangladesh. IFPRI Research Report #67, July 1988.

13. Ibid. The impact of increasing landlessness and sharecropping on agricultural wages was moderated by Pakistan by large scale migration of unskilled labourers to the Middle Eastern countries.

14. "Ibid. McInerney, J.L. and J.F. Donaldson. The Consequences of Farm Tractors in Pakistan. Staff Working Paper, 210. World Bank. Washington, D.C.

Nabi, Ijaz Naved Hamid and Shahid Zahid. The Agrarian Economy of Pakistan : Issues with Policy, Oxford University Press, 1986. Oxford, United Kingdom.

15. M. Hossain, S. Rao.

16. An increase income results in an increase in nutrition which is proportionately less than the increase in expenditures on food, since, amongst other things, higher food expenditures often involved higher priced and more diversified rather than more nutritious food.

17. In South Asia, at the level of average years of education of 4-8 years, one additional year of education per person increases real GDP by about 0.9%. Large expenditures on education at all levels including higher education, in the context of a slowly growing or relatively stagnant economy may result in unemployment among the educated as the latter do not find opportunities to which they could respond in order to utilize their educational attainments. World Development Report, 1990. op cit. page 80.

18. Ibid. pp 5-13.

19. It should be noted, however that the most important component of government expenditures on social development in Sri Lanka was a high level of food subsidies, which contributed to the improvement in the consumption level and nutritional status of the poor

20. S. Annaud. Public Policy and Basic Needs Provision :
Intervention and Achievement in Sri Lanka. Discussion Paper, No. 74, Department of Economics, University of Warwick, March 1987.

E. Thorbecke and J. Sveijnar. Economic Policies and Agricultural Performance in Sri Lanka, 1960—84. Development Center Studies, OECD. 1987.

21. David E. Shan. Changes in the Living Standards of the Poor in Sri Lanka During the Period of Macroeconomic Restructuring. World Development. Vol. 15, No. 6, June 1987.

22. Martin Rvallion. Reaching The Poor Through Rural Public Employment : Arguments, and Lessons From South Asia. December, 1989. World Bank. Working Paper. pp. 16-17.

23. Abraham, Amirita. Maharashtra Employment Guarantee Scheme. Economic and political Weekly, No, 15, 1980. pp. 30, 39-13-42. Also, Acharya, Sartearthi and V.G. Pnewalker. The Maharashtra employment Guarantee Scheme : Impact on Male and Female Labor. Population Council Program on Women's Role and Gender Differences, 1988. Working Paper. New York,

24. UNDP. Human Development Report, 1990. Page 63.

25. Ibid. Page 49.

26. Net Disbursement of ODA from All Sources Per Capita Dollars 1988

Bangladesh	14.6
India	2.6
Pakistan	13.3
Sri Lanka	36.1
Nepal	22.2

27. UNDP. Ibid. pp. 66-67.

References

Ahmad, Ethisham and Stephen Ludlaw. 1989. *Poverty, Inequality and Growth in Pakistan.* Background paper for the World Development Report 1990. Washington, D.C., World Bank.

Alderman, Harold,1989. *New Reserach on Poverty and Malnutrition : What are the implications for research and policy.* Unpublished Manuscript. Washington. D.C. , International Food Policy Research Institute.

Anand. Sudhir and Ravi Kanbur, 1987, *Public Policy and Basic Needs Profession : Intervention and Achievement in Sri Lanka,* Development Economics Research Center. Discussion Paper 74, University of Warwick.

Bimswanger, Hans P. and Joachim von Braun, 1989, *Technological Change and Commercialization in Agriculture : Impact on the Poor.* Paper presented for Poverty Research Conference, Airline House, October 25-28, 1989.

Byerlee, Derek and Akmal Siddiq, 1990, *Sources of Growth in Wheat in Pakistan's Punjab, 1985-2000 : Is there a sustainability issue?* Unpublished Manuscript. International Maize and Wheat Improvement Center : Mexico.

Fields, Gary S, 1988, *Rural Labour Markets and the Economic Development of Sri Lanka,* World Development Programme Research Working paper. WEP 10-6/WPG 2. International Labour Office, Geneva.

Gaiha, Raghar, 1990. Poverty *Alleviation Programmes in Rural India : An Assessment.* Paper presented at the World Economic Congress in Barcelona, August, 1990.

Kakwani, N. and K. Subbarao, 1989. *Poverty and Its Alleviation in India.* Unpublished Manuscript. Washington, D.C. , World Bank.

Lele, Uma. 1988. *Poverty, Hunger, and Food Security : A Perspective on Domestic Policies and Implications for External Assistance to South Asia.* Paper presented at the World Food Colloquium in Washington, D.C. , October, 1988.

Patrikh, Kirit and T.N. Srinivasan. 1989, *Poverty Alleviation Policies in India : Food Consumption Subsidy, Food Production Subsidy, and Employment Generation.* Unpublished Manuscript.

Revallion, Martin, 1990. Reaching the Poor Through Rural Public Employment : Arguments, Evidence, and Lessons from South Asia. Unpublished Manuscript, Washington, D.C. , World Bank.

Thorbecke, Erik and Han Svejnar, 1987. Economic Policies and Agricultural Performance in Sri Lanka,1980 to 1984. Paris, OECD.

Von Braun, Joachim, 1990. *Emerging Patterns of Absolute Poverty and Strategies for its Rapid Reduction.* Paper presented at SIDA-IFPRI Seminar in Stockholm, May 1990.