Increasingly cheap technology could play a role when it becomes accessible, but social structures will determine who is able to access and make beneficial use of available technology. For example, information and communication technology (ICT)-based measures have been known to help small producers who already have access to productive resources – such as land, animals or water. But what about the landless and illiterate? Information and knowledge are not sufficient on their own to facilitate access of the poor to productive assets. They are effective mainly through their contribution to the process of mobilization.

**Technology vs. Social Factors as the Solution to Poverty**

In a burst of ‘technology-as-the-solution’ enthusiasm not seen since the Green Revolution, various claims have been made for information and communication technologies (ICTs). ICTs have been presented as the answer to a variety of problems – ranging from assuring developing countries like India a place in the sun, to establishing good governance and alleviating poverty. But poverty reduction is not a matter of service delivery; it is a matter of enhancing the agency of the poor. Hence it involves substantial changes in the class, caste, ethnic and gender relations within which the poor exist. The ‘technology-as-the-solution’ approach (Heeks 1999) ignores the social structures that determine both access and impacts. Increasingly cheap technology can certainly play a role when it becomes accessible, but it is **social structures** that will determine who is able to access any available technology and use it beneficially. For example, the spread of Green Revolution technology was found to be related to the stronger presence of family owner-operators of land in one region (Punjab, Haryana and West Uttar Pradesh) as opposed to a dominance of tenant farmers in another region (Bihar, West Bengal and East Uttar Pradesh). In the face of all the current hype about ICTs, it is essential to remember that social structures influence both access and impacts.

In Asia, it is necessary to distinguish between two geographical locations and two social structures of poverty:

- The first geographical location applies to the communities of indigenous peoples in the hill and forest areas, who supply various raw materials (timber) and ecosystem services (hydrological, biodiversity, etc.), but who generally do not have secure property rights in the resources on which they depend. Generally suffering from poor infrastructure, they constitute, as M. Castells (2000) puts it, ‘the black holes of marginality’, living under the influence of capitalism but largely excluded from its benefits.
- The second geographical location is that of the poor living in the politically non-marginal areas of the plains, like the drylands that are the ‘labour supply’ areas.
The social structures of poverty are different in both locations:

• In the first location, there is the marginality of the community itself and the extractive relationships through which it is embedded within the national structure. Although some members in the community may not be as poor as others, and despite growing landlessness, poverty here is nowhere near the dimensions of class contradictions in the plains. In any case, the political and economic marginality of the community, as a whole, serves to dilute its own class contradictions.

• In the second location, there is the marginality of the poor – basically the landless and women. They are providers of labour, but do not count for any programme involving education or training.

Community-based ICT programmes can, to some extent, be adequate in the first location, though specific targeting of women and other poor categories is still needed to ensure that access is not monopolized by the elites. For the poverty of the plains, specific structural interventions are required to ensure that the landless and women are part of any ICT programme.

**Income Benefits of ICTs**

In a rural context, the ICTs usually provide very little employment or direct income, unlike labour-intensive manufacturing and the Green Revolution, both of which created substantial employment. ICTs then need to be evaluated mainly in terms of their effect on the productivity of other sectors (agriculture, farming or other rural, non-farm economic activities) and especially on agency development, including that resulting from sharing experiences of mobilization and innovations.

ICTs lower the cost of information and they can make extension more effective. But their effect on productivity – of agriculture for example – is limited by the fact that people need productive resources to utilize the new information and knowledge. Information on market conditions for crops cannot enhance the agency of people who have only their labour to sell. This information helps only those who also have land or other resources (including skills and credit) with which to produce the crops or products wanted in those markets.

Information about market conditions is known to have enhanced price realization at the village level (Box 7.1). ICTs can facilitate the spread of knowledge. Many farmers

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**Box 7.1: The benefits of information**

Under IFAD’s Oxbow Lakes Small-Scale Fishermen Project in Bangladesh, the fishers (formerly landless or marginal land owners) could use the Grameen Bank’s Village Pay Phone to check the prices in the various markets around them before deciding where to sell their catch of fish on any given day. Studies in Africa have shown that telephone communications increase the market information available to farmers and reduce the differential between village and town prices. In India, the Anand experience of computerized butter-fat assessment has improved price realization at the producer level, and an NGO called FOOD in Pondicherry has helped villagers to undertake telemarketing, leading to higher price realization (Harriss 1999).
develop innovations that increase the productivity of resources, but these are often used only locally. Nowadays, these innovations face the increased threat of being appropriated by corporations, both multinational and national. The Honey Bee Network of the Indian Institute of Management (IIM), Ahmedabad, has registered many of these innovations. Such registration can be used to oppose patent registration, while at the same time allowing the knowledge to spread. Video and audio aids can make these innovations accessible to those who cannot read (Gupta, Kothari and Patel 2000). The spread of such innovations helps increase the productivity of resources.

But in all the cases we have listed, ICT-based measures helped small producers who already had or had acquired rights over productive resources, land, animals or water bodies. These experiences show that the spread of price information and innovative production methods can generate higher income realization by those who have these resources. But a significant proportion of rural poor, particularly in the plains, are people who do not have land, either as owners or as tenants. In South Asia, there are many more poor in the former low or untouchable castes. Can more information and knowledge help them acquire access to land?

**How ICTs Can Help the Poor**

Most Indian states have laws that set land ceilings and envisage that any surplus land should be redistributed to the landless, including the Scheduled Castes (*dalits*). The law also provides for equal sharing of property, including land, among daughters and sons. These laws are poorly known and less respected. Knowledge about them would help the landless, including women, to assert their rights to land. Yet better information and knowledge will not of themselves give access. The computerization of land records in Andhra Pradesh does not mean that the landless will get the lands that are rightfully theirs. Transparency and good governance are also essential to stimulate mobilization of the poor to claim their rights. Facilitating access of the poor to land and other productive assets is more a question of mobilization (and political will) than of information and knowledge. Information and knowledge are not sufficient on their own but are effective mainly through their contribution to the process of mobilization.

Mobilization is necessarily local, but ICTs can open up wider dimensions to the support and formation of ‘solidarity opinion’ in civil society. They have made it possible for struggle centres to link up with the global society. The use of the Internet by the Zapatistas in the Chiapas region of Mexico is one example of how struggling peoples can transmit their positions to break blockades by their states. In Thailand, the Lua peoples’ struggle against eviction also used the Internet to put forward their case and mobilize wider support. More recently, police firing on protesters against the Koel-Karo dam in Jharkhand, India, quickly led to protest letters arriving from many corners of the globe. The world-wide women’s movement has also been successful in mobilizing global opposition to various forms of violence against women. Access to the Internet is cheaper than setting up printed materials and more difficult to suppress. The ease and speed of communication made possible by ICTs have helped the formation of world-wide...
groups of those who hold similar opinions and positions, whether that means being against large dams or in favour of securing the rights of forest dwellers.

In some smaller ways, increased information can help the poor gain access to productive resources. The M.S. Swaminathan Research Foundation (MSSRF) has established ‘knowledge centres’ in the villages to disseminate information about government programmes. The poor in particular have expressed a high demand for access to these facilities. However, in these processes too it is important to realize that mobilization of the poor may be necessary. Indeed, more and better information and knowledge offered by the ICTs can promote transparency of government, but they do not guarantee transparency. It is perhaps important to recall that attempts made by the rural poor to seek information under the Right to Information Act in Rajasthan (India) were met with brutal violence by the village elites.

In the context of the plains areas of India, locating the ‘knowledge centres’ in the dalit settlements could weaken the customary social exclusion of these categories. Creating knowledge centres for women and training them in their use can attack the exclusion of women. Both the MSSRF, who trained fisherwomen to use ICTs for downloading weather information of relevance to artisanal coastal fishing, and the Grameen Bank’s Village Pay Phone scheme for women have reported significant social advances by the concerned women. In a Pondicherry village, the MSSRF ICT centre was located in a temple and the fact that many women worked there began to break down the temple norm against entry by menstruating women. In Bangladesh, where women own nothing at all, the houses of women who run a pay phone service are now known by their names (Bayes, von Braun and Akhtar 2000).

**Increasing Access to ICTs**

What is needed to increase access to necessary information and knowledge? One answer is to reduce the cost of the equipment and change the regulatory system to make smaller investments possible. Wireless solutions could overcome some of the problems of high fixed cost associated with wired systems. What this amounts to is “develop cheaper technology and let the market work”. The problem with this market solution is that the density and intensity of ICT use in rural areas is significantly lower than in urban areas. As with rural electrification and roads, rural connectivity will necessarily involve some degree of subsidy, whether through direct public investment or through public funds being used to provide incentives to private enterprise. Many participants at a ‘dialogue’ on the role of ICTs in poverty reduction organized in February 2001 by MSSRF in Chennai felt that public funding would be necessary to increase rural access to the Internet.

Both cheaper technology and a policy framework that enables small, private information technology providers (like cable TV) to cater to small rural markets are necessary.

- *Improving rural access to ICTs does not mean the rural poor will gain access. Without education and land (through land reform), ICTs cannot be used to full potential.*
But the basic infrastructure will still need substantial public investment, including electrification of rural areas. Investments with a medium to long-term horizon are also needed to undertake the development of software in the various national and regional languages spoken by the poor.

Improving rural access to ICTs does not mean that the rural poor will gain access: differences of education and income will affect the way people approach and use them. Education is an important factor in using the new technologies. While some ICTs do have the advantage that even semi-literate or even illiterate people can access them, lack of education will limit the use made of them. Innovative uses of ICTs, like Same Language Sub-titling of film song programmes tried out in Gujarat, India, can reinforce weak literacy skills, but literacy remains a critical factor in expanding choices and enabling people to use ICTs to full potential.

Rural education has also been linked to another factor – land reform. The spectacular successes of East and Southeast Asia were based on a combination of near-universal schooling along with land reform (in the case of East Asia) or an already reasonably equitable distribution of land (in large parts of Southeast Asia). Both areas had a preponderance of owner-operated family farms. Even the indigenous peoples’ areas in Northeast India, where landlessness is somewhat limited, have achieved high levels of basic education.

While the Andhra Pradesh Government’s approach to ICTs stresses the importance of spreading education through ICTs (Sudan 2001), it does not link this with land reform. A crucial requirement for overcoming the ‘digital divide’ is thus missing in its approach. In the absence of a broad attack on poverty and illiteracy through land redistribution to the landless – particularly important in a state where agricultural labourers account for almost 41% of main workers – the Government’s strategy relies on the ‘trickle-down effects’ of using ICT to increase the demand for various goods and services produced by the poorly educated and illiterate. The overall impact has not been up to expectations.

It is essential to ensure higher literacy and higher incomes to increase the capabilities of the poor in accessing ICTs. Reducing the costs of ICT equipment will enable a big expansion in its market. But while the middle sections of the rural population may be reached, the poor will still be excluded by virtue of their lack of education and their low incomes, the latter being linked to (near) landlessness. The importance of property rights for the indigenous peoples, of land to the landless, particularly to dalits and to women, and of compulsory education therefore need to be stressed as necessary prerequisites for a broad access of the poor to ICTs.

At the same time, certain measures are possible and necessary in the field of ICT itself. As shown by the ‘knowledge villages’ of MSSRF, ICT centres can be developed as a common property resource of the village, thereby enhancing access by the rural poor. This can be particularly useful in community-level use by the indigenous peoples. Pilot projects in Malaysia (Sarawak) and Northern Thailand (Mae Hong Son district) have used web sites to link community-based tourism with tour operators. The spread of ICTs can reduce the number of links between the service providers and the customers.
The linking up of women’s microfinance groups (self-help groups (SHGs)) with the external world through ICTs is a way to introduce ICTs in rural areas. What is important is to ensure that the poor, and women in particular, are agents of introducing new technology in the village, not the equivalents of the ‘progressive farmers’ (read, better-off men) of the Green Revolution. This, however, will occur not through straightforward reliance on the market, but rather by strengthening the role of community-level intermediaries. These measures of social inclusion and poverty reduction are necessary if ICTs are not to become yet another instrument to continue the social exclusion of the landless, low castes and women.

In summary, more and better information and knowledge made possible by ICTs could:

- Increase price realization of farmers and other rural producers at the village level.
- Increase the productivity of those who own productive resources by spreading innovations beyond local confines and even to illiterates.
- Increase the income and social standing of ICT operators.
- Improve extension and education.
- Enable community-based organizations to promote tourism and other income-generating activities.
- Be useful in demanding access to government programmes and transparency of government expenditures.
- Assist but not substitute for the process of mobilization of the landless, including women, for land and other productive resources.

More important, however, the successful spread of ICTs to the poor, particularly in South Asia, will itself depend:

- on public funding to increase rural connectivity,
- on success in the twin areas of land reform and literacy.

As was repeatedly stated during the MSSRF dialogue, the digital divide is being superimposed on other, earlier divides. The dichotomies between hills and plains, landed and landless, men and women, are all historical divides that need to be addressed if ICTs are to be really accessible to the rural poor.

It should come as no surprise that the overall penetration of ICTs, whether by personal computers, internet connections or mobile phones, is far less in India than in China. Indeed, lower levels of poverty and higher levels of literacy combine to create a higher user base for ICTs in China, which is at least five times more than in India (Mehta 2001). The global development of India’s information technology industry, though only in software and not in manufacturing, is largely based on external markets. The low penetration of ICTs in India is itself a reflection of the digital divide. Overcoming the latter will inevitably involve confrontation with low educational levels (let alone illiteracy) which are in turn linked to landlessness.

A beginning can be made by including ICTs in IFAD-initiated projects, not only in areas such as Northeast India where literacy levels are already fairly high, but also in areas where literacy levels are low. This would take advantage of the fact that there are always some literates among the poor, particularly among the youth. At the village level,
women’s SHGs could be equipped with ‘knowledge centres’ and linked with sources both of market information and extension materials. Such expansion of rural connectivity – beyond the limits currently seen as ‘profitable’ – is important not only for its immediate and likely effects on production, but also for the enhancement of encounters that could spark off further creativity.

Making ICTs available to the rural poor through community-based intermediaries could have unforeseen and even substantial ripple effects. The poor and the women could become new power centres within the village, breaking up older, more conservative power structures. The number of users could spread to include students and other youth. Given IFAD’s broad strategic concerns, ICTs could have a potentially significant instrumental role. Overall, just the availability of more knowledge from the outside could have beneficial effects on creativity and innovation. But it must be re-emphasized that land reform and advances in the spread of education are both necessary pre-conditions for the widespread application of ICTs in the rural context.
How can institutions be made to function in the interests of the poor or of women? And how are coalitions of the poor to be formed and sustained? Possible strategies include mobilization, self-help groups, establishing norms of common property resource functioning, and decentralization that makes for local accumulation, democracy and better governance.

Bringing about change is not just a matter of enhancing individual capacity for action. It is as much, if not more, the result of collective action by the poor. The importance of collective action is easily recognized in matters like the management of community-owned forests or irrigation projects. In these cases, there are clear productivity gains offered by community management compared with private or state management.

Examples of common property systems (Box 8.1) clearly illustrate the role of collective action in managing common pool resources. But collective action, in the form of adequate social practices, is also important for private investment to take place. The role of peer pressure – on regular and timely repayment in group finance schemes like SHGs, and thus in the success of microenterprise schemes – is now understood. However, peer pressure regarding social norms is also essential to facilitate all other types of private investments that call for changes in existing norms.

At another level, new types of individual investment can only yield adequate returns if social practices change. For instance, with continuing uncontrolled grazing, planting can only be undertaken by those who can afford to fence off their plantation areas. A shift to controlled grazing, however, might allow many more families to invest in plantation. Backed up by sanctions for not conforming to the new rules, ‘social fencing’ could reduce the cost of plantation, enabling many more to participate in the intensification of forest-based production.

### Box 8.1: Collective action to manage common resources

A study of 86 community-managed and 22 government-managed irrigation schemes in Nepal found that community-managed schemes were more efficient in terms of crop yield, cropping intensity, etc. (Ostrom 1994). The IFAD-initiated Oxbow Lakes Small-Scale Fishermen Project in Bangladesh instituted management of lakes as the common property resources of the poor and they showed much higher yields per hectare than both private and government-managed lakes (Nathan and Kumar 2001). In The Philippines, community participation in irrigation schemes led to greater project sustainability: resources were mobilized, loan repayments were higher, and the area under cultivation expanded (de los Reyes and Jopillo 1988).
It is, therefore, not only in the case of collective forms of management, as in common property systems, but also in instituting new forms of private investment, that enabling social conditions are needed. With the decline of traditional forms of community control and traditional norms related to extraction for self-use, how do we set up new norms of extraction and exclusion? How do we establish institutions that embody these norms? This problem is also related to the issue of overcoming barriers to collective action, to establish new forms of community management and institute new ways of private investment.

To analyse this it is necessary to bring together two streams of analysis, that of governing the commons and that of ‘social capital’. Analysis of the commons problem has centred on the role of incentives, rules and sanctions in effectively governing the commons. The ‘social capital’ discussion goes ‘behind’ this problem to investigate the conditions in which communities are more likely to set up the requisite norms and institutions for collective action. Here one could use the sociological definition given by Bourdieu: “Social capital is the sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.” (Bourdieu and Wacquant 1992).

Early discussion on ‘social capital’ in conventional development literature (Putnam et al. 1993) tended to take trust and norms as a cultural or historical given, which then determined the response of the community to development initiatives. More recent discussion (Fox and Gershman, 1999) has looked into processes whereby these norms and institutions, which need to be distinguished one from the other, are established in a community or region. The discussion also looks to the historical creation of new forms of community interaction, in particular mobilization of the poor as a key element in establishing new practices and relations in the economic sphere.

**Mobilization of the Poor**

To state the proposition in a general manner: in any kind of situation there are always those who benefit from existing norms or from a laissez-faire situation following the breakdown of norms. Those who benefit from existing norms (or the lack of them, as the case may be) will obviously oppose the setting up of any new ones. Such resistance needs to be overcome by mobilizing those who are likely to benefit, or who are expected to benefit, from new norms. If such norms are needed to build up the capacity of a community to deal with its internal resource management problems, it is possible to say that mobilization of the poor is necessary for this purpose.

IFAD has been supporting the North Eastern Region Community Resource Management Project for Upland Areas, which covers the Khasi Hills District of Meghalaya State in India. Several of the IFAD missions have observed that when village headmen...
(sardars) or other village notables in the Khasi Hills grabbed community forests and registered them as their own or, more often, as their wives’ private lands, in some villages, the poorer sections of the community reacted to being left out of the process by mobilizing themselves to change the rules regarding community forests. As a result, the community forests were divided up more or less equally among all members of the village. This village-level mobilization instituted new forms of ownership and control of former community forests, and led to more care of forests, various types of management practices and even enrichment planting, all of which increased the community’s forest management ability.

A more telling and frequently occurring example of internal political struggle relates to inclusion of women serving on forest management groups. Their exclusion from community forest management means that their local knowledge is not adequately taken into account and requirements in matters that are the responsibility of women (fuel wood in particular) are ignored in management decisions taken by men alone. This leads to inefficient community forest management. In Haryana or Andhra Pradesh States or in the Northeast region of India, effective inclusion of women in community forest management has required that they mobilize themselves, and overcome resistance from men. A feature of this internal political struggle has been that external agencies, project management offices, forest department officials and NGOs have all played facilitating roles. In the notable example of the ILO-CWDS (Centre for Women’s Development Studies) Bankura afforestation project, the project director went as far as to threaten that there would be no project unless the men transferred titles to the degraded land to their wives.

Forest-based communities have faced, and in some cases are still facing, protracted struggles to establish patriarchal norms. For example, the demonization of women – often in the form of persecution for practising witchcraft – is a means by which men prevent women from managing community affairs (Kelkar and Nathan 1991; Nathan et al. 1998). But persistence in raising gender issues can ultimately pay off by bringing about changes in long-standing discriminatory practices (Box 8.2). Whether formally or informally, openly or covertly, establishing new norms requires the mobilization of poor people in question. Thus ‘taking

**Box 8.2: Mobilizing women to manage forests**

Women’s participation is as yet largely nominal in natural resource management (NRM) groups under the North Eastern Region Community Resource Management Project for Upland Areas. However, IFAD has managed to persuade some of the traditional male assemblies (durbar) to include women in their deliberations. The Indian experience of reserving for women posts of members or even heads of village committees shows that, while such membership may be merely formal at the outset, over time the women concerned begin to assert themselves in their new positions.

- Women’s groups seem to have better group solidarity than men’s groups.
- Separate women’s groups are needed to develop women’s capabilities and assets.
- A long process of nurturing these women’s groups, and responsive systems of local government, are also required for women to retain these gains.
account’ of gender relations does not develop by itself. The inclusion of women in management committees is also the result of various kinds of mobilization and struggle. Often, external agencies also have a substantial role to play in these struggles. For instance, external project rules requiring the inclusion of women in committees, or legislation on the same matter, are important factors in bringing about changes in gender relations. The dialectical relations between internal struggles and external enabling rules and decisions feed each into the other.

The mobilization of women in various programmes (in India, the literacy and anti-liquor movements in Andhra Pradesh or the similar Naga women’s movement in Manipur State) has made it easier for them to take up various livelihood programmes in, say, IFAD-initiated projects in these areas. It has been observed, as is common with microcredit groups of the Grameen Bank and other NGOs, that women’s groups are more reliable in terms of maintaining repayment schedules, thereby enhancing group solidarity. In the tree plantation and nursery schemes of the Nagaland Environmental Protection and Economic Development (NEPED) project in Nagaland, it is reported that women-managed nurseries and plantations do better than those managed by men. The norms of reciprocity and trust seem stronger among women than among men.

At the same time it has been difficult for women to effectively enter formal forest management groups. Both Joint Forest Management (JFM) and Community Forest Management (CFM) in India have tended to ignore the demands of women as well as the poor in general. This is demonstrated by recent case studies of the Uttar Pradesh hills (now Uttaranchal State) and Orissa State (Sarin and Singh 2001). When communities closed their forests for regeneration, poor women were prevented from collecting firewood, whether for domestic use or for sale. The exclusion of women from traditional village councils is, in a sense, carried over into formal JFM committees. Where rules insist on the inclusion of women, this often remains formal. But the formal inclusion of women in these management committees makes it possible for women’s organizations to struggle to make this inclusion real.

It has also been noticed however, that separate women’s groups tend, more than mixed groups, to develop women’s management capabilities. In mixed groups, there is an almost natural tendency for men to dominate the important functions; in women-only groups, women have more chance to develop their managerial skills, as they are responsible for all aspects of the group’s functioning.

The above analysis thus leads us to conclude that gender relation must be taken account of in developing norms of reciprocity and trust. Women’s groups seem to have better group solidarity than men’s groups; and separate women’s groups are needed to develop women’s capabilities.

**Coalitions of the Poor**

In most rural societies it would be practically impossible to ignore or by-pass the traditional power structure. The ruling elites can be by-passed if they are isolated and there is sufficient mobilization of the poor to secure their rights. It is sometimes necessary and
productive to convince the well-off that they, too, would benefit from transferring resources to the poor. For example, the difficulties the well-off face in private fencing of common property resources, whether of water bodies or forests, and thus in securing their investments, can itself be a powerful factor in persuading them to agree to a redistribution. There are projects in which both the poor and the rich gain by agreeing on, and delivering, a strategy. There are also examples where the poor have benefited by uniting with some of the rich in a coalition to raise their income. Whatever the options for the poor to enrich themselves by influencing institutions, the crucial issue is how institutions, initially controlled by the rich and strong, can be run mainly in the interests of the majority who are poor. The rich – as self-insurance against events that do not hit only the poor, fear of rebellion or even altruism – can sometimes transcend crude self-interest and support some forms of pro-poor distribution, for example to provide basic health care or social safety nets (IFAD 2001). In such cases, much depends on whether the poor use their resources and power jointly, or are divided by distance, caste, ethnic group or gender.

The Oxbow Lakes Small-Scale Fishermen Project in Bangladesh and the Hills Leasehold Forestry and Forage Development Project in Nepal, both funded by IFAD, are examples of successful redistribution of community assets to coalitions of the poor. The project in Nepal selects the marginalized sections of the community, families below the poverty line, women and deprived minority ethnic or tribal people, and forms them into groups that are then given a 40-year lease of designated forests – which often amounts to a lease for life.

It was found that targeting marginal groups would not produce positive results unless the agreement of the whole community was secured. These leases were given on what had been community land used by both the richer and the poorer farmers. Considerable time was spent persuading first the officials and then the rest of the community – in particular the village leaders – that the project would benefit everyone and not just the lesasers. In the same way, in the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh, the local elite, who had been unable to substantially benefit from their investments (due to poaching by all around the lake), could see that fish culture by the poor increased local availability of fish, thus reducing prices and ensuring fresh produce.

Among marginal sections, however, the transfer of assets to women is even more difficult to achieve. There is some evidence, from microcredit schemes, for example, of violence against women when they find it difficult to repay loans. In the case of privately owned land, which is invariably in the name of men, it is even more difficult to

- The crucial issue is how institutions initially controlled by the rich and strong, can be run mainly in the interests of the majority who are poor.

- The participation of the poor in local self-governing institutions helps to build a sense of collective identity and social capital. This could lead to empowerment, though the process is usually slow. A coalition-building process often results in more rapid empowerment of the poor.
persuade men to sign it away to their wives. As mentioned earlier, in the ILO-CWDS Bankura project the only way this was done was by threatening that, otherwise, there would be no project.

In the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh, too, when leases of fishponds were to be given to women, it took a long process of persuasion. First, the various project partners, then ministry officials and the staff of the project had all to be persuaded that this was both possible and necessary. Engineers were informed that plans for excavation of ponds would not be approved unless women’s groups that were to receive the ponds were already in place. In the villages, too, there was a process of persuading the leaders, elders and fishermen that this was government policy and the ponds could not be handed over to men. A long process of persuasion and cajoling is always involved in building opinion in favour of redistributing assets to the poor, particularly women. Further, the redistribution of such assets to women carried out in the course of the project, may not be easily sustained after the project closes. A long process of nurturing these women’s groups, and responsive systems of local government, may both be necessary if poor women are to retain possession of valuable assets acquired during a project.

In some countries such as Pakistan, where there is a strong climate of opinion against women’s participation in community affairs, it is difficult to even form women’s SHGs. As reported by the ongoing Dir project in Pakistan, various methods of persuasion and exposure had to be used to enable women’s groups to be formed. What has been most effective is convincing some of the religious leaders and persuading them to speak out in support of forming women’s credit groups.

In many countries, development programmes have in effect been captured by vested interests, with the active collusion or passive acquiescence of state elites (IFAD 2001). This happens in the absence of people’s organizations that actively promote coalitions of the poor. Important factors that promote coalitions of rural poor were identified in a recent review (Gaiha and Kulkarni 1999b). Where there has been cooperative action in the past, the chances of building cooperation among the poor are high. Cooperative action may be associated with the shared norms of fairness, reciprocity and trust in a community. It is debatable whether such norms can be observed in vertical social networks involving people of different status and power. There is some evidence that if the gains are large, even socially heterogeneous groups can come together (Seabright 1997). However, where there are severe economic inequalities in a given society, local organizations are captured by the rural elite.

The participation of the poor in local self-governing institutions helps to build a sense of collective identity and social capital, which may lead to empowerment. However, such a process of empowerment is usually slow. A coalition-building process often results in more rapid empowerment of the poor (Box 8.3). If it is accepted that economic betterment is essential to empowerment, the complementarity between local self-governing organizations (e.g. panchayats in India, councils of elders in Africa) and SHGs takes on added significance. As a result of economic betterment through self-managed activities, the poor or weaker strata of the population are better equipped to play a more
active role in self-governing organizations. On the other hand, given that there are fixed costs involved in organizing the poor, through meetings, awareness campaigns and dissemination of information, some form of unions of SHGs could reduce them significantly by enlarging their membership. Given the positive externalities among rural organizations, the government has a promotional role to play.

**Establishing Norms of Common Property Resource Functioning**

Some of the pre-conditions for successful common property resource (CPR) functioning are now well understood. In particular, the importance of secure property rights and sufficient incentives through higher incomes has been established through various cases and analyses. IFAD-initiated projects’ experience highlights three factors for successful CPR functioning:

- Norms of CPR functioning can be established even among groups that do not have a history of community functioning.
- There is a need for fairly homogenous groups that function on the basis of equity.
- The use of effective participatory monitoring, backed up by sanctions, needs to be widely known among group members.

IFAD’s experience in several projects – particularly in the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh, the Tamil Nadu Women’s Development Project in India and the Hills Leasehold Forestry and Forage Development Project in Nepal – show that it is possible to create trust where strong traditions of collective economic action did not previously exist. This depends on secure, long-term user rights to

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**Box 8.3: Empowering women to help themselves**

The Tamil Nadu Women’s Development Project in India supported early initiatives to form SHGs and provided preliminary linkage with the banking system. The SHGs were supported to inculcate the habit of savings, use such savings for small emergency loans and receive larger individual loans from the banks for investment purposes. Apart from achieving excellent savings and repayment rates, thus creating the foundation for a viable rural financial system, the project contributed significantly to the empowerment of women. After the SHGs were formed, women reported a greater degree of mobility and self-confidence, for example when visiting banks or conversing with officials visiting the village. Women’s access to resources and their participation in decision-making have been enhanced, and in many districts SHGs have been institutionalized as village institutions with SHGs forming the core of many development initiatives.

Women have also derived strength from mutual solidarity to take up collective action against social oppression. For example, in Usulumpatti, a local SHG network emerged as SHGs grew in number, and within three years succeeded in eradicating the centuries-old practice of female infanticide. In other places these networks, essentially coalitions of poor women, have succeeded in reducing the incidence of alcohol abuse, wife-beating and gambling. In Maharashtra, where IFAD assisted in a similar project, this coalition succeeded in negotiating better services from formal financial institutions and various government departments. In many cases, women’s solidarity has also helped reduce the petty rent-seeking behaviour of officials operating at local level.

Source: IFAD Mid-term and completion evaluation reports.
resources and incentives to cooperate, in the form of substantially higher incomes that could result. Systems of equity in access or income and cost, including labour sharing, along with monitoring by group members and democratic rotation of leadership, all contribute to building trust.

In the Maharashtra Rural Credit Project in India, some women’s SHGs excluded the poorest women. The main reasons for their exclusion were their lack of awareness of the scheme, inability to overcome social exclusion and inadequate flexibility in the design of the scheme (Gaiha 2001b). Another situation where differences have been observed in time preference is in community forestry. The better off and the men tend to prefer timber trees or fruit tree plantations that take long to mature but are likely to yield high returns. But the poorest need immediate access to fuel and fodder. Women, responsible for running the home and keeping the kitchen fires burning, also need quick-yielding fuel and fodder species. At another level, families that have migrated to urban centres (in Northeast India for example), seem keener to liquidate their holdings of trees and turn them into cash, whereas families with settled rural locations are less likely to liquidate their holdings and more likely to institute sustainable harvesting of timber.

If effective monitoring backed up by sanctions is essential to the success of CPR systems, what exactly is needed for effective monitoring? In the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh, the new fishermen knew little about the procurement and sale of fish, and the handful of knowledgeable persons could earn a substantial premium over their regular incomes. Over time, however, the new fishermen acquired knowledge both on technical matters and on the social networks involved. It was observed that more of them participated in monitoring and various purchase and sale activities. The spread of technical and marketing knowledge was critical to this process of participation.

Bringing pressure on comparable countries calls for the poor to build coalitions across countries. The growth and spread of ICTs are also increasingly facilitating such international, or even global, coalitions of the poor. Electronic networking makes it possible for the poor to communicate on issues of common interest. A number of such international coalitions already exist, for instance, in support of the rights of forest dwellers, in opposition to large dams, and so on. IFAD, too, has played a role in setting up one such international coalition of the poor – the Negotiated Land Reform Network (NELAREN). Globalization makes such global coalitions of the poor both necessary and possible.

Decentralization and Local Accumulation

In the first phase of rapid growth in countries like Malaysia and Thailand, export earnings from agriculture (rice, rubber and palm oil) contributed to reduction of rural poverty as well as accumulation in industry. In China, too, the rapid growth of the 1980s was based on agriculture and other on-farm production (what the Chinese call sideline activities), which reduced rural poverty and provided surpluses for industrial
investment. But agriculture quickly comes up against the barrier of diminishing returns in the absence of technological change. Capital is diverted to other, more profitable investment activities. Where this investment in industry was made in the villages (as happened on a large scale in the TVEs in China) it contributed to a relatively stable increase in local income. One factor which made this possible was that the investment horizon was limited and local. The TVEs had to look at the most profitable investments in their own locality. At the same time, the markets in which they could sell their produce were not necessarily local.

Global capital flows, with open capital regimes, are determined by comparative rates of profit. Consequently flows into Asia have been largely into urban, industrial and service sectors. Profit rates in agriculture, particularly in poor areas of rainfed agriculture and in the hill-forest regions, are not high enough to attract external investments. This is a large part of the problem. On the other hand, uncontrolled capital movements will drain savings out of such areas to be invested in areas of higher returns.

How can the drain of savings from rural to urban areas be reversed? It is necessary to identify a system of regional/rural banks that could help the process of local accumulation in poor areas. In the early phases of capitalist development in the United States, banks had only regional charters and were obliged to confine their operations to the state in which they were chartered. Regional banks also exist in China.

The setting up of regional banks is a national policy matter, but IFAD-initiated projects could build up similar institutions. Especially in places where there are almost no national banks, as in some of the hill districts in India, IFAD-initiated projects could set up local financial institutions that would keep deposits and credits local.

Any system of regional (local) banks should be accompanied by decentralization/devolution of government revenues from local natural resources, such as forests or minerals. Devolution of timber revenues and timber corporate income to the County level has benefited local accumulation in the forest areas of China. For instance, Lijiang County in Yunnan has used timber income to invest in building up tourist infrastructure, and tourism is now the biggest source of income for the county. Another hill county in Yunnan was able to sell sand resources to glass factories in Kunming, and use the proceeds to transform its agriculture and build up livestock production.

Revenues and incomes can also be devolved to the household level, as is the case in Meghalaya, India, where both timber and coal are family-owned. In this case, too, such local ownership of resources has promoted local accumulation, both in the villages but more so in the capital and other cities of the province.
The contrast in these two cases – of sand in Yunnan and coal in Meghalaya – brings out the importance of government responsibility in regulating the manner and methods of extracting the resource. In Meghalaya, uncontrolled small-scale mining is leading to numerous holes in the ground, health hazards and various environmental problems. In the Chinese example, there are strict environmental regulations on rates of extraction, follow-up to extraction, and so on.

A further problem with decentralization is that the locally dominant communities (who might be marginal minorities from a national standpoint) tend to dominate the manner, and therefore the distribution, of benefits from the local accumulation. As mentioned earlier, income from timber has built up the tourist industry in Lijiang in China. Timber comes mainly from of the upland Yi and Lisu, but the lowland Naxi dominates the town of Lijiang. There are backward links of the tourist industry to the villages, which supply agricultural and animal products and forest products, such as mushrooms. But the largest share of benefits from tourism goes to businesses and regular workers in the town. A counter example of local accumulation that provides more benefits to villages is the development of the bamboo board industry in China's Hunnan Province. In this case, there has been a substantial increase in the number of days worked and thus greater incomes for bamboo growers and the villages.

Thus while decentralization of revenues helps local accumulation, it is likely to occur in such a way that it benefits the locally dominant community more. This is part of the larger problem of decentralization, where the critical problem is how to prevent the elite from monopolizing the benefits of it (Bardhan 1996).

The poor will benefit from decentralization only to the extent that they mobilize and make their impression on the programmes and projects implemented. This is more likely when decisions are taken locally rather than in distant administrative centres. Wherever the decisions are made, however, if pro-poor policies and projects are to be adopted the constituency of the poor will have to make its voice heard.

This, too, is more likely where decentralization is accompanied by democratization. Local democracy, particularly at the village level, need not be of the representative type, where the role of citizens is restricted to periodic voting. Direct democracy can be used to take decisions, with implementation left to elected committees. Where the numbers of the poor are large and they are well organized, such downward accountability will make it more possible for the poor to have an effect on local policies.

Some degree of downward accountability can exist even in the absence of formal democracy, as in Chinese villages. Studies (Siu 1989; Oi 1989; Nathan and Kelkar 1997) have shown that there is often a close relationship between local cadres who run the local administration and the people. The party-state apparatus is not monolithic in its economic operations. Farmers and others often do express their grievances and resentments in various ways and the local party-state apparatus is forced to take these into account. But a system of formal accountability, such as participatory democracy, would surely improve the responsiveness of policy to pressures from below. Such democracy is needed as a means of securing self-correction in local policies and decisions.
In India, the recent constitutional amendments that acknowledge the management rights of local communities over forests and other natural resources are an important step in the direction of empowering local communities. But these amendments need to be supplemented by rules that make the elected village committees and other local officials accountable to the villagers.

The tendency in the decentralization of management of resources (forests or water bodies) is for membership of the community to be the defining characteristic for sharing benefits. Such access rules favour the better off, those who have other sources of income. At the same time, the unregulated common character of these resources inhibits investment in increasing their productivity and thus degrades them. This, for instance, is what has happened with non-timber forest products (NTFP) in forest areas. Medicinal herbs and other valuable NTFP are disappearing in the forests and are only being preserved in private gardens and fields, a process that works against the land–poor, including women who do not have lands of their own.

One response to the degradation of unregulated commons has been to privatize through leasing the land to the highest bidder. This has been done, for instance, on a large scale in China, where degraded lands have been leased out for growing fruit orchards. This works against the poor, who are denied access to the fuel or fodder they used to collect from the degraded lands.

Another way of resolving the problem of degradation while benefiting the poor would be to lease the resources to the poor for their use as a common property, as in the IFAD Hills Leasehold Forestry and Forage Development Project in Nepal and the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh. In both cases, access was restricted to those who contribute labour and based on the extent of such labour (with investment funds provided by IFAD as a loan). This measure would link investment and benefits and thus encourage increases in production. At the same time, by making labour contribution a necessary condition for access to products, those with higher labour productivity would be excluded. The formation of such user groups for natural resources owned by the community could both link investment with benefits and contribute to reducing poverty. This is one way decentralization could be made to benefit the poor.

IFAD’s experience in allocating resources whose management is decentralized to the poor of the community has already been discussed above. The allocation of community resources to the poor on a larger scale is an area to which IFAD should give more concrete attention.

**GOOD GOVERNANCE AND DECENTRALIZATION**

In Asia, there are many factors that demonstrate the potential of local governance and decentralization in rural poverty reduction. The case of Chinese TVEs suggests that, under appropriate incentive structures, decentralized public authorities at the local level can initiate rural industrialization projects and raise resources for funding rural infrastructure from the resultant profits.

There is considerable scope for mobilizing contributions from the intended beneficiaries
Local governance and decentralization help reduce poverty, but good governance is essential if the reforms initiated and the institutions set up are to be sustainable.

In situations of elite domination in local governance structures, the benefits trickling down to the weaker sections of the population will be slow and uncertain (e.g. India). However, in Indonesia and Taiwan, substantial decentralization of expenditures on social and economic infrastructure in recent years had contributed to a sharp decline in poverty. Such examples are more difficult to find in countries growing at a much slower rate.

Good governance is essential to sustainability of the reforms carried out and institutions set up in projects. Experience, in the Oxbow Lakes Small-Scale Fishermen Project in Bangladesh for instance, shows that while CPR institutions may be set up during a project, post-project sustainability of the changes depends both on the strength of the groups and also on the support, or at least non-interference of local governments, in the functioning of these groups.

There is some evidence that community-level institutions work better in enforcing common agreements and cooperative norms when the underlying property regime is not too skewed and the benefits generated are more equally shared. In remote regions of poor countries, decentralization also provides a more effective channel for transmitting (and acting upon) early warnings about problems that might develop into disasters (droughts, epidemics, etc.).

Some decentralization schemes, however, have been more nominal than real. This is the case when the central state retains various directing roles in the local community. Both the Community-Based Natural Resource Management Programme in The Philippines and the Joint Forest Management Programme in India are examples of failures caused by incomplete decentralization. A recent study undertaken by CIFOR, under an IFAD-funded technical assistance (TA) grant, revealed that decision-making in such programmes was still centralized and access of the poor to forest produce was very restricted.

Often, there has been resistance at the provincial government level to decentralization schemes – such as the Panchayat Extension to Scheduled Areas (PESA), the wide-ranging provisions of which gave ownership of NTFP and management rights over all village natural resources to village assemblies. Legal definitions of NTFP have been changed, for instance in Orissa, where the Forest Department redefined ‘minor forest produce’ to remove important items such as hill broom and medicinal herbs whose ownership would otherwise have devolved to the village assemblies. (See Sarin and Singh 2001 for other examples.) In Nepal, the Forest Act of 1993 and several amendments, the Forest Regulations of 1995 and the Community Forest Directives of 1995 provide a framework for the ownership/tenure and structure of community forests. Community forestry involves the transfer of user rights and management responsibilities for one or more patches of forest to the local people formed into a specified forest user group (FUG). The
legislation recognizes FUGs as self-governing and autonomous entities and entrusts them with the management, control, utilization and sale of community forest resources in a planned way. However, the government is at present considering a draft forest legislation that is likely to increase the authority of the forest department.

For decentralization to be effective, fiscal devolution to local authorities is a priority. Where local governments depend on higher-level authorities for the sanctioning of funds, there is less scope for them to take up schemes on the basis of their own priorities. Such scope could increase if certain revenues were to be earmarked for the local governments. For instance, in China, both land revenues and the ‘agricultural goods tax’ go to township governments. Similarly, in the ambitious village decentralization scheme currently being tried out in Kerala State (India), the village authorities have been earmarked a certain portion of development funds. Such devolution would allow village authorities to address local priorities more effectively. New mechanisms may, however, be necessary to ensure that greater autonomy is combined with greater accountability.

**Local Organizations in a Strong State**

Policy regarding the ownership of forests and agricultural land is decided upon at the central level. However, there is considerable scope for ‘localization’ of policy (Siu 1989; Oi 1989). For instance, in the Chinese 1978 reforms, along with agricultural land, forestland was devolved to households. But in virtually all of Lijiang County, where there were reasonably ethnically homogenous villages of indigenous peoples, the County Government did not implement this policy (Nathan and Yu Xiaogang 2000). It successfully argued that the traditions of the national minorities supported the collective management of forests. As a result, almost all the areas of Lijiang County outside the urban centres retained collective ownership of village forests (Box 8.4). Another instance of localization of central policy directives was that of the 1998 ban on logging ‘natural forests’ but not on plantations. Local authorities promptly classified many forests as plantations. After this the central government changed the order to apply to all forests, whether natural or planted.

**Box 8.4: Localizing central policy directives**

There were instances, as in Suinin County of Hunnan (China), where villages initially decollectivized and then recollectivized after they were unable to control the rate of logging. Going beyond forest villages, there are the collective villages of Nanjie, Liuminying and Huaxi which all resisted various degrees of pressure from Beijing to fall in line with the central policy of ‘household responsibility’. In all these cases of resistance to the central policy, there was a degree of agreement between cadres and the villages on the desirability of maintaining or re-establishing collective systems.

What such successful ‘localization’ of central policy required was a strong consensus in the villages on both goals and institutions to achieve these goals. With this consensus the villages were able subsequently to establish norms and sanctions that enabled them to overcome ‘free rider’ problems while providing incentives for work.
With consensus on goals and processes, there is a degree of trust between cadres and the people. It is not that there is equality between all families: indeed, there are clear differences between some of the leading cadre families and the rest but where there is inequality, it is not so glaring. More important for maintaining trust is perhaps the fact that the poorest of the villages have certainly gained a share of fairly comfortable living. But even the migrant workers, largely young women, have also shared in something more than they would have obtained in their villages of origin or even in nearby villages.

Trust in the case of these collective Chinese villages is based on shared goals, consensus on processes, including norms and sanctions for breaking them, and, perhaps most important of all, the fact that the poorest have shared substantially in the distribution of benefits. Meeting the Rawlsian condition of justice in development – that the poorest get a substantial share of the benefits – would seem to be a strong base for trust, even if there is inequality.1

The concern – on the part of some cadres to see that the poorest obtain some kind of cash income – even led to cases where they knowingly overlooked violations of laws. No timber can be logged without a permit, but in the upland villages of Lashe Lake (near Lijiang town), where the poorest Yi live, some small-scale logging was undertaken. This was their main source of cash income, with which they could pay school fees, etc. In a not uncommon complicity between cadres and villagers, this illegal logging was allowed to continue right up until the time of the countrywide ban when it became virtually impossible to transport unauthorized timber.

Also, when fields of lakeshore villages were flooded because of the need to maintain high water levels for the bird sanctuary, local farmers refused to pay land revenues. The township administration did not press for these revenues, and was instead compensated by the county government for the loss. These forms of trust are necessary if local governments are to get the support of residents in undertaking development measures.

DEMOCRACY AND SELF-CORRECTION

The building up of trust and consensus in favour of a programme or project is not all that is required. In any development initiative, there are always unintended effects, both positive and negative. For instance, the positive effect of women’s microcredit groups on their familial and social standing was, perhaps, an unintended effect of the scheme to provide credit to assetless families. Similarly, there are also the inevitable unintended negative effects of changes; for instance, the failure of forest privatization to meet the needs of forest-based environmental services may be an unintended negative effect of privatization.

Taking account of unintended consequences, both negative and positive, means that any course of development will also require changes along the way. Not enough is known to adequately predict what will happen, and changes along the way will always be necessary. These changes depend not just on the leadership of the village and its farsightedness. Very often, they depend on the ability of those who are negatively (and positively) affected by the changes to articulate their problems and needs.

A system of political organization that does not allow for the articulation of these
problems and needs will naturally fail to induce the necessary changes. In allowing all groups and persons to put forward their views and opinions, and their needs and demands, democracy is a powerful instrument for introducing mid-course changes. Whatever its other intrinsic merits, democracy also has an instrumental role in continually fashioning and refashioning policy – a political process that is itself facilitated by democracy.

**IFAD’s Experience in Decentralization/Governance**

IFAD’s experience of participating in implementation is interesting and varied. There are four major areas in which its experiences, both negative and positive, can best be used to indicate the way forward for future participatory initiatives. These include decentralization; local capital formation and savings groups; changing the attitude of officials and beneficiaries; and targeting. Some examples of IFAD initiatives include the Participatory Resource Management Project in Tuyen Quang Province (Viet Nam), training programmes on participatory rural appraisal (PRA) methods in China, and savings groups in India and Indonesia (Boxes 8.5, 8.6 and 8.7). The project in Viet Nam provides a good example of gradual, but increasingly successful, promotion of decentralization through participatory methods in project implementation. In 1994-95, the project was criticized for insisting that no major investment could be made in a village that had not had PRA dialogue. Since then, the project team has worked very closely with all stakeholders to convince them that the project must listen to the views and perceptions of all. Trust and confidence among all stakeholders has gradually grown and the project has now made significant progress in promoting genuine participation in implementation.

Local capital formation through savings groups has proved to be valuable for enhancing participation, as also emphasized during the Reality Check Workshops held in India and Indonesia (Box 8.6). Savings groups have proved essential in cushioning the poor against crisis, the recent financial crisis in Indonesia being a case in point. Local capital formation promoted in the P4K project through SHG members of such groups has helped them to continue their economic activities and/or maintain their consumption levels. In some cases, SHGs have also provided financial help to non-P4K members. The Karya Terpadu Association of 16 SHGs in Rareng village, Lombok Province, extended its savings and credit activities beyond the initial core of 160 P4K SHG members, to 300 non-P4K group members in their community.

**Box 8.5: The IFAD initiative in Viet Nam**

The annual work plan and budget was prepared in 1998 based on the results of participatory planning exercises in over 100 communes covering more than 1,200 villages and over 40,000 households. Decentralization of planning and responsibilities to execute agencies at the provincial and district levels was officially enacted by the provincial administration in January 1997. Today, the project is considered the first project in Viet Nam to promote grassroots democracy within the framework of a provincial government. A supervision mission of the project fielded in 2000 observed that the process of decentralization was well established at the provincial level and that institutional capabilities had improved significantly.
SHGs have served purposes beyond financial support, one of which is to empower local people to develop coping strategies to deal with external shocks. The majority of small farmers’ groups in the P4K project areas met on a regular basis to discuss the impact of the crisis and ways and means of surviving it. In West Nusa Tenggara Province, after several discussions and monthly meetings, snack-makers came up with an innovative way of enhancing the quality of their product: they resolved to clean the eggs thoroughly, improve the packaging and add the association logo to it. As the crisis worsened, they agreed to stop producing snacks such as *telur asin*, and the association arranged to buy subsidized rice and re-sell it in the villages for a small profit.

Empowerment, which is a central theme of participation, has been greatly increased by savings and self-help groups. Empowerment related to participation can be identified through several indicators, including a sense of initiative and project ownership, social institutions, food security, capability to deal with crisis (such as in the case of P4K) and beneficiary control of development and resources. Savings groups have been a useful tool in promoting the concept of self-reliance and have had a positive impact on women in rural communities. The training of SHG members has taught them financial discipline, how to look after their accounts, how to sign their names, hold regular meetings and keep a record of them. In particular, members learn how to approach and deal with banks. The women in the Maharashtra Rural Credit Project and the Production Credit for Rural Women Project in Nepal were emphatic about how difficult it had been for them previously to access the banking system. Some were far too shy to talk to a bank manager and many simply did not know how a bank worked or that they could have access to a loan.

Commitment to participation can only be complete where it is fully understood and incorporated into the mind-set of officials operating in the field. In Andhra Pradesh, the Participatory Tribal Development Project encountered serious problems in that respect. Here, IFAD attempted to bring participation within the existing structure of a government programme. Very effective project officers were appointed who worked well, but in most cases this work was nullified due to transfers. It was then observed that where a programme is run with a service delivery (supply side) and thus paternalistic in orientation, the crucial factor becomes that of changing peoples’ attitude. PRA was introduced and

**Box 8.6: Savings groups for capital and credit**

The most important purpose of savings groups has been highlighting the need of the poor to access capital and credit. These groups are allowed to develop their own norms for fixing interest rates for their weekly deposits and the loans they grant to each other from the savings. In Indonesia, by June 1998, the overall savings of SHGs in the P4K project amounted to USD 865,431 in the bank and USD 251,282 in group savings (Seibel 1998). The Maharashtra Rural Credit Project in India, covering 4 districts, mobilized INR 33.3 million in 4,779 SHGs with 79,000 members (UNOPS 2000). About INR 573.8 million were mobilized as interloans involving 42,000 persons. This has increased the resilience of the poor to unexpected economic downturns resulting from illness in the family or short spells of drought. Access to credit without collateral has alleviated two recurrent situations – dependency on moneylenders, and the sale of productive assets for consumption purposes.
the staff was later provided with training in management skills. One of the problems though was that participatory methodologies were not fully designed and incorporated, particularly at the implementation stage of the project cycle. Consequently, operators in the field were not fully aware of the extent to which they had to stimulate the ‘demand side’ of the project and encourage beneficiary decision-making. Communities remained heavily reliant on aid in the form of subsidies rather than loans, and were not encouraged to initiate, fund and undertake their own rural works. Community organizations remained extremely weak and lacked a point of entry.

To resolve these problems and, in particular, to change the attitudes of project staff and people, the project resorted to introducing the NGO Outreach – which specializes in participatory techniques – to train both field workers and beneficiaries. A further objective was to organize savings groups in the hope that they would eventually strengthen or take over from the village development tribal associations (VDTAs). One year after these changes were implemented, Outreach has had limited success; limited in a quantitative rather than qualitative sense. The NGO failed to bring about a complete change in official attitude mainly because of a lack of manpower. Where the NGO presence has been strong, villages have begun to show signs of participatory development. Greater attention should perhaps be paid to pairing NGO workers off with field workers (such as the VDTA workers) on a permanent basis. This may breed a climate of greater cooperation among the different organizations involved in implementing the project. It may help to incorporate participatory concepts more thoroughly and uniformly into the actions and attitude of field workers. Given IFAD’s experience in Andhra Pradesh, the Madhya Pradesh-Bihar project has been designed with empowerment, as opposed to service delivery, as a major force for guaranteeing decision-making by the people.

Drawing on IFAD’s experience in Nepal (Box 8.8), it is possible to conclude that adequate targeting is an essential element of participation. The project has taught that despite adhering to specific criteria in selecting beneficiaries, the targeting process will not yield positive results without the consensus of the entire community. In this project, both the richer and poor farmers gave the leases out on what had been de facto community land. Much time was needed to persuade the rest of the community, and in particular the

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**Box 8.7: Participatory rural appraisal (PRA) in China**

Training programmes on participatory rural appraisal (PRA) methods, including participatory project planning, have been organized to familiarize township project management offices (PMOs) with the ongoing Southwest Anhui Integrated Agricultural Development Project and the recently initiated Wulin Mountains Minority-Areas Integrated Agricultural Development Project. The purpose is to enable them to assess rural needs and identify the need to establish norms so that they may act in concert with grass-roots stakeholders at all stages of project design and implementation. Thus, before effective project start-up, a small but growing proportion of the PMO staff will receive training in participatory approaches. IFAD hopes its projects in China will eventually strengthen community-level institutions that will, in turn, enforce common stakeholder agreements and cooperative norms. The aim is that such institutions should become effective channels to transmit early warning signals about problems facing the poorer households.
village leaders, that the project activities (especially the ban on grazing on the leased land) would benefit everyone and not just the lessees. Just as the lack of consensus could impede project implementation, one could tentatively draw the reverse conclusion – that where community approval was given, the leasehold groups were greatly facilitated in protecting and developing their land.

When the Nepal Small Farmer Development Project – Phase I (SFDP-I) in Nepal was financed by IFAD in 1981, targeting was based exclusively on land and that, too, on a sufficiently high level (2.67 ha in the Tarai and 4 ha in the hills). This gave scope for the large farmers to enter into this highly subsidized programme. This was, however, corrected in the subsequent SFDP-II by introducing two-tier criteria involving much reduced levels of land and income. It was further realized that such group-based poverty lending was not feasible under the public sector development bank and hence no subsequent phases were financed.

In situations of severe social and economic inequality at the local level, decentralization may fail to help the poor. The local elite can easily capture the local community institutions and the poor may be left exposed to their mercies and their malfeasance (equity issue). There is a trade-off between the need for policy coordination at the central level when there are economies of scale and of scope and inter-jurisdictional externalities on the one hand, and that for local information and accountability on the other hand (efficiency issue).

Two important things can be done to prevent such capture of local institutions:

- **Strengthening institutions of local accountability.** For example, in the West Bengal State of India, local *panchayats* organize large public hearings at the village level at least once a year.

- **Promoting freedom of information.** For example, in the Rajasthan State of India, local bodies are obliged to show vouchers on expenses of public funds if so requested by the villagers.

### Endnotes

1. According to a Rawlsian conception of justice, ‘primary’ goods such as liberty, income and other bases of self-respect are to be distributed equally except where their unequal distribution is to the benefit of the least advantaged members of society (Rawls 1972).
Globalization and economic liberalization can help growth and reduce poverty in some ways, but they also entail risks. The real test of globalization is that it must not result in further hardship for the poor. If globalization is to be successful, it must work within a framework of mechanisms that allows the voices of the poor to be heard. This is central to a rights-based approach to development.

The process of globalization, which fosters increased inter-linkages among countries, expanded trade, and financial and information flows, can be a source of new technologies, markets and finance. Globalization and economic liberalization have played a crucial role in the general economic development and poverty reduction in East and Southeast Asia over the last three decades. But – as demonstrated by the Asian financial crisis – globalization also entails risks:

- Inability of many domestic producers to compete in the short term.
- The potential destabilizing effects of uncontrolled short-term capital flows.
- Increased exposure to price risk.
- Worsening inequality, as many poor people and backward regions are left behind (AsDB 2000).

Although it is recognized that globalization plays an important role in promoting economic prosperity, it has not, to date, influenced the lives of the poor living in remote or inaccessible areas. More important, the potential benefits of market reforms may not be realized in the absence of an appropriate regulatory framework, thus subjecting the poor to acute hardships (Gaiha 2001e). Unless the poor can influence public expenditure programmes, the benefits of such programmes are likely to be captured by the elite. Hence the emerging lesson is that governments must institute mechanisms to ensure that the voices of the poor are heard. They must be empowered to take their own decisions, rather than being passive recipients of policies and decisions. This is central to a rights-based approach to development (DFID 2001).

More specific concerns in the context of rural poverty reduction have been highlighted in IFAD’s recent Rural Poverty Report 2001. Trade liberalization, for example, influences the rural poor in different ways. In removing or reducing biases against farm prices, it may help the net food sellers among the rural poor and harm net food buyers, but access to competitive market channels also matters. If, for example, monopsonistic marketing boards were to be replaced by a private monopsonist, the gains from trade liberalization...
to smallholders might remain limited. Moreover, supply responses are conditional upon infrastructural support such as roads and communication networks. Finally, trade liberalization is associated both with higher prices of major food crops and greater variances of these prices – particularly rice. Even if smallholders benefit from higher prices under certain conditions, they are also exposed to greater variability of farm incomes.

The effects of trade liberalization on agricultural growth, productivity and prices varied in a sample of five countries – Chile, Ghana, Indonesia, Madagascar and Mexico (IFAD 2001). When rural infrastructure is good, the poor are able to respond better to new incentives and opportunities. A case in point is China, where competitive markets developed rapidly after commerce was opened up. In contrast, however, the supply response has been sluggish in large parts of Africa due to weak infrastructure.

The next section focuses on the impact of globalization on the upland and mountainous areas of Asia, home to some of the poorest of the poor in the region. It also examines the impact of capital account liberalization on economic vulnerability and rural poverty, drawing on the experience of the recent financial crisis in the region.

**Globalization and the Upland Poor**

With underdeveloped infrastructure, upland and mountainous areas of Asia suffer from social deprivation mainly because of political neglect and remoteness. Until recently, what little development assistance the upland populations have received has been guided by the primary concerns of the lowlands and mainstream societies. Indeed, the conventional industrial and agrarian sectors rarely flourish in the hills and mountains because of strong comparative disadvantages, for example in terms of production costs. While the uplands have attractive assets, past efforts to exploit these comparative advantages have tended to dispossess the local populations. The current process of globalization increases the risk of further marginalization, disempowerment – and desperation – unless it is specially adapted for these areas.

The unique features of mountain areas – limited accessibility, fragility, marginality and diversity – generally require diversification of resource use and production. But globalization, guided by short-term profitability and external demand, promotes narrow specialization in a few specific products. It encourages indiscriminate resource-use intensification and over-extraction of niche opportunities, with little concern for their

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**Box 9.1: The impact on women**

The impact of trade liberalization on women has been mixed. In sub-Saharan Africa, women have often been unable to participate in the export crop market as they lack land rights, access to inputs and marketing channels. But in Uganda, women own-account workers have been more successful with growing non-traditional agricultural export crops than they have with traditional export crops such as coffee. In southern Mexico, too, trade liberalization improved the lives and earnings of women. From being largely poor farmers two decades ago, women are now engaged in a wide range of occupations including small businesses. *

* See Kanbur 2001 for information on the disagreements on the income distributional effects of globalization.
environmental and socio-economic consequences (Jodha 2001). In many cases, this has led to the over-extraction of timber, minerals, hydropower and herbs, with the inevitable negative effects on the environment. Also, the process of globalization is so rapid that the mountain communities do not have sufficient lead-time and capacity to adapt.

The upland and mountainous areas of Asia possess enormous potential for niche products and services such as high-value agricultural products (off-season vegetables, seeds, fruits), timber, NTFPs, minerals and ecotourism. They also provide hydrological services (watershed functions, hydropower), environmental services (carbon sequestration) and biodiversity protection. However, several processes are in operation through which globalization is eroding the mountain areas’ niche of comparative advantages (Jodha 2001):

- In response to high external demand and profitability, globalization introduces new incentives, technologies, infrastructure and support systems. As a result, man-made facilities are created for production in the plains, undermining the comparative advantages held earlier by mountain areas. In India, for example, products such as off-season vegetables, crop seeds, honey, mushrooms, flowers and herbs can now be produced more cost effectively, and in large quantities, in greenhouses in the plains of Punjab, substituting the production of such commodities in the mountain areas of Himachal Pradesh.
- Trade liberalization and the opening up of imports will further erode the comparative advantages of mountain areas in the production of high-value commodities, as they will not be able to compete with cheap imports on domestic markets. For example, it is difficult for apples from the mountain areas of India to compete, in the domestic market, with imports of apples from developed countries.
- Lack of resources and skills prevent mountain people from participating in, and gaining from, opportunities offered by globalization, which is leading to their exclusion from the global economy.
- Mountain people are also being exposed to resource-based exclusion, as huge areas of land are leased out or auctioned to outsiders for mining or tourism development or cultivation of NTFPs in many countries of the region.
- The provisions of global conventions and treaties relating to biodiversity conservation, desertification, forest policies, and climate change – all of which focus on the protection of ‘global commons’ – tend to restrict mountain people from harnessing their niche opportunities. Adequate concern for, or understanding, either of fragile areas or of their inhabitants who depend on such ‘global commons’, is lacking.

Years of continuous neglect and the recent crises (financial, El Niño, La Niña, and political insurgency) have created a sense of helplessness in the uplands. Fortunately, it is now being realized that the real plight of the mountain and upland poor has been overlooked. The first major challenge is to help restore these people’s confidence in their own abilities to emerge from the current situation. The urgent need is support for a process of self-empowerment so that poor upland people can make the decisions necessary for building a sustainable future based on their resources and improved technology and centuries of accumulated wisdom.
The urgency for preventing or reversing the deterioration in the livelihoods of rural poor in upland areas is not based exclusively on humanitarian concern for these marginalized populations. Many upland and mountain communities in Asia can claim a share in the gains of globalization through value-addition activities or by identifying and promoting new niche commodities and services. One example is the promotion of organic agricultural products that are in huge demand in developed countries. Facilitating the participation of mountain people calls for the introduction of new technology and capacity building, including training and certification. Local communities could also gain by participating in ancillary activities to support bigger ventures, as in China (Rongsen 1998).

Mountain communities manage landscapes that provide environmental services to beneficiaries, but the communities do not share in the benefits of such services – clean and abundant water supplies from watersheds, biodiversity protection and stocks of carbon that may alleviate global warming. Rewarding the poor upland communities for providing these services would enhance their livelihoods and reduce poverty, and clear opportunities are now emerging in this respect. However, the current successes (Chile, Colombia, Costa Rica, Malaysia and Venezuela) in environmental transfer payments have generally benefited large landowners and concessionaires. There is a danger that some types of currently evolving transfer payment mechanisms are being designed and implemented to the disadvantage of the upland poor: they may speed up the displacement of poor people from the uplands and increase their poverty. This may be true for carbon sequestration. There are also risks that the concerns of national and global societies with regard to biodiversity protection and the hydrological services of watersheds may have a negative impact on the welfare and land rights of poor upland communities.

In view of the above, the major potential benefits offered by transfer payments should be tailored, as a matter of urgency, to the specificity of upland and mountain dwellers. A number of significant questions need to be addressed as environmental transfer payment mechanisms are set up to reach the upland poor:

- What kind of institutional arrangements are needed to facilitate transfer payments to the poor?
- How can contractual agreements with upland communities be created and enforced?
- How can compliance with agreements be monitored and verified in a cost-effective way?
- How can transfer payments be disbursed efficiently and equitably to large numbers of households?
- How can an enabling policy environment be put in place to underpin such initiatives?

These questions require serious investigation across a wide range of environmental services and ecological, social, political and economic conditions in the Asian context. And
the emerging answers must guide action to establish environmental service payment mechanisms to benefit the poorest upland communities, failing which they will very likely be left out or even put at a disadvantage by these evolving processes. A coordinated international effort is needed to investigate the issue, evolve successful methods, and test and refine them through an array of pilot action research projects.

**Capital Account Liberalization, Economic Vulnerability and Rural Poverty**

In many Asian countries, capital account liberalization has increased the vulnerability of these economies to external shocks because private, short-term capital can rapidly flow in and out of the country. The Asian financial crisis of 1997 demonstrated the potential impact of this phenomenon on economic growth and poverty. For example, in Indonesia, the financial crisis that hit the country in mid-1997 led to a significant increase in poverty – from 11.3% in February 1996 to 20.3% in December 1998 (World Bank 2001a). Poverty also increased in Thailand and other Southeast Asian countries.

The Asian financial crisis demonstrated the vulnerability of emerging nations to capital liberalization. It is now obvious that the crisis in Asia originated in the capital rather than the current account, as was the case for the Latin American debt crisis of the 1980s. The countries of East and Southeast Asia liberalized their capital accounts during the 1990s and abolished most restrictions on the inflow/outflow of capital. They also deregulated their domestic financial systems, as part of the economic liberalization process. Both these developments took place in the context of the Japanese yen appreciating rapidly and the availability of cheap bank loans in United States dollars. These countries’ exchange rate policies also played a major role in motivating capital flows. The pegging of currencies vis-à-vis the United States dollar reduced the perception of exchange rate risks and minimized incentives to hedge capital inflows, and relatively narrow exchange rate movements created a bias towards short-term borrowing. As a result, East and Southeast Asia received nearly 60% of all short-term private capital flows to developing countries (USD 256 billion) between 1990 and 1997.

The new type of crisis, which originated in the capital account, had a severe impact on reserves, exchange rates and/or interest rates, due to the dominance of internationally mobile, risk-sensitive financial capital in the last few years and a corresponding reduction in the cost of shifting funds from one country to another. An important part of this phenomenon was the growing importance of securitized finance relative to bank loans. The current account balance is more sustainable when the deficit is mainly financed by foreign direct investment (FDI), in contrast to a deficit largely financed by short-term flows that might be reversed if market conditions and sentiments change. Capital inflows from official sources are less volatile and less subject to sharp reversals in the short term than those from private sources, and loans from foreign banks are more stable than portfolio inflows (bonds and non-FDI equity investments). By 1996, the Republic of Korea and Thailand were financing only 10% and 16% of their current account deficits with long-term FDIs. More importantly, net capital inflows other than
FDIs (portfolio assets, bonds, portfolio equity, and bank borrowings) were often large compared to the current account deficit and net FDI flows.

Given their extraordinary pace of economic development and capital account liberalization, large inflows of private, short-term capital into these countries fuelled aggregate demand, inflated equity and real estate prices, and financed large current account deficits. For example, in Thailand, the current account deficit was as high as 8% of GDP prior to the crisis. Large capital inflows and the credit boom channelled huge investments into real estate and created an asset price bubble. Most of this capital was borrowed by the private sector from abroad, taking advantage of a pegged exchange rate but without hedging against foreign exchange currency risks. The rapid growth of volatile portfolio capital relative to reserves left Thailand and other countries vulnerable to a speculative attack on their currencies. The 1996 collapse of export growth in Thailand acted as a trigger that sufficiently undermined confidence to set in a process of speculative attack on the baht. This prompted capital outflows and speculation against the baht because it produced the expectation of a devaluation. When this expectation developed, portfolio capital began to flow out. The absence of deep financial secondary markets in these countries exacerbated the outflow of capital.

As the financial crisis hit the real economic sector, the adverse effects of the economic downturn were transmitted to the poor. The sharp economic downturn led to a drastic drop in employment and real wage decreases. Official figures indicated that nearly 10 million people lost jobs in Indonesia by early 1999, although many of them moved to low-paying jobs in urban areas and rural informal sector. Likewise, it is estimated that 1.5 million people in Thailand, one million in the Philippines and 2 million in the Republic of Korea lost their jobs following the crisis. More importantly, increased underemployment and falling wages may be more widespread and higher than unemployment figures.

While many urban unemployed workers elected to remain in the towns rather than return to their villages, others were forced to do so. Thus a large part of the burden of the national financial and economic crisis has been transferred to rural areas through the mechanism of return migration. In the case of Thailand, a recent study showed that a full 10-15% of all rural incomes was made up of remittances from urban employment or ‘transfer payments’ (Siamwalla and Sobchokchai 1998).

Rural areas have also been drawn into the crisis by their close integration with urban areas through the informal sector. This integration takes place through backward and forward production and consumption links, whereby raw materials and finished goods produced in rural areas are consumed in urban areas and vice versa. Thus reduced purchasing power and demand in urban areas has, through consumption links, affected the markets of many informal sector microenterprises in rural areas. For example, many of the P4K groups (SHGs of poor financed by microcredit) have had to close down operations because of reduced demand for their processed food and snacks in rural towns and urban centres. These links forged through the informal sector have ensured transmission of the urban crisis into employment and income losses in rural areas.

The results of this transference of poverty to rural areas have been confirmed in recent
Globalization and the Rural Poor

Box 9.2: The burden of crisis travels to rural areas

IFAD-sponsored field studies showed that:

- Many rural migrants (especially from the construction industry) returned to their villages.
- Many who did not return reduced or stopped their remittances home.
- Seasonal migrants no longer went to cities due to unavailability of new jobs.

Endnotes

1 Globalization represents the adoption of market-friendly economic policies and programmes, specifically directed to the liberalization of trade and exchange policies. It reorients development and investment priorities, and restructures rules and provisions guiding economic transactions and the roles of different actors in the process, as dictated by the pressures and incentives generated by global economic forces and their legal, fiscal and institutional instruments (UNDP 1999).

2 As marketing boards provide a range of services, including the provision of inputs, credit and output, their removal is often disruptive in the absence of a coordinated effort to replace them with alternative marketing channels.

3 After growing 20% in 1995, Thai exports contracted by 1% in 1996.
Fundamental to the various strategies to reduce poverty is:
• Changing unequal gender relations to increase women’s ownership and control of property, and their effective participation in community management affairs.
• Enhancing the productivity of staples in less favoured areas.
• Reforming property rights of the various indigenous peoples.
• Expanding the capabilities of the poor and vulnerable through greater access to self-help, development, new skills and technologies.

The Asia and the Pacific Region, particularly East and Southeast Asia, has been the world’s shining example of outstanding progress in reducing rural poverty over the last two decades. But the region not only still contains two thirds of the world’s rural poor; there are indications that the rate of poverty reduction has slowed down in many countries since 1990. In response to the millennium development goal of halving poverty in the world by the year 2015, many multilateral and bilateral donors have accorded high priority to poverty reduction. For example, the World Bank proposes to attack poverty in three distinct ways: promoting opportunities, facilitating empowerment and enhancing security. The AsDB, a major donor in Asia, intends to pursue economic growth, human development and sound environmental management, and improve the status of people in ways that will contribute most effectively to poverty reduction – its overarching goal.

In its Rural Poverty Report 2001, IFAD has argued that, to be successful, poverty reduction policies must focus on rural areas where 75% of the poor work and live and where more than 50% are expected to continue to do so even by 2025. It further emphasized that the rural poor need legally secure entitlements to assets (especially land and water), technology (particularly to increase the output and yield of food staples), access to markets, opportunities to participate in decentralized resource management and access to microfinance. It concluded that such policies will not only promote economic growth but would also help to alleviate urban poverty. It therefore called for a pro-poor policy environment and an allocation of a greater volume of resources targeted to the poor with greater effectiveness.

IFAD has had a unique experience of supporting women’s SHGs, particularly in Asia. It has pioneered innovative partnerships with national and local governments, civil societies and local communities, for working with excluded groups of the poor such as women and various indigenous peoples. This report recommends a strategy for IFAD in Asia that promotes the broad framework of the IFAD Rural Poverty Report 2001 but with a sharper focus on:
ASSESSMENT OF RURAL POVERTY IN ASIA AND THE PACIFIC

- redistribution of ceiling surplus land
- property reforms in the forest areas
- non-farm employment
- targeting on catalytic and marginalized groups such as poor women and indigenous peoples.

The report suggests a primary focus on the less favoured areas – the remote uplands and mountains, the marginal coastal areas and the unreliably watered drylands. From a social standpoint, it advises that IFAD should continue its strategic focus on women and indigenous peoples as entry points to a much broader programme in the years to come.

ENHANCING WOMEN’S AGENCY TO PROMOTE SOCIAL TRANSFORMATION AND AGRICULTURAL DEVELOPMENT

The largest concentration of poverty is in South Asia and this is also the sub-region that stands out for its startling inequality of gender relations. The extent to which IFAD and other international and national organizations are able to make an impact on poverty in the coming decades will depend on the extent to which they are able to alter gender relations in the countries and areas of poverty. There is strong evidence today that shows that enhancement of women’s agency role is the key strategic policy to change gender relations and to rebuild societies with greater social and economic justice. The effect of such a policy extends beyond the household or the community of which it is part. Development literature also now recognizes the close connection between women’s education and the elimination of the worst expressions of poverty – such as excessive infant and child mortality and morbidity, and low enrolment of girls at school. The impact of income on children’s health depends not just on the level of income itself but also on the scope of women’s decision-making role within the family.

There are many examples, from different parts of the world, of the transformational role of women (Box 10.1). Women’s social transformational roles have also been observed in several IFAD-funded projects in Asia. The women’s cooperative movement in Andhra Pradesh has been instrumental in changing the cooperative law of the state. The intrusive powers of the bureaucracy, which was one of the sources of weakness in

Box 10.1: Women can transform societies

The struggles of Argentinean and other Latin American women (Mothers against the Disappeared Ones) were instrumental in securing widespread human rights for their societies as a whole. The activities of the Self-Employed Women’s Association (SEWA) and the WWF in India, the Grameen Bank in Bangladesh and many other women-centred NGOs has brought to centre-stage the role of the informal sector and women in development. They have transformed the definitions of ‘employment’ and ‘trade union’ and initiated many regulations that have improved the conditions of work and life in this vast sector.

Source: Jahan 2000.
the old cooperative sector, have now been eliminated. This Andhra Pradesh law is now being extended to other states of India. At local levels too, the beneficial effects of unleashing women's agency are evident (Box 10.2).

In economic affairs, the external factor (entitlements from the state, banks, donor organizations, NGOs) has become more and more important. Many new IFAD designed projects target most funds through the communities. In some cases, the community spends such funds on village requirements and the men-dominated village committees largely determine this expenditure. When community decisions are made, it is men's voices that are heard. This is so even in matrilineal communities where, even if women still own land, community affairs are the monopoly of men.

Some countries, interestingly in South Asia, have taken legal measures to ensure women's representation in village committees. IFAD's own experience has been that in the first phase such representation of women tends to be largely nominal, although over time women do begin to exercise the powers they acquire through these committees. Studies of the experience of women's representation in village committees, including as heads of these committees, also show that, over time, women do exercise their powers. There are reports of less corruption in use of public funds and of more use of such funds for family, child welfare and education activities. This is a strategy that needs to be promoted more pro-actively by IFAD and other international or national institutions.

Women perform most of the unpaid work within the family; men are reluctant to share in it. At the same time, women's working hours are longer and more fragmented than those of men. The lack of leisure affects women's ability for self-development through the acquisition of new capacities. The fragmented nature of their work – the little bits of time spent on a multitude of tasks – means that their concentration on a given task, important for developing innovation skills, is also limited. Thus is women's ability to innovate constrained. If women are to be innovative and far reaching agents of change, particularly in the remote and marginal areas of Asia, greater provision must be made for more effective support services for women.

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**Box 10.2: What women's agency can do: The IFAD experience**

- In IFAD’s Andhra Pradesh Tribal Development Project, SHGs of women took up contracts for local construction and, with the help of supportive bureaucrats, were instrumental in the elimination of contractors for such works in all tribal areas of the state. More recently, federations of SHGs in the project have taken on multiple functions in addressing social and administrative issues at the block and sub-division levels (Mascarenhas 2000). They have taken up issues like construction of toilets, repair of roads, improvement in drinking water and electricity supply.

- In the IFAD Maharashtra Rural Credit Project, women's groups took up numerous social issues once they had become well established. The curtailment of alcoholism was one. Other issues were to demand and force improvements in the provision of social services, like drinking water and bus services.

- In the IFAD Tamil Nadu Women’s Development Project, women’s groups in villages affected by extreme discrimination against girl children took measures to oppose female infanticide.
In seeking to transform gender relations to build a strong base of norms that promote poverty reduction, one needs to look at interventions that can have ripple effects. Microfinance is one such example of a strategic gender intervention with effects across many areas of women’s existence. It is a successful innovation in enabling assetless women to obtain access to rural finance services, an important innovation with which IFAD has long been associated. Poor women’s demonstrated ability to repay loans at high (20% or so) rates of interest also shows that it was only a gender-based market distortion, related to non-ownership of collateral assets, that prevented poor women from getting credit.

The positive effects of microfinance are today well acknowledged. A study by Hashemi et al. (1996) suggested that “women’s access to credit contributed significantly to the magnitude of the economic contributions reported by women, to the likelihood of an increase in asset holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness…” Furthermore, access to credit was also associated with higher levels of mobility, political participation and involvement in ‘major decision-making’ for particular credit organizations.

Microfinance does however have some limitations. Women’s control is greater mainly in homestead-based activities:

- Lower productivity compared to men’s economic activities.
- Violence by men in response to loan repayment problems.
- Men’s control over investments in larger-scale investments and in new sectors.
- Accumulation generally centralized in NGOs.

It must also be reiterated that the transformational role of microfinance has occurred in the context of cultures traditionally stressing the virtues of women’s seclusion and lack of property. The limitations of the microfinance schemes, particularly the difficulties faced in women’s controlling credit that is not used within the household and is used in higher-income earning activities, point to the necessity of paying attention to the ‘second-generation’ problems that successful microfinance schemes have brought up. Further, men’s resistance through violence, which seems to be stronger in the initial stages and more muted later on, needs to be addressed.

The positive impact of microfinance on women’s mobility, and in dealing with the market and officialdom, may also be quite strong in an area with strong restrictions on women’s mobility and external dealings (as in South Asia). But a similar microfinance scheme may not have the same social impact in Southeast Asia, which has a long history of women dealing with household economic affairs and the market. In fact, reports on the P4K and other microfinance schemes in Southeast Asia have pointed out that Southeast Asian credit groups, unlike in South Asia, tend to have only economic functions. The reason may be that the social questions of seclusion and non-dealing with the external, economic world are not factors in gender relations in Southeast Asia. Thus the
potential of microfinance schemes to transform gender relations may be more location specific – much more in South Asia than in Southeast Asia.

But instruments such as microfinance must not be blindly promoted. They must not overshadow the more fundamental issues of women’s weaker chances to build assets – human capital (schooling, health nutrition, even survival prospects) and physical assets such as the ownership of land and other productive assets. This capability deprivation of women explains their restricted chance to escape poverty or to find ‘exit options’ from home or work situations. The experience of East and Southeast Asia has shown that drastic poverty reduction can be achieved through early gains in agricultural productivity, employment and incomes, followed by increased growth and employment in the non-farm sector. South Asia, and indeed all the less favoured areas of the region, will be able to bring about dramatic poverty reduction if the existing unequal gender relations are fundamentally changed so that women have ownership and control of property and effective participation in community management affairs. There is also a need for a stronger attempt to increase their access to new technology and to empower women with new and emerging technological skills suitable for the challenges of the less favoured areas.

In formulating strategies for reducing gender inequality we need to take into account the enormous sub-regional disparities, both within the three sub-regions (South, Southeast and East Asia) and within the three sub-regions and countries. There are differences in this regard in women’s dependence on agriculture and in the social constraints they face. For instance, according to ILO figures, the percentage of women workers is as low as 15 in Malaysia and as high as 93 in Nepal with Indonesia and Thailand coming in-between with 50-60%. It is precisely by examining and explaining such variations that we can find illuminating answers and formulate relevant policies. For example, in countries like India where agriculture is still the primary source of livelihood, enhancing women’s land rights and land productivity could be critical for reducing gender-based poverty. Where agriculture is a marginal source of livelihood other strategies would be needed.

In regions where agriculture dominates livelihoods, land is extremely important for women for reducing the risk of poverty and enhancing food security. Land also increases aggregate wage rates and access to credit. And an increasing range of econometrically robust studies show that property and asset ownership by mothers has significantly better outcomes for child survival, education and health, than those owned only by fathers (see the long discussions in Agarwal 1994 and 1997). Education needs to be seen in inter-generational terms. Hence even to promote female education in the next generation, it would be strategic to create immovable assets in adult women’s hands in this generation. And independent land access would enhance women’s agency.

Similar attention must be paid to women’s access to forest and water resources. For instance, under the JFM programme launched in India in 1990, largely-male village committees have taken some role in local forest management, leaving women with little say in decision-making and with few options for daily needs of firewood and fodder or forest-based livelihoods.
Where agriculture dominates livelihoods, land for women is extremely important in reducing the risk of poverty and enhancing food security. Land increases aggregate wage rates and access to credit. An entire range of studies show that property and assets owned by mothers mean better outcomes for child survival, education and health, than assets owned only by fathers.

However, for getting agricultural land in particular, women will need to explore all avenues. So far almost all government schemes – land reform, resettlement, anti-poverty – have tended to give land to male household heads. This needs rectification. But equally, land via inheritance is especially important, since in countries such as India most arable land is in private hands, and much of it passes down via inheritance. This is not just a legal issue; it is a question of registering women’s claims at the village level and helping women make productive use of land, with access to both investment funds and extension services. SHGs could help in this process. In addition, it is necessary to explore avenues of land via the market. Some NGOs have helped poor women’s groups to purchase or lease land using government-subsidized credit. Rural credit could also be used in this way, though the promotion of credit thus far has done little in this direction. Women could also be enabled to get use rights with secure leases to government-owned resources, like fishponds on government lands. This again needs to be backed up by SHGs, microcredit, and extension services, to enable women to undertake the intensive aquaculture possible in pond aquaculture.

Basically, in South Asia and Southeast Asia, where women’s dependence on agriculture and land-based resources is high, women’s access to arable land and to commons needs to be seen as a critical element in a diversified livelihood system. But it is also necessary that rural development programmes go beyond a focus on changes in women’s access to economic resources, education, and so on. Patterns of other kinds of relations within the family need to be tackled, in particular the question of domestic violence. Violence against girls, including incest, has appeared as a frequent precursor to entry into the commercial sex sector (Farley and Kelly 2000). The self-esteem of such girls is very low and programmes need to address this phenomenon.

Trafficking of girls, often with the connivance of family members, is the gendered response to the lack of livelihood options, combined with factors such as the oppressive nature of familial relations. A rural development programme needs to include the elimination of child labour, including – within the ambit of child worker – girls of school-going age who are out of school in order to perform unpaid domestic labour, including care of younger siblings (Burra 2001). A programme of compulsory primary/middle school1, with appropriate incentives and social provisioning of services like childcare is necessary to handle the problem of child labour – and of child prostitution. “Evaluation results demonstrated that basic education and vocational training are among the best strategies to prevent girls from entering the child prostitution industry.” (UNAIDS 1999, quoted in Rice and Farquhar 2000).

One of the most critical emerging problems is the threat of an HIV/AIDS epidemic in Asia (Box 10.3). What is needed is a rural development programme that addresses
the underlying factors of vulnerability from an HIV/AIDS perspective (FAO and UNAIDS 1999). Human vulnerability, however, has to be analysed from economic, social and gender-specific perspectives. Within each country it is necessary to identify the ‘labour supply’ rural regions, both for women/girls in the commercial sex sector and for men/women in the lower rungs of the working class, including the informal sector. These labour supply regions are largely those of the drylands and mid-mountains, the single crop economies, subject to the periodic ravages of drought and flood.

To combat the spread of HIV, the primary focus of a rural development organization must be maintaining the development of landless women, and other landless and rural poor. It must include within its ambit the abolition of child labour (both waged and unwaged) and universal education, while integrating sexual health issues into rural health delivery systems, and attempting to change gender relations in general.

**DEVELOPMENT OF THE LESS FAVOURED AREAS**

In the past, development strategies have tended to concentrate on irrigated and high-potential areas to expand food supply, stimulate growth and reduce poverty. This strategy had impressive success in triggering off the Green Revolution in many Asian countries. But it also resulted in the neglect of less-favoured areas – where a large proportion of the rural poor live. It has now been estimated that 40% of Asia’s poor live in less-favoured areas, and this rough estimate is supported by more precise estimates for India and China (Rosegrant and Hazell 2000).

Despite outmigration to areas of more rapid growth, the population in these less-favoured areas has grown. But this growth has not been matched by yield increases, and as a result, there has been increasing poverty, accompanied by widespread degradation of natural resources (soil erosion, deforestation and loss of biodiversity) through the expansion of the cropped area. This by itself is justification for redirecting development resources to these areas. The argument is further reinforced by the highly favourable production effects and the absence of a trade-off between poverty reduction and higher production in these resource-poor regions.

A study based on Indian data (Fan and Hazell 2000) focused on two important features: the disaggregation of infrastructure and the computation of impacts (direct and

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**Box 10.3: Asia and the AIDS threat**

While the world’s attention has justifiably been focussed on the ravages of AIDS in Sub-Saharan Africa, the disease is spreading at a faster pace in Asia than in Africa. Since 1994 the rate of HIV incidence has more than doubled in the Asian Region (Joint United Nations Programme on HIV/AIDS (UNAIDS) statement in Indian Express, 22 October 1999). Epidemiologists expect that Asia will be the next epicentre of the HIV/AIDS pandemic (FAO and UNAIDS 1999). A number of Asian countries – notably Cambodia, Myanmar and Thailand – have infection levels that qualify as epidemics. India is now the country with the largest number of HIV-infected persons in the world. Parts of China and India (the states of Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra and Manipur) already have epidemic levels of HIV infection.
Box 10.4: High impact in low-potential areas

The districts were divided into irrigated, and high- and low-potential rainfed areas. The findings showed that total factor productivity (TFP) growth had slowed in irrigated areas, from nearly 3% per annum during the 1980s to a little over 2% in the 1990s, and that it had remained unchanged at about 4% for the high-potential rainfed areas. However, TFP accelerated strongly in the low-potential rainfed areas, from about 1.5% in the 1980s to about 3% per annum in the 1990s.

Indirect) of different types of infrastructure and technology on production and poverty. The study (Box 10.4) found, for example, that roads not only contribute directly to agricultural production but also influence the adoption of high-yielding varieties and investment in irrigation, variables that in turn also have an impact on agricultural production. Further, technology and infrastructure variables have an impact on rural poverty (i.e. the headcount index) through their effect on agricultural production, wage rate and terms of trade. The study concluded that for every investment, the highest marginal impact on production and poverty reduction occurs in the rainfed areas, while irrigated areas rank second or last. Moreover, many types of investments in low-potential rainfed areas yield some of the highest production returns, and all types of investments except markets and education have some of the most favourable impacts on poverty.

The study did not, however, explicitly consider differences in the costs of providing infrastructure in different types of areas. For example, building roads is more expensive in remote mountainous areas. The issue then is whether or not the evidence conclusively favours channelling a larger share of public investment to low-potential areas. There is some evidence from India that suggests that the unit costs of providing infrastructure are similar across states, notwithstanding the considerable diversity in the proportions of irrigated and rainfed areas. There is also some corroborative evidence from China that shows that the returns to extra agricultural research and development in the poorest (western) region are 15% above the country average. Estimates indicate that 140 people are brought out of poverty per CNY 100,000 of extra research investment in the poorest region, as against 34 nationally (Fan et al. 2000). An even more careful assessment is needed to make a more firm case for favouring low-potential areas. But the case certainly has legitimate claims on the basis of present evidence – that the potential of larger investments in such areas, for poverty reduction as well as production returns, cannot be underestimated or overlooked. These results thus confirm the potential and workability of the current emphasis of IFAD-funded projects in remote and less-favoured areas.

As household food security and malnutrition are still major concerns in these areas, technologies that revive staples productivity growth – especially of indigenous and non-tradable local staples – must be more vigorously researched in an open and publicly-controlled science environment. Pro-poor researchers need to have a deeper understanding of the knowledge base of local communities to enhance the productivity of staples. But the poor in these less-favoured areas also need to be better informed in their judgements of the new technical change in seeds, fertilizers and land-water management.
aspects through more regular open interaction with outstanding pro-poor scientists in the relevant topic areas. IFAD’s current collaboration with international and national agricultural research needs to move into this area in the coming years, but the design of this collaboration must be with farmers, farm workers and consumers. Due to diversion to industrial and domestic uses, as well as higher evaporation rates and less stable rainfall patterns due to global warming, Asian agriculture is likely to face a water squeeze in the near future. IFAD will support the development of water management techniques that can improve water use efficiency and raise the economic efficiency of water. In the hills and mountains, low cost, gravity fed technologies in sprinkler and drip irrigation will be promoted for horticultural development.

**Reducing Poverty by Enhancing the Role of Indigenous Peoples**

The upland and mountain areas are inhabited by indigenous peoples currently afflicted by the most endemic and intractable poverty. The economic and political marginalization of these regions has also meant that little attention has been paid to the needs of the poor in these areas. Indeed there has been practically no investment in these areas from the international financing institutions except for IFAD. The financial requirements and the potential of the indigenous peoples and their habitat are enormous, and well beyond the capacity of IFAD. However, IFAD-supported projects could demonstrate the usefulness or otherwise of different kinds of approaches to poverty reduction, in the hope that these experiences will help persuade governments to make necessary changes in their policies.

There is a growing awareness among the public and specialists that the historical marginality of these areas may largely be a function of ignorance as to the magnitude of their true worth. Also, the implications of the continuing and intensifying loss of wealth represented by their bio-diversity status are only just beginning to be appreciated, and the costs of upland, hilly area and mountain degradation in global terms (rainfall variation, flooding and air quality) just beginning to be recognized.

Although their soils are marginal, the uplands of Asia offer huge opportunities for economic development on other fronts: as sources of water, power and biological diversity, valuable minerals and a wide variety of indigenous forest and agricultural products. It is indeed unfortunate that the residents of the areas have not benefited from past efforts to exploit their natural resources. Opportunities for investment include forestry and agro-forestry, harvesting of medicinal plants, and environment-friendly production of high-value products such as organic foods, morels and fine wool. And the uplands and mountainous regions of Asia have some of the world’s most pristine settings, eminently suitable for ecotourism. IFAD’s experience in the upland areas of Asia shows that, provided the projects are carefully designed and effectively implemented, on-farm productivity and forest and tree production can be increased by as much as 30% (FAO 1999).
Among the most important assets in the upland areas are the forests and their biological diversity. Indigenous peoples have traditionally had intimate knowledge of these rich resources; yet their stewardship of biodiversity, and their skills and interest to manage, are seldom recognized. If poverty reduction is our goal, then the urgent need is to reform the system of ownership of the forests and make them the property of the forest dwellers. Given that forest dwellers are the most disadvantaged in virtually all Asian economies, this property rights reform would produce “the greatest benefit of the least advantaged” (Rawls 1972).

The type of property rights reform proposed is an asset transfer, not an income transfer via taxes and subsidies. Redistribution of forest ownership would link income with labour and investment in producing the necessary ecological and other forest goods for sale. It would be both more just than the present system of coerced extraction of these goods and services and is likely to increase productivity by providing incentives for increased supply.

Reform of forest ownership could be along the following lines:

**Forests must be owned and managed by the local communities.** Ownership means the right to sell forest products (timber and NTFP) and ecological services, as well as the right to manage the forest, including determination and amendment of the land-use system.

- Locally important forests (critical natural capital) should be set aside as communally owned reserve forests, with appropriate restrictions on extraction to preserve important ecological service functions.
- Forest owners should be allowed to sell the ecological services they provide for regional, national and global needs.
- Rights to forest income and to participate in forest management decisions must be restricted to those residing in the village and contributing labour.
- The right to forest income is not to be saleable.
- The forest itself should not be saleable. This means it is not to be real estate but a means for labour and supplementary investment.

Combined with the reform of property rights in the forest, a programme is suggested along the following basic principles:

**Promotion of regenerative agriculture and forestry.**

- Export of high-value organic foods and NTFP.
- Transformation of gender relations to emphasize women’s control of resources and their involvement in household and community decision-making (design and implementation to include strong participatory gender analysis).
- Focus on local institution building through a process of participatory learning and networking.
- Mobilization of local knowledge and cultural traditions of experimentation, using indigenous technical knowledge as the starting point for blending local and new technologies, especially where resource pressures are high and traditional practices need to be adapted accordingly.
- Systematic and widespread use of participatory techniques, including participatory monitoring and evaluation.
Based on experience to date, IFAD’s view is that the following seven aspects are critically important to the success of such a programme:

**Reversal of deterioration in the productive potential of the uplands.**
- Diversification of local economies.
- Identification of niche markets.
- Creation of locally based microfinance services.
- Creation of appropriate basic rural infrastructure.
- Local institution building to support good governance, and the community-based and gender-balanced management of natural resources.
- Human resources development, with a strong focus on strengthening women’s position both in the home and in the community.

The deterioration of the productive base would be addressed in the context of a series of locally defined and implemented policies that give local communities secure user rights over their natural resources, including forests and water. This would allow them to incorporate externalities (e.g. logging, hydropower schemes), not accounted for at present, into their resource-management decisions. The fact that the environmental services the uplands can provide will cease to be free, both regionally and globally, will contribute significantly to their sustainable conservation and also provide compensatory income to the local populations.

The Asian crisis has clearly demonstrated that ‘diversification’ cannot be reduced to the export of labour because migrants will return or cease to remit in difficult times. IFAD should therefore promote the development of an authentic diversity of complementary production systems within local economies. The promotion of ‘agro-ecologically sensitive’ regenerative farming, livestock, forestry and agroforestry systems would be associated with support for the exploitation of vertical and horizontal links in processing, trades and services, on the part of small and micro enterprises.

A crucial ingredient for successful diversification is the availability of banking services suited to local economic parameters, namely microfinance. Indeed, the availability of savings and microfinance has allowed people throughout the region to bridge times of crisis and adjust their operations. Support for the development of microfinance facilities, based primarily on local capital formation and directed to investments in the local economy, would therefore be an important factor in efforts to increase the resilience of the poor, and especially women, to external financial and economic shocks.

Time and again experience has shown that gains from agriculture, forestry and off-farm income-generating activities cannot be fully achieved, or sustained, in the absence of basic appropriate rural infrastructure such as feeder roads, bridges, water management and conservation works, and small-scale production plants. For example, studies conducted in Laos have shown that households without market access are more likely to be poorer than those with better access (World Bank 1995).

The specificities of the upland areas and their populations call for innovative implementation arrangements. In view of their remoteness and diversity, priority should be given to the development and application of decentralized, participatory and iterative
Box 10.5: Developing local capabilities

- Individuals must be trained and educated in the knowledge, skills and attitudes needed to create and manage their economic activities and their community-based institutions, whether these are savings and credit groups, farmers’ associations, or women’s organizations.

- The promotion of women is central to institution building and human resource development. The more gender-balanced social and cultural systems of upland societies are changing rapidly. And experience indicates that enabling women — building on their motivation, knowledge and skills — means increased well being for children and the family. Indeed it means the increased economic resilience of the poor.

_The disruption of earlier forms of economic production, the blocking of new avenues of investment, the glorification of new ‘masculinities’ and the disruption of community organization all combine to create conflict in community life. Attempts to resolve insurgencies must address the fundamental conditions of economic exploitation and social exclusion that underlie such conflicts. Peace must eliminate the structures that support unequal capabilities — and power — within or between countries, and between men and women._

ENHANCING PEACE FOR POVERTY REDUCTION

In a continent of rising inequality and persistent poverty in a significant number of countries and rural households, various forms of exploitation and social injustice will continue to thrive, eventually leading to conflict and insurgencies. Alarmingly, such conflicts are already to be found in many of the Asian countries. The breakdown of the social capital of communities and the blatant disregard of human lives on both sides of the warring groups are matters of great concern in many IFAD-supported project areas. The disruption of earlier forms of economic production, the blocking of new avenues of investment, the glorification of new ‘masculinities’ and the disruption of community organization all combine to disrupt community and family life. Formerly simple acts of production and trade become heroic acts. The fish trader in Mozambique who “walked across terrifyingly dangerous parts of the war zone to trade his tiny cache of fish became a monumental figure because his gesture said that normal community life was in fact possible.” (Lutz and Nonini 1999). Simple tasks — sleeping at night, saving one’s crops from confiscation (often from both sides) or setting up various forms of community and family life — all become major tasks in the new war zones.

 approaches to design and implementation (Box 10.5). This would ensure both sensitivity to local conditions and increased commitment on the part of the beneficiaries, enhancing the sustainability of results.

Although the core elements would remain inspired by environmentally sound development, every effort should be made to link the vast potential of the upland areas with international and domestic markets. Just as essential as social concerns are the identification of marketable products, and suitable technologies to exploit their possibilities. Taken together, the two aspects provide the basis for enhancing incomes on a sustainable basis.
There have been attempts to resolve some of these insurgencies by holding ‘peace talks’. But these can yield results only if they deal with the fundamental socio-economic conditions of economic exploitation and social exclusion that underlie the insurgencies. And peace cannot be simply the absence of conflict or the elimination of fear of physical violence. That would be a ‘negative’ and insecure peace. To be ‘positive’, peace must eliminate the structures that support unequal capability fulfilment within or between countries (Brock-Utne 1989) and redress the wrongs done to all those involved in unequal power, including gender relations. Rather than a return to the status quo, a positive peace must include the promotion of social justice, human rights and the elimination of unequal power and development relations. If the millennium development goals are to be a reality by 2015 in Asia – the continent with overwhelming numbers of the poor – then a rights-based approach to development must become one of the distinctive features of a pro-poor strategy. This is another area in which an international development agency like IFAD can do its bit to foster a just peace and development for all in Asia.

Endnotes

1 “Overall, there is enough evidence to show both from outside and from within the country [viz. India] itself that the incidence of child labour is considerably lower in areas where the proportion of children going to school is high” (Shantha 2000, 170).

2 According to a report prepared by the Technical Advisory Committee of the Consultative Group on International Agricultural Research, 550 million ha of land currently used for agricultural purposes in Asia can be classified as marginal and another 340 million ha are sparsely populated arid lands. In contrast, there are only 305 million ha of high-potential or favoured land. Of the 633 million rural poor in Asia in 1988, about 263 million (40%) lived in the less-favoured areas.
REALITY CHECK WORKSHOP ON REGIONAL POVERTY ASSESSMENT
NEW DELHI, INDIA, 23-24 AUGUST 2001

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