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A Review Of Socio-Economic Development
In Some Asian Countries

By

Atiq Rahman
A REVIEW OF
SOCIO-ECONOMIC DEVELOPMENT IN
SOME ASIAN COUNTRIES

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I INTRODUCTION

The objective of this paper is to bring together some of the issues on socio-economic development with special emphasis on the trends in poverty and inequality in some Asian countries, and policies and strategies followed by these countries.

First, we examine very briefly certain economic characteristics of the countries covered under this paper, noting the recent trends in their growth rates, the similarities and the dissimilarities.

Second, we present a picture about the "recent" trends in poverty and income distribution in the selected countries. It should be noted that "recent" is used in a relative sense, in most cases the year of reference will not be that recent, and refer to data of the mid-seventies, or even earlier.

Third, we relate the observed trends in some countries with various economic measures, development strategies and programmes. In this attempt we shall have to be content with sometimes drawing rather tenuous relations, since a more rigorous analysis will require more time and effort than could be devoted for this purpose.

The countries on which our presentation is drawn are Bangladesh, Nepal, India, Sri Lanka and Pakistan from South Asia and Thailand, Indonesia, Philippines, Malaysia and to some extent South Korea. These countries are chosen not only because reference material on them are readily available, but also because among them they include a great diversity in terms of geography, income, growth performance, and experience with regards to income distribution and poverty alleviation.

It should be noted at the outset that sometimes our discussion on poverty, inequality and employment will proceed only in terms of the rural sector. The non-availability of national figures dictates this choice. However, such a shifting of focus from national to rural sector is not expected to create much of a problem as most
of the countries remain predominantly rural, and the rural sectors contain most of the country's poor. The trends in poverty, inequality and unemployment therefore are expected to reflect national trends fairly accurately.
II THE DIVERSITIES AND SIMILARITIES OF THE SELECTED ASIAN COUNTRIES

The countries which will be occasionally referred to in our discussion have considerable diversities as well as similarities; among them they probably cover the whole range of diversities of the Asian economies. The population of the countries range from 15.6 million (Malaysia, 1985) to 765 million (India, 1985). The size of the countries vary from 60 thousand square kilometers (Sri Lanka) to 3288 thousand sq. km. (India). The density of population various from 47 persons per sq. km. in Malaysia to 700 persons per sq. km. in Bangladesh. Per capita income is the lowest in Bangladesh (US $ 150 per year) and highest in Korea (US $ 2150) at 1985 prices. Malaysia has the second highest per capita income (2000 US $) while Nepal has the second lowest income US $ 160).

The growth rates of the countries also differ significantly; the South East Asian economies generally registered a higher growth in per capita income between 1965 and 1985 compared to the South Asian countries. The highest growth in per capita income over the period was recorded for Korea (6.6%), and the lowest for Nepal (0.1%). Bangladesh with 0.4 per cent per annum growth in per capita income remained second lowest. Overall growth rates were again generally higher for the South East Asian economies compared to the South Asian ones.

In recent years (post 1980 period) the growth rates of South Asian economies picked up a little compared to their performance over the 65-80 period, while the rates for the South East Asian economies decelerated. Philippines registered a negative growth over 70-85, growth in Indonesia plumped from 7.9% per annum to a low 3.5 per cent. Both Malaysia and Korea had lower growth rates compared to the last decade and a half. All the South Asian economies registered higher growth compared to their earlier growth performance, the most significant increase was for India with an increase in the growth rate from 3.8 per cent per annum over 65-80 to 5.2 per cent over 80-85.
As against these economic dissimilarities and dissimilarities in terms of the well-known geographic and demographic aspects such as the sizes of the countries, land elevation, natural resources, population pressure, etc., there are also certain similarities which have brought these countries under today’s theme. Only a few years ago, all the countries in this group could be labelled as predominantly agrarian with more than three-fourths of their population living in the rural areas. Some countries over the last decade and a half have made considerable progress and have elevated themselves to middle-income countries in the world economic map, developing substantial external linkages through trade and vastly expanded industrial base. Korea, Thailand and Indonesia had experienced spectacular growth in their manufacturing sector, in excess of 10 per cent over the 65-80 period. Korea experienced 18.8 per cent per annum growth over the 65-80 period. In the more recent period however the growth rates have halved in all these countries. Philippines again experienced a trickle of growth, due to the political uncertainties which plagued the country since the early eighties and the world economic recession of the early eighties which has caused growth rate to decline in all these countries.

In most of the countries, agriculture accounts for a very large part of GDP. Both Nepal and Bangladesh are predominantly agrarian, agriculture’s share of GDP being about two-thirds and half respectively. Pakistan, among the South Asian economies, remain least agrarian, with only about a quarter of GDP arising from agriculture. Excepting Pakistan, agricultural growth rate in the other South Asian economies accelerated over the 80-85 period, compared to the rate over 65-80 period.

South East Asian economies are less agricultural than the South Asian economies. Thailand, Indonesia and Korea, all have been able to change the structure of the economy substantially with a highly reduced share of agriculture in the economy. Over the span of twenty years (1965-85), Indonesia reduced its share from 55 to 24 per cent, Korea from 39 to 14 per cent and Thailand from 35 to 17 per cent. In the Philippines and Malaysia, agriculture’s contribution towards
GDP remained rather stable, at around a quarter of GDP. Apart from Korea, all the South East countries show a decline in agricultural growth in recent years. For Korea the growth rate over 80-85 period increased to 6.3 per cent per annum compared to 3.0 per cent per annum over the 65-80 period.

The industrial sector's contribution in all the countries remain rather low. Only in Korea, the industrial sector contributes more than two-fifths of GDP. The countries in South East Asia are more industrial than the countries in South Asia. The least industrialised country is Nepal where the manufacturing sector contributes only about 5 per cent of GDP.

The countries covered still remain predominantly rural, with nearly two-thirds of their population living in the rural areas. More importantly, the countries among them contains a significant part of the world's poor, the largest concentration of them being in Bangladesh, India, Nepal, Pakistan and Indonesia. Until at the least mid-seventies, the countries in the region as a whole did not experience any significant reduction in poverty. Inequality in the distribution of income remained high, and unemployment problem pressing.
III THE TRENDS IN POVERTY AND INEQUALITY IN ASIAN COUNTRIES

The trends in poverty and inequity are often estimated in various studies with regional focus, often using proxy variables for estimating very recent trends. A study by FAO in 1984 used per capita supply of calorie as an indicator of poverty, and noted that between 1970-72 and 1978-80, the countries which are less deficient in food experienced better progress towards alleviation of poverty than countries with more serious food deficiency. Or in other words, the inter country differencial in poverty has wedened. One third of the Asian countries had negative growth in calorie supply. The improvements in calorie requirement met over the period in question was 2.0 per cent on average for countries with severe poverty, compared to 6.1 and 8.3 per cent for countries with moderate and low poverty. A United Nations Report on the World Social Situation (1983) also came up with a similar view that after the mid-sixties some headway was made towards reducing or attenuating poverty. Khan and Lee (1984) notes on the basis of a series of studies that "there has been no major shift in extent and nature of poverty in rural Asia between the early 1960s and the mid or late 1970s". Poverty levels have fluctuated, and even improved in some cases, but this only resulted in bringing poverty level back to the levels prevailing in the 1980s. The authors noted that only in the cases of Thailand and the Punjab (India), there had been a net reduction in poverty compared to the early sixties.

Such broad generalisations, though useful for giving a regional focus to the study, is not very helpful in relating poverty alleviation with specific programmes/development strategies pursued in the countries selected. We shall therefore present country specific indicators of poverty, income distribution and where possible of unemployment, and later in the next section deal with programmes, policies, strategies designed to alleviate poverty and bring a more egalitarian distribution of income.

We begin with Bangladesh, a country with extremely high population pressure, inadequate resources, a small industrial sector but
a large but yet unmordernised agricultural sector. Studies show that Bangladesh may have as many as 60-65 million persons below the poverty line, and that the absolute numbers have been increasing over the sixties and the seventies. Over the sixties income distribution became more equal -- thanks to the rapid growth of the agricultural sector, but over the seventies poverty and inequality showed considerable deterioration. This deterioration occurred for both the rural and the urban area, being much greater in the latter than the former. The Gini ratio (G) of household income increased from 0.36 in 1973/74 to 0.45 in 1976/77. Urban G increased from 0.38 to 0.51 and the rural from 0.36 to 0.44. In the rural sector the deterioration was explained by the increase in income inequality of agricultural and wage income, and a considerable reallocation of income from non-agricultural and asset sources. In the urban sector almost all the components of income became more inequitably distributed; one can mention particularly the drastic change in G of non-agricultural and other income.

In contrast to this considerable deterioration in income distribution between 1973/74 and 1976/77 (for which explanations have been forwarded by some, particularly by Osmani and Atiq Rahman 1986), one can see a dramatic improvement between 1976/77 and 1981/82, and a continuation of this trend further into the eighties (upto at least 1983/84 for which HES data were obtained from BBS).

These trends in per capita income and income distribution, along with the observation that both the absolute levels and shares of the real income of the poor (bottom 40% in the income scale) first declined and then increased over the periods 1973–77 and 1977–82 can lead one to believe that poverty levels in Bangladesh increased over the former period and declined over the latter. Indeed if one estimates poverty through the income method from the BBS data of 1973/74, 1976/77 and 1981/82, one would then see a considerable worsening of the situation of the 1974–1977 period and an improvement over the 1977–82 period.
Preliminary calculations based on 1983/84 figures show quite a dramatic improvement. The percentage of population below the poverty line (income equivalent to 2200 k.cal.) for the country as a whole came down to be as low as 47 per cent. The improvements in the early eighties are noticeable for both the rural and the urban areas, but more so for the rural than for the urban areas.

In view of the vastness, the great diversity and the fact that different states may have performed differently in response to different policy packages, it is extremely difficult to talk about overall poverty and inequity in India. However, to the extent that federally conceptualised and administered programmes have implications for the level of living and incomes of different income groups, it makes sense to talk about the overall trend, attributing the deviations from the general trend in the cases of different states to the state-specific differences in the economic conditions, programmes, policies and performances.

Although it is very hard to draw firm conclusions, the data in the case of India show an improvement in poverty ratio (percentage of people below poverty line) over the sixties and its gradual deterioration over the seventies. Thus according to the Planning Commission, rural poverty in India declined from 56.2 per cent in 1961/62 to 47.4% in 1964/65, and then remained more or less stable up to the end of the seventies at that level. By 1977/78, however, it registered a slight increase, the poverty ratio increased to about 51.5 per cent in 1977/78. The absolute number of the rural poor however continued to increase monotonically from about 199 million in 1969/70 to about 255 million in 1977/78 (Quoted in Bandopadhyay, 1986).

Since 1977/78, the poverty ratio declined dramatically. It went down at the all India level from 48.3 per cent to 37.4 per cent, thus registering a drop of 11 percentage point over a span of six years. Rural poverty also decreased by about 11 percentage point, dropping to 40.4% in 1983/84 and urban poverty declined from 38.2% to 28.1 per cent. The absolute number of the rural poor declined from 255 million to 222 million, at the national level the
number of the absolute poor declined by about 37 million from the 1977/78 figure of 307 million. But yet despite such dramatic improvements, the absolute number of the poor in 1983/84 remains a staggering 271 million. The asset distribution in India in 1981/82 was found to be quite skewed, and the distribution does not show any improvement over the last two decades. The coefficient of concentration was estimated to be 0.60 in 1961/62, 0.58 in 1971/72 and 0.58 in 1981/82 (Dantwala 1987).

Inequality however seems to have increased when measured with reference to the pattern of consumer expenditure of rural households. While the share of the bottom 50 per cent of the population declined from 33.1 per cent in 1971/72 to 31.3 per cent in 1983, the share of the upper 30 per cent increased from 45.5 to 49.8 per cent over the same period.

One can note here the increase in the concentration of land-holding, changes in the composition of rural labour force (rise in the share of wage labour in the work force from 34 to 40 per cent in the case of males and 36 to 38 per cent in the case of females) as possible explanations for the deterioration of income distribution over the seventies.

Given the great variations in the economic conditions, policies and programmes of different states, it is almost certain that some states would perform better than others in terms of poverty alleviation. We have no detailed information about the statewise performance regarding poverty alleviation in recent years. But studies which covered four states of India (Panjab-Harayana, Bihar, Kerala and West Bengal) show interesting variations with regard to poverty alleviation. Ahluwalias estimates show increase in poverty levels in West Bengal and Bihar (over 1961/62 -- 1973/74), no change in Kerala, and clear drop in the case of Panjab. Both West Bengal and Kerala registered declines in their poverty levels over the mid seventies, perhaps due to the interesting agrarian reform measures taken by these two states.
A quite skewed distribution of income characterises Nepalese economy. An ARTEP survey of eight districts, four each in Tarai and the Hills, shows that income distribution in the Tarai was much more skewed \((G=0.51)\) than in the Hills \((G=0.43)\). A comparison of this data set with 1976/77 survey of NPC shows a dramatic increase in the concentration of income, the Gini concentration ratio for the whole of the rural Nepal increased to about 0.59 (compared to the usual values of 0.36 - 0.40 for most developing countries). The income share of the poorest 40 per cent declined from 10-14% to less than 9 per cent while that of the richest 10% increased from 32-38 per cent to 47 per cent.

Given the low income and high concentration of income, it is quite natural to expect high levels of poverty in rural Nepal. A pilot study on Socio-economic Indicators conducted by the Food and Agricultural Marketing Services, HMG in Nepal shows that 32 and 36 per cent of the population (33 and 40% households) were below the minimum subsistence consumption and income respectively. The percentages were much higher in the rural than in the urban area. Studies also show considerable deprivations in terms of various demographic and health indicators as well as in terms of access to various essential services.

We have no basis to estimate the recent trends in poverty and inequality in Nepal in recent years. There is also no basis to assume that the declining trend would be reversed in the more recent years. What can be said with a margin of safety is that Nepal probably did not experience a reduction in its poverty levels in recent years, or that it experienced a considerable improvement in income distribution. On the employment front, given the growth in labour force and the proportion of economically active persons, the available figures suggest a deteriorating situation over the sixties, with slight improvements over the early seventies (Singh 1983). Real wages of agricultural labourers declined by 29-30 per cent in both Tarai and in the Hills over the period 1976/77.
The difficulties of estimating the trend of poverty and income distribution can also noted for Sri Lanka, a country with high levels of literacy and a good statistical base. There is a debate about the trends in poverty and income inequality in Sri Lanka. Many have argued that Sri Lanka achieved a dramatic reduction in inequality and poverty in recent decades, a phenomenon usually attributed to the socialist and social welfare government policies undertaken in the country in the early seventies. Eddy Lee (1977) however challenged the reliability of the data on which such claims are based and concludes that "the data on consumption and real wages point strongly to the fact that there has been an increase in inequality and even a reduction in the levels of real consumption of the poor". However, a critical evaluation of data does not help one to arrive at any firm conclusion regarding the trend in the distribution of income and poverty over the sixties and the early seventies. Although there are some evidence to believe that income distribution in 1973 was more equal than it was in 1963 or in 1953, Grosse (1981) argues that data do not firmly substantiate this view, nor the view of Lee that income distribution became more unequal. However, Grosse (1981) concludes that the poverty situation was much better in 1973 than it was in 1963 and that the distribution of physical consumption, especially food, was more egalitarian in Sri Lanka than in other South Asian countries.

Income distribution and poverty situation however seems to have deteriorated in the more recent years. The 1981/82 'all Island average' calorie intake stands well below the 1969/70 levels, the declines being much more for the low income groups than the richer groups. The percentage of individuals consuming less than 1600 K.cal. per day increased from 2.6 per cent in 1969/70 to 10.2 per cent in 1981/82; the percentage consuming less than 2200 K.cal. increased from 19.2% in 1969/70 to 31.1% in 1981/82. The Gini ratio of income distribution increased rather sharply from 0.408 in 1980/81 to 0.436 in 1981/82, after a period of stability at around 0.40 over the seventies. All these trends and tendencies in a period when Sri Lanka experimented with market oriented, outward looking policies beginning in 1977 have led Saha (1987) to conclude that
the real income of the poor has declined, resulting primarily from the economic reforms that were taken up since 1977.

Despite higher levels of education, higher income and wider experiences with regard to gathering public statistics, the economies of South East Asia also suffer from inadequacies of data regarding income distribution, poverty and unemployment, although not to the same extent as in some of the South Asian economies. Philippines is not an exception in terms of the availability of quality data. The Family Income and Expenditure surveys have different degrees of coverage over time, and biases in reporting over different income groups (Mangahas and Barros, 1980; Alburo and Roberto, 1980). Because of the differences in the estimates of poverty line vis-a-vis other countries, it may be somewhat meaningless for our purpose to report the percentage of people or households below poverty line. If one uses a consistent poverty line over time, one can see that while the poverty situation in the Philippines improved over the seventies (World Bank 1980), it deteriorated rather drastically over the seventies. Mangahas (1981) also reports considerable deterioration of the income of the poor. He finds that the real income of the bottom 30 per cent of the population increased 18% between 1971 and 1975, but between 1975 and 1980, it fell by 36 per cent. For the decade as a whole, real income of the bottom 30 per cent deteriorated by 20 per cent. The available data also suggest a deterioration of income distribution since 1975, the share of the poor declining and that of the rich increasing over time (Sobhan 1983). This trend may have continued beyond the early eighties with considerable and even worsening employment situation.

For Philippines it is also interesting to examine the regional income disparities. Data show improvements in income distribution and poverty at various IRD programme areas. The worsening of the overall national distribution in income and the levels of poverty may therefore mean a widening distribution of income among various regions, the regions with various government programmes doing better, but not enough to counteract the slide in income distribution and poverty parameters in the non-programme areas. Data support the
hypothesis of widening distribution of income among various regions (Sobhan 1983). Data also show an increase in the extent of first degree malnutrition over the late seventies. In terms of other indicators of poverty, health, housing and sanitation, the evidence is mixed, but they certainly do not show in unambiguous terms an improvement in the economic conditions of the poor.

In Indonesia, poverty and inequality problems arise from a curious set of circumstances which are common to both the economies of South and South-East Asia. The South Asian syndrome of poverty and inequality is found in Java, which contains about sixty per cent of the Indonesian population with high concentration of poverty. The South East Asian syndrome is noticeable in the particular policies that are undertaken, like the area development transmigration schemes, to alleviate poverty and the availability of considerable domestic resources which can be utilised to alleviate poverty. Given the concentration of the poor in Java, particularly rural Java, the trends in inequality and poverty in Java are usually taken as the indicators for the whole of the country.

The available data on Indonesia reveal a trend towards landlessness. It is estimated that landlessness in rural Java may have increased from 30 to 50 per cent over 1979-81. About 44% per cent of the rural households could be below a nutritionally determined poverty line. However the poorest 20 per cent were noted to have increased their calorie intake over the late seventies, but this increase of over 20 per cent over 1976-81 resulted in a calorie intake which was only 6 per cent higher than the level reached in 1970. Thus over the early seventies there was a clear deterioration in the welfare of the poor. The absolute gap in income of the poor and the rich increased over time.

As against this deterioration in the calorie intake of the poor over the late seventies and the early eighties, studies on overall income distribution show quite a stability in the distribution of income over 1976-1983. The G of overall income distribution changed very little, showing only a one percentage point improvement.
from 0.45 in 1976 (Saifudin and K-sryno, 1986). A careful analysis of data reveals that income distribution remained stable despite considerable increase in overall per capita income (by about 40%) over the seven period (1976-83). This increase was more for the poorest resulting considerable decline in poverty. There had been considerable diversity in the experience of individual households, in part related to the initial per capita income levels. The improvement in incomes and poverty have been related to increase in employment opportunities outside agriculture, and to greater access to land, both through the tenancy market and as a consequence of inheritance.

Thailand also suffers from considerable poverty, an estimated 10 million people in 1984 are estimated to live in poverty in Thailand with per capita income of less than US $ 76 per person per year. Data on the trends in poverty in Thailand show considerable reduction between 1962/63 and 1975/76, the percentage of households below poverty line decreased from 56 per cent to 31 per cent over the 13 year period. The poor are mostly situated in the backward areas, which now have been identified and special poverty eradication programmes have been instituted. Recent studies show less than encouraging trends in the levels of poverty, income distribution and unemployment. In specific areas, poverty can be shown to have declined, but overall trend in recent years is less than clear, although various other poverty indicators showed improvements. Dry season employment declined at a rate of 1.1 per cent per year over 1973 to 1983, but wet season employment increased by 4.4 per cent per year. Seasonal unemployment has shown an increasing trend, from 18.1 per cent in 1975 to 19.8 per cent in 1977 and further to 24% in 1982. Landless has increased in recent years; about 3.2 per cent rural households lost their land in over the 1972-82 period, the percentage being as high as 20 per cent in some regions. The inequality in the distribution of landholding declined marginally over the period 1963 to 1978 from G=0.48 to G=0.46.
With a per capita income of US $2000 in 1986, Malaysia represents one of the high-income countries in the Asia and the Pacific region. The country made notable progress in terms of economic growth, but poverty remains high even in areas where IADP programmes have been taken up. Poverty in Malaysia is concentrated among small paddy and rubber holders. In the Muda region where IADP schemes have been completed successfully, 63-70 per cent of agricultural households in Perlis and Kedah are seen to be afflicted with poverty. In other areas where IADPs have been completed, poverty remains high; 70 per cent in North Kelantan, 74 per cent in Kemulu, 70 per cent in Besut, 63 per cent in North West Selangor remain below the poverty line.

A World Bank study (1981) noted that (i) between 1966 and 1974, household income of all categories of farmers increased in nominal and real terms; (ii) between 1974 and 1979, the second stage of Muda's Green Revolution, nominal incomes declined for all farm categories. Real incomes declined even more dramatically, eliminating most or all of the earlier gains for small farmers and tenants. The income of the small tenants in 1979 was 4 per cent lower than that in 1966. Despite such setbacks, and failures of various IADPs to create adequate employment opportunities, poverty situation in Malaysia improved over time; the level of poverty declined from 59 to 25 per cent over 1970-84. The world economic recession over the early eighties hit Malaysia as much as it did other primary commodity exporting countries setting in a trend of slow growth and thus adversely affecting the continuing improvement in the rural poverty scenario.

On the whole, the countries in Asia covered under this review have done much better in the eighties than they did in the seventies. The absolute number of the poor increased in some cases, but the proportion of the poor has declined and income distribution improved. On the employment front the situation remains less clear -- with no visible marked improvement in employment figures. The special
employment creation programmes have some positive impacts on rural employment, but on the whole the pattern of development with emphasis on large scale industrialisation, capital intensive technology, and gradual displacement of manual and labour intensive processes in agriculture do not hold out much promise for significant dent into the problems of unemployment and poverty in the near future.
IV INFLUENCES ON POVERTY AND INEQUALITY AND MEASURES FOR IMPROVING THE DISTRIBUTIONAL PARAMETERS

Various economic measures for improving the distribution of income, and within limits for alleviating poverty, can be broadly classified into three categories. (a) those which are designed to affect changes in the distribution of wealth, such as ownership of land, capital assets etc.; (b) those which affect flow of income to various occupational categories, classes and income groups; and (c) those which redresses the income distribution once incomes are accrued. In the first category we have measures like land and various agrarian reform measures, nationalisation programmes; in the second category we have various growth generating programmes like green revolution, IRDP etc., employment creation programmes like FFW, self employment programmes, and in the third category we have redistributive measures like fiscal policies, public expenditure programmes, foodgrains distribution programmes, etc. It is useful to keep these categorisation in mind for our subsequent discussion.

Asset redistribution : agrarian reform

Redistribution of assets, particularly land reform (land ceiling legislation), ceiling on the ownership of industrial assets, and socialisation of key industrial and financial units are usually considered to be key elements in a package of programmes designed to improve the distribution of income and alleviate poverty. The World conference on Agrarian Reform and Rural Development recommended measures for a more equitable ownership and access to assets, notably land in predominantly agrarian economies.

The relationship between land reform and a more equitable social and economic order remains rather thin. There is no doubt that a well conceived land and agrarian reform will help alleviate poverty and establish a more equitable economic order, but short of a very broadly defined reform which not only redistributes wealth, but also helps create a more equitable social and political order, does much of the usual inequities market mechanisms, and creates
an environment of equitable access to production inputs, one cannot guarantee continuation of the initially created equitable order. There are evidences of failures of agrarian (land reform) in promoting an equitable order — although some could justifiably show that the measures undertaken in the name of a reform were hardly reforms in the strict sense of the terms. In the cases of Bangladesh and Pakistan, and to some extent India, one often hears about reforms in the agrarian structures, but such reforms could hardly be associated with reduction in either inequity or poverty.

In India, experiences vary over states; Kerala and West Bengal underwent interesting agrarian reform experiments. Both the states experienced reductions in poverty in the early seventies, but the levels remain higher today than it was in the early sixties.

In the Philippines there have been some attempts in the past to change agrarian relations and structure. The 1933 Rice share Tenancy Act, the 1954 Agricultural Tenancy Act and 1971 RA 6389 are examples of continuing effort towards undertaking appropriate agrarian reform measure. The most recent however was PD 27 of 1972 which imposed land ceiling in all rice and corn land, called for redistribution of surplus land and imposed mandatory written contract between landlords (owning less than 7 hectares) and tenants. The implementation of the PD 27 was quite satisfactory and there was sustained growth in the output of both rice and corn between 1974 and 1980. However, this growth was a continuation of the earlier trend of growth, although the rates accelerated between 1972 and 1980.

But it is not possible to answer conclusively how far the agrarian reform measures contributed to the growth in output and productivity and how far the benefits reached the poor. The OLT beneficiaries have not been found by Mangahas (1976) and others to perform better than share tenants. Moreover, studies show that there is considerable poverty among the OLT beneficiaries, some 69 per cent of all OLT beneficiaries are found to live below a poverty line of peso 1610. Studies also show considerable inequality among OLT beneficiaries.
For the great majority of the beneficiaries however incomes declined due to a combination of rising costs of production and living. In the absence of more effective steps to ensure continued increase in productivity among OLT beneficiaries, it was quite natural that the asset transfer would not ultimately bring in the desired benefits. Moreover, the socio-political constraints as well as exclusion of the landless meant that the benefits, if any, could not be spread widely.

This story of limited success of agrarian reform measure is typical of many other Asian countries, of Bangladesh, and Sri Lanka and some states in India. Only Korea seems to have had an agrarian inform which succeeded in not only bringing equity in the rural sector, but also create conditions where both equity and growth could be sustained. However, despite the rather unconvincing correlation between agrarian reform and poverty alleviation, there is no doubt that a well conceived agrarian reform would go a long way in creating the initial conditions for egalitarian growth.

Changing the flow of income: growth and its composition

While the relationship between agrarian reform and poverty alleviation remains tenuous, the relation between growth, equity and poverty remains debatable. We are all aware of the inter country studies on the relationship between income distribution and growth; studies showing an inverted U-shaped relationship between growth and income distribution. Within this broad relationship, individual countries over shorter periods can show quite considerable aberrations. The recent Bangladesh experience of a more equitable distribution of income and reductions in poverty is an example of this deviation.

The effect of growth on income distribution and poverty depends not only on the magnitude of growth, but also on the nature and the composition of growth. Not all types of growth are likely to have the same impact on income distribution -- the impact would depend on sectoral patterns of growth, on technology, whether growth
is externally induced or whether it has considerable internal linkages. The nature of growth would itself cause wages and employment move in particular directions, sectoral productivities to differ and confer disproportionate benefits on to different areas and groups of people. In fact the dynamics of income distribution and poverty alleviation can be analysed conveniently in a longer run perspective in the framework of growth induced changes and factors determining growth.

While overall growth is important in analysing trends in poverty and inequity in the country as a whole, a more meaningful analysis can possibly be carried out by relating agricultural growth with the changes in the welfare indicators. Many of the Asian countries remain predominantly agriculture, and the majority of the poor depend on agriculture or agricultural related activities for their sustenance.

Higher growth of the agricultural sector is usually associated with reduction in poverty, and in some cases, also in the reduction in inequality. Indian states which experienced higher agricultural growth rates are usually seen to tackle poverty much better than those which did not. Whether those equalising trends could be sustained over time is difficult to answer. However, there are exceptions, especially in countries where agrarian structure is characterised by considerable unequal ownership of land, or where the growth is brought out by considerable state patronage. The patronages mostly were monopolised by the rich, leading to unequal distribution of income. High returns to land (in Pakistan, for example or to some extent in Punjab, India) led to tenant dispossession and use of mechanical means. Result was low employment and wages; the poor and the landless labourers gaining little in terms of an increase in their income or in terms of other forms of welfare.

The impact of agricultural growth on income distribution and poverty depends on the nature of technology being employed in agriculture to bring about the desired change in output. In Bangladesh the new seed-water-fertilizer technology did increased labour absorp-
tion in agriculture, but the absorption could hardly keep with the growth in the agricultural labour force, brought about by both by demographic pressures and land dispossession at lower end of the income scale. The technology did have some indirect linkage effects of increasing employment in the non-farm sectors, but it also had some labour displacing impact, especially women labour who earned a living through post-harvest food processing activities. In recent years, there are reasons to believe that agricultural growth may not have induced absorption of labour in agriculture, in fact the latest labour force survey data shows an absolute decrease in total employed labour force. The agricultural sector seems to have reached the limit in absorbing labour.

In the case of India the evidence on the impact of agricultural technology on employment, and through employment on poverty, remains somewhat rather confused. Some states are doing quite well but others not faring so well. On the whole the technological changes in agriculture (mechanisation, changes in the pattern and intensity of cropping etc.) have negative direct impact on employment. The results hold true for Uttar Pradesh. While tractorisation is seen to be the main labour displacing factor, its impact on harder soil prior to the advent of wet season remains rather controversial. Some studies showed an upward shift in the production function and hence a greater use of labour as a result of tractorisation.

In a multi-crop agriculture, especially in countries where plantation agriculture exists side by side with traditional agriculture, the growth in agriculture may remain confined to particular segments, thus having differential impact on different income groups. In Malaysia for example growth in agriculture is primarily due to growth in output in various large scale plantations, the small paddy and rubber holders remained largely outside the growth nexus. In Indonesia, also a syndrome similar to that in Malaysia can be observed. Thus while both these countries experienced rapid agricultural growths, such growths have not been able to promote a more egalitarian distribution of income or in reducing poverty substantially. A growth pattern which involved small scale padi sector, and small scale rubber holdings could have conferred greater benefits.
Various measures have been taken by the countries in this region to increase the flow of income to the poor; same as a part of general economic policy of accelerating overall economic growth, and some more focussed to increase income of specific groups. On the macro-economic front employment creation policies can be seen as the measures for alleviating poverty and possibly improve distribution of income in the long-run. The demand supply balance in the labour market, the movement in the real wage rates and levels of employment are important considerations to analyse poverty alleviation through employment creation.

We have noted that the most Asian countries face constraints in absorbing more labour in their existing agricultural sector, some trying to solve the problem through large scale settlement programmes. The transmigration scheme in Indonesia, settlement in new areas in Malaysia and large area development programmes in the Philippines and in Sri Lanka are cases in point. But such measures can possibly have only temporary impact on poverty parameter. Unless conditions are created through which the asset base the economy is increased and capital accumulated, the longer run solution of the problem of poverty would remain illusive.

In this connection it is important to note the type of growth that would be most congenial for employment expansion. Given the considerable direct and indirect linkages the growth of the small scale industrial sector, especially the cottage and rural industries, have on employment and income, and the low capital labour ratio which permit a given amount of scarce foreign exchange to generate more employment, the growth of these sectors can be seen as sine qua non for poverty alleviation and a more egalitarian distribution of income. In Bangladesh, for example, the recent favourable changes in the distribution of income and poverty have been partly, but significantly, attributed by some to the rapid increase in the non-farm activity in the rural area and the rapid growth in the urban informal activities. Although productivity levels in these sectors remain low, yet these sectors provide scopes for employment to a large variety of workers, skilled and unskilled, in various traders, business and production/construction activities.
However, despite the potential of the rural non-farm activities (including small scale industries) in creating conditions for poverty alleviation, the countries in South East Asia do not seem to have explored this possibility to the fullest possible extent. In Bangladesh the small scale industries do not contribute much to the national value added. The service sector also remains relatively underdeveloped. In Sri Lanka a conscious policy of promoting a dual industrial structure — a large scale industrial sector for capital accumulation and growth, and a small scale sector to promote employment — failed to bring the desired benefits. The small scale units remained localised, channels for marketing the products of the small scale units remained underdeveloped. The institutional support facilities created for helping the small scale units remained rather embryonic for sustained development.

In the Philippines special measures taken to promote and stimulate small scale private enterprises amongst marginal groups became a major source for creation of employment and generation of income. Special projects of this nature were taken up in large numbers, widely dispersed throughout the country. There are however critics of this programmes who argue that loose control, use of the units to dole out political patronage made the programme less effective than it could have been. In Pakistan systematic data are not available which could be used to form an idea about the recent magnitudes and trends on non-farm activities. On Java there are a lot of evidence which show that various non-farm activities yield only low returns, as in Bangladesh. In Malaysia, development of small scale and cottage industries got some support from the government, but the support was not adequate to have a significant and perceptible increase in employment and wage rates.

The growth of non-farm activities in the rural sectors, and informal activities in the urban sector in the labour abundant countries of Asia has certainly improved the distribution of income below the poverty line, but there has not been much of a progress towards poverty alleviation through these measures. There are however considerable prospects for developing the small scale informal sector,
increase employment, rise productivity and through the process reduce poverty and improve income distribution.

While we are still dealing with the question of flow of income for improving the poverty situation and income distribution, it is also useful to have a scan of the wide range of special programmes undertaken in many Asian countries in the rural sectors. We will devote some attention to rural development programmes and projects, especially to their integrated varieties, because such programmes explicitly deal with the poor. It will obviously not be possible to discuss all the major programmes and analyse their similarities and dissimilarities. We shall therefore confine ourselves to some major programmes.

Poverty alleviation through rural development

All the countries covered in this presentation have experimented with various approaches towards rural development, some scoring more success than others in terms of generating rural growth, creating employment opportunities and reducing poverty. Integrated rural development approach came to be accepted as a strategy for promoting all round rural development, not only in terms of having better co-ordination among various line departments and sectoral agencies but also in terms of conceiving a comprehensive approach towards development, an approach which include income and welfare enhancements of the poor as one of its major objectives.

In both Bangladesh and India, IRD as an approach towards rural development came to be accepted after considerable experimentation with various rural development programme. In India, conscious programmes for rural development started with the Community Development Programme (CDP).

Later, a host of more well designed programmes (like the Food and Work Programme (1977), National Rural Employment Programme (1980), Development of Women and Children in Rural Areas (DWCRA), Rural Landless Employment Guarantee Programme (RIEGP), Drought Prone Area
Programme (DRA), Minimum Needs Programme (MNP), Desert Development Programme (DDP), Command Area Development Programme (CADP), Training for Rural Youth in Self-Employment (TRYSEM) were initiated and run to improve the socio-economic conditions of various disadvantaged groups and areas. While all these programmes offered many a characteristic of "integrated" development programme and could be conveniently lumped together to form a comprehensive package of integrated programme, Integrated Rural Development Programme as a separate entity was launched in 1978/79.

The IRD programme which combines a strategy of growth with equity has been credited with substantial reduction of poverty in rural India. Rural poverty declined from 51.2 per cent in 1977-78 to 39.9 per cent in 1984-85. However, a combination of factors like the overall growth of the economy subscribed to this fall in poverty level. All these efforts have succeeded in bringing down the number of rural poor considerably by raising at least 51 million persons above the poverty line. The poverty oriented programmes like National Rural Employment Programme (NREP) and IRDP enabled nearly 38.65 million persons to cross the poverty line over the Sixth Plan period.

Due to the increase in income and reduction in poverty levels, nutrition standards have also improved. An average of 60-70 per cent of those under IRDP increased their food consumption in the response to their increased income. The average calorie intake increased from 2366 in 1979 to 2409 in 1981.

The trends in employment creation is also encouraging. As against a target of 185.4 million Standard Person Years (SPY) of employment creation over the Sixth Plan, the actual employment creation was about 186.7 million SPY, implying an additional increase of 55.6 million SPY and growth rate of 4.32 per cent per annum. From 1980-85, a total of 1770 million person-days of employment have been created -- which is about 18 per cent of the incremental employment generation. In the year 1985-86, another 315 million person-days have been contributed. In addition, RLEGF, IRLP and TRYSEM created considerable employment opportunities.
But such complacency with regard to the rural development programme in India is not shared by all. It is argued, and sometimes shown quite convincingly through simulation exercises that the various poverty alleviation programmes had little impact on the poor. Poverty may have been reduced, but it was at the expense of increased rural income inequality. The empirical basis of such an argument remain somewhat doubtful, although one cannot simply wish away the adverse results. It is important to consider what would have happened to poverty, inequity and employment if the rural development programme were not undertaken.

Nepal started very much the same way as India with a multi-sectoral Village Development Programme supported activity by both India and the United States. This was a well conceived comprehensive programme split into three levels: (a) nucleus development, (b) dehat development and (c) village development. The Second Plan of Nepal (1962-65) deplored earlier programmes ascribing their ineffectiveness to lack of adequate coverage, lack of people's participation and the dichotomy of the development perspectives of the two major donors, i.e. India and the United States. The Second Plan created the Panchayati institutions (a form of local government with local participation) and assigned local public works to that institution. In the Third Five Year Plan (1965-70), the Panchayati institution was upgraded to a full sector and emphasis on it was continued in the fourth and the fifth plans.

It is important to note in the context of Nepal that the emphasis that was placed right from the beginning in evolving a proper institutional framework for a comprehensive and people-oriented rural development programme. Like India, the first institutional model emphasizing village and block development with Village and Block Development officers as overseeing and managing the development process under the Village Development Department of the government. A process of decentralisation was actively pursued with Panchayatisation.
The combined impact of all these efforts however remain quite limited. We have seen earlier that income inequality and poverty in Nepal may have increased in recent years, thanks to the poor overall performance of the economy as well as the limited success of special area development programmes.

In both Bangladesh and Pakistan, comprehensive rural development activity started with much earlier V-AID (Village Agricultural and Industrial Development) launched in the early fifties (1952). Given the socio-economic and political backgrounds, it performed its limited role satisfactorily. In 1959 the much acclaimed Comilla model of rural development was initiated in Bangladesh. The model was later adopted for nationwide replication under Integrated Rural Development Programme. The programme, launched in late 1970, was to be a production oriented IRD model without the first three components of the Comilla model. Starting in August 1971, IRDP completed the coverage of 448 Thanas (now upazilas) showing an annual rate of adoption of 30 thanas. The IRDP however came to adopt a number of constituent programmes like the Population Control and Women's Co-operatives (1984), the Storage and Godown Project (1977-79), the Youth Programme (1977-82) and the more recent Bitahin and Mohila Samabaya Samiti (Assetless and Women Co-operatives).

Inspite of all the public commitment the persistence of poverty and donor's insistence has led to a change in emphasis from the general IRDP-type approach to more focused and concentrated area approach. In addition to the IRDP (now Bangladesh Rural Development Board), the government has also adopted a number of area development programmes like Rural Development Project I and II, Serajgonj Integrated Rural Development Programme (SIRD), Noakhali Rural Development Programme (NIRD), etc. While all the programmes laid emphasis on the creation of physical infrastructures like rural roads, flood control and embankment, some emphasized more on market development co-operatives, and improvements in planning techniques.

It is difficult to say how far IRDP in Bangladesh has led to the alleviation of poverty and improvement in the distribution of income; or more appropriately how far the absence of these programmes
could have led to a further increase in poverty and inequity. Studies show that even in Comilla where strict supervision on irrigation programme and on co-operatives was maintained, income of the rich increased at a much faster rate than that of the poor. Development of physical infrastructure enhanced capital value of land and increased its rental. Productivity increases due to better irrigation facilities and use of HYV inputs led landlords to evict tenants and assume self-cultivation. All these, it is argued and shown empirically, have led to an increase in income inequality. However, certain direct poverty alleviation measures such as FFWP, VGFP etc. may have contained the slide in income distribution towards a more inequitable order. In so far as the programmed benefits have reached the poor, the rural development programmes undertaken in Bangladesh may have led to an improvement in the economic conditions of the poor. Given the magnitude of the problems of poverty and inequity, such benefits may not have been adequate to have a perceptible positive impact on poverty and distribution parameters.

The impacts of the rural development programmes in Pakistan remain perhaps more limited than in Bangladesh. The impact of the earlier rural development programmes on the removal of rural poverty has been clearly summed up in the Pakistan Economic Survey 1981-82. It is observed that “although these programmes did manage to achieve some measures of success, still the results were not commensurate with the huge funds put into these programmes: there impact on rural economy especially on the underprivileged segment of the population was minimal. This was so because the programmes were neither designed with the object of proving services at the doorsteps of the target population, nor were sponsored and executed with participation of the people. These programmes failed to bring about the desired improvement in the rural landscape”.

In Sri Lanka there had been many social programmes to improve the economic conditions of the poor, and the programmes were found to have positive impacts on income distribution and poverty. The rural development policies in Sri Lanka however followed a different path than those in the other South-Asian Countries, although the
objectives remain similar to those in other countries: the objectives being poverty alleviation, increased agricultural productivity and employment creation. Sri Lanka started with big nationally conceived capital intensive sectoral projects, but the social upheavals in the early seventies brought to the fore deep seated social and economic inequalities. The changes that were brought in by the youth uprising and a socialist government began to be gradually reversed with the change in the government in 1977. It is now claimed that the changes towards economic liberalisation, decentralisation greater free play of market forces, privatisation all these may have led to an increase in economic inequity. The poor may have either remained deprived or gained little. The ethnic violence in Sri Lanka in recent years could have aggravated the trend towards inequity and poverty.

In contrast to the South Asian Countries the South East Asian Countries have undertaken different strategies for rural development with implications for growth and development. In all these countries, growth considerations received priority primarily because of the facts that the economic conditions of the poor were not as desperate as in many South Asian Countries.

It was not until about the Fifth Five Year Plan that the existence of poverty amidst growth received high priority in Thailand’s new approach towards rural development. The new approach identified Tambon (sub-district) as the centre for development. The rural area is classified into low and high poverty concentration areas with projects concentrated at the high poverty areas. The new model rejected capital intensive approach as well as the earlier charity and welfare approach and induced people to take up self-help programmes with emphasis on low cost labour intensive techniques.

Although poverty eradication programmes in Thailand constitute a mere 1.1 per cent of total public expenditure, there seems to be quite substantial improvement in the poverty scenario. All health and demographic indicators show considerable improvements, nutrition standards also improved dramatically thus resulting in substantial
improvements in the quality of rural life. Notable progress was made in the generation of employment opportunities, at a rate of 1.1 per cent per year over 1979-83, wet season employment increased by 4.4% per year. Non-farm employment also increased considerably. However despite these improvements, landlessness in rural Thailand shows an increasing trend over time.

Like Thailand, the early rural development programmes in Malaysia did not focus on rural poverty. The Second Malay Plan (1961-65) started to expand the commitment towards rural development by incorporating a rural Development plan, setting up National Rural Development Council, Rural development Executive Committee and District Rural Development Committees. The strategy of rural development remained, as in most other countries, mostly infrastructure development oriented. Although the infrastructural approach was to provide linkage effects to the rural economy by providing rural employment and raising productivity and incomes of the rural poor, the approach touched the problem of poverty and under-employment only marginally. Rural poverty, low productivity and under-employment continue to remain as serious problems facing the rural sector despite the increase in development expenditure for rural development.

To tackle the problem, Malaysia shifted to a structural programme for rural development, and for employment creation. The structural programme called for resetting poor peasants in newly developed schemes, and fortunately Malaysia had enough land which could be developed through land development schemes. Starting from the Second Malay Plan, Malaysia started large and expensive land development schemes under the Federal Land Development Authority (FELDA). Although FELDA was considered successful in resettling a large number of small poor peasants, and in increasing their income and productivity, it was considered to be too costly and of low absorptive capacity leaving many of the rural poor unaffected by its success. The Rural Industrial Development Authority (RIDA), an agency set up in 1956 to help industrialise the rural areas through setting up small and cottage industries, also had rather limited impact on the poor.
Despite many such programmes, the incidence of poverty in Malaysia continued to be high -- the incidence in 1970 being highest among paddy farmers (88.1%), fishermen (73.2%), mixed farmers (64.9%), rubber (64.7%) and coconut smallholders (52.8%). The respectable and sustained growth rate of 6-7 per cent did not have much of an effect on the sliding poverty scenario.

The high incidence of poverty promoted the government to introduce New Economic Policy (NEP) which gave special emphasis on eradicating poverty and restructuring the society. In place of isolated capital intensive projects came the integrated package of programmes focused on certain areas and target groups requiring people's participation. In this new approach, area development as a focus was not totally abandoned, but agricultural development formed the core of rural development programmes.

However, despite these new approaches towards rural poverty alleviation, pockets of poverty persist in Malaysia. The overall poverty levels declined from 59 per cent in 1970 to 25 in 1984, and some studies (Sukur et al 1987) conclude that IADPs in Malaysia did have considerable impact on poverty through helping the spread of new production technology, increasing yield, employment and real income.

In the Philippines, community development formed the core of the earlier efforts towards rural development. The strategy for rural development in the earlier years (of Nagsaysay and Carlos) included, apart from Community Development (CD), improvements in land tenure, liberalised credit, technology dissemination and rural farm to market road construction. The CD approach helped in meeting some of the basic needs, but failed, because of some structural constraints, in raising rural income substantially and curbing increasing trend towards income inequalities.

A number of programmes was undertaken to rectify the situation. A Basic Needs approach was undertaken to support the consumption
of the poor. A new land reform programme was initiated and carried out in rice and maize land, a low interest credit programme (Masagana 99 was started, co-operatives for food producers (Samahang Nayon) were initiated and a massive investment programme in irrigation was undertaken. The so-called New Society administration promoted decentralisation and regionalisation of authority with attention to local needs and local participation. Such intensified government intervention brought benefits to the economy, but poverty persisted. As a result, the first attempt towards IRD was taken by constituting a Cabinet Co-ordination Committee for IRDP (CCC-IRDP).

However, IRD projects were not totally successful in alleviating poverty and improving income distribution in the rural area. An evaluation of Bicol River Basin Development Programme (BRBDP) by Koppel (1985) highlights the major successes and failures of the programmes.

The study finds significant increases in the income (over the reference period (1978-83) at the local and provincial levels. There has also been substantial shift of income source from agriculture to non-agriculture. In the agricultural sector itself, income from crops other than rice as well as that from poultry and livestock became important over time. Income from livestock and poultry (23.8%) made the most significant contribution to total income. Business contributed 20.6 per cent and other income sources 19.9 per cent. Wage income contributed only 9 per cent of total income. Despite the increasing non-farm income in the Bicol region, the provincial income shows less stability than other provinces. This can be explained by the much higher importance of business and service income in the other provinces. The programme has been seen to have caused considerable positive impact on crude birth rate, crude death rate and infant mortality rates.

The study also finds that the average income of all income groups had increased. But such increases have been uneven over income classes, being larger for the higher income groups. As a
result, income inequality is seen to have widened but it would
probably not be correct to attribute the whole of this increase
to the programme. It is quite possible that in the absence of the
programme, income distribution could have been worse.

The evolution of IRD type approach in Indonesia is based on
a curious mixture of circumstances which are partly common to both
the South Asian and the other South East Asian Countries. The first
set of circumstances relates the heavy pressure of population in
Java raising the dilemma and the problems that go with such a scarcity
situation. The second set of circumstances relates to the tremendous
possibilities of developing new land through area development schemes
and resetting population from Java. Since a large majority of the
Indonesian people live in Java where poverty is rampant and resources
scarce, the predominant objective of rural development has been
to improve the living conditions of the poor in Java. In this policy,
the transmigration scheme plays an important role -- during the
colonial days of opening up new land and plantations and supplying
labour to those plantations, and later as a conscious policy of
easing the drudgery and poverty conditions of the poor in Java by
resetting them in outer islands.

Upto the late sixties, IRD as a strategy for rural development
was rather unknown in Indonesia. Rural development programmes were
dealt with by the sectoral development agencies. Among the sectoral
agencies, Ministry of Agriculture emerged as the core Ministry.

After the sixties, it became clear that improvements in agricul-
ture alone could not remove rural poverty, and that rural poverty
was caused by many factors enmeshed in the socio-economic and poli-
tical fabric of the old order. Landlessness and skewed landownership
were viewed as obstacles and so were the involvement of the rural
people in too many political organisations creating rift and animosity
among the poor. Moreover, it was thought that a sectoral approach
to solve the problem of poverty would not be effective, as this
caused drain of skilled manpower and wastage of resources through
overlapping.
The proclaimed new order tended to rectify the economic, social and political malaise of the country, emphasizing self-sufficiency in agriculture, reorganizing rural development organizations and restricting too much politisiation by peasants. Impres desa, a village subsidy, rural infrastructure development and employment creation programme was also taken up.

Given the influences of external factors like oil bonanza of the early and the late seventies and increased adoption of HYVs it is rather difficult to isolate the impacts of various rural development/IRD measures on poverty, income distribution and employment. There has been a significant spurt in the adoption of HYV technology, although there was also differential response by different income and land size groups. Income distribution as a consequence might have increased. Landlessness is also noted to have increased over the late seventies. The nutrition standards improved, but not by a considerable margin in the case of the poor. Various micro-level studies on rural Java show widening gap in income.
V CONCLUDING REMARKS

Agrarian and land reforms in the countries covered in our study (except South Korea) have not been able to cause significant reductions in poverty or improve the distributional parameters. While the reforms can have, and in many cases had, temporary positive results, in the longer run partial reforms proved to be less than adequate to have sustained reduction in poverty and inequality. Social inequalities may persist even when economic reforms, such as reforms in the ownership of assets, are carried out, and within the socio-economic contexts of many of the Asian countries, social inequalities may create conditions for regeneration of unequal opportunities and unequal economic order. An unreformed market structure is also bound to create unequal opportunities due to imperfections in internal market structure or imperfections imported through external economic linkages.

Growth is generally found to be more successful in alleviating poverty, though not so much in creating a more egalitarian economic order. In certain cases growth has been accompanied by increasing inequality but the crucial question that remains unanswered, or only partially answered, is how far lack of growth could have created a more egalitarian order, and how acceptable that egalitarian order would have been. That is whether in the social welfare function there is a trade off between growth and equity.

The country experiences reviewed does not show that there is any trade off between growth and poverty, in almost all the case growth is found to be positively related with poverty alleviation, although not all types of growth could lead to poverty alleviation. Some economies have better capabilities of transmitting the benefits of growth to the poor, or more appropriately growth primarily occurred where the poor were concentrated. A successful programme for a more equitable growth and poverty alleviation depends on correct identification of the poor so that appropriate programmes can be directed towards them for providing maximum benefits for the poor.
While we are on the question of the relationship between growth, equity and poverty alleviation, it is useful to note certain issues. First, is the issue of the relationship between technology and growth. The nature of technology deployed, its development and change over time determines which factors are to be integrated in the process of development, and what part of the rewards will accrue to those factors. It is also necessary to find out whether the technology is indigenously developed or whether it is imported from outside. If it is the latter, then while it may be quite successful in inducing growth in the short run, in the long run growth may be hindered and the distribution of income may become less equal. An analysis of the nature of technology deployed, its origin and development is necessary in order to relate growth with equity.

Second, the relation between growth, equity and poverty alleviation is significantly tempered by the sector of origin of growth. More specifically, growth in different sectors of the economy would have different implications for distribution and poverty alleviation. For example, growth in agriculture, especially small farm sectors, would have different implications for poverty alleviation and equity than growth in the large scale industrial sector. The countries in Asia and the Pacific covered under this review have experienced variable rates of growths in different sectors, thus having differential impact on poverty and inequality. One particular sector whose development holds the key to long run solutions of the problem of growth is the development of non-farm sectors, appropriate choice of technology in this sector and its integration with other sectors. Governments industrial and trade policies would have important implications for the development of this sector, and hence of poverty, inequality and unemployment.

Third, it is also important to note and analyse various stabilisation policies in the developing countries in response to various destabilising forces emanating for external linkages. Price fluctuations in international markets may cause severe fluctuations in
the income of indigenous producers and hence they may need protection from such fluctuations through appropriate policy package both at the national and at international levels.

Lastly, we draw attention to the issues of specific poverty groups, the women, the minority, ethnics, tribals etc. Their development aspirations and needs are not always noted in national development strategies and plans, and hence their deprivations often continues and even aggravate over time. Some Asian countries are showing concern about such group specific and area specific problems with encouraging results.