

SHARING THE FRUITS OF OUR LABORS

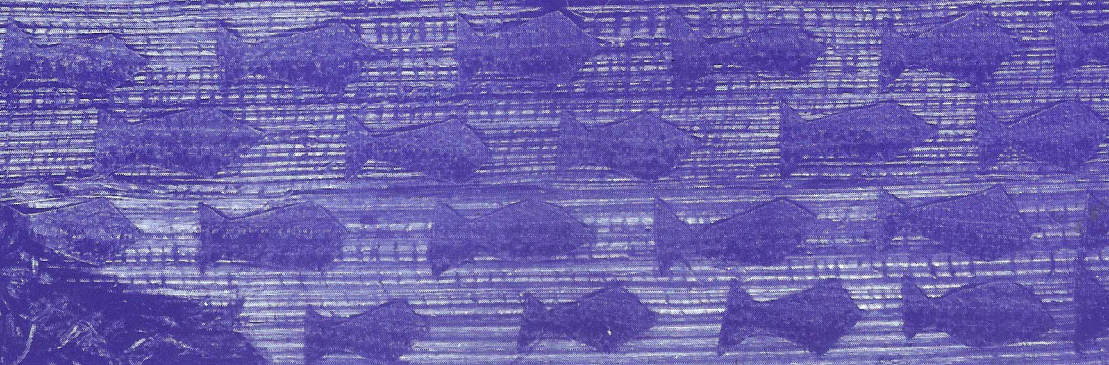
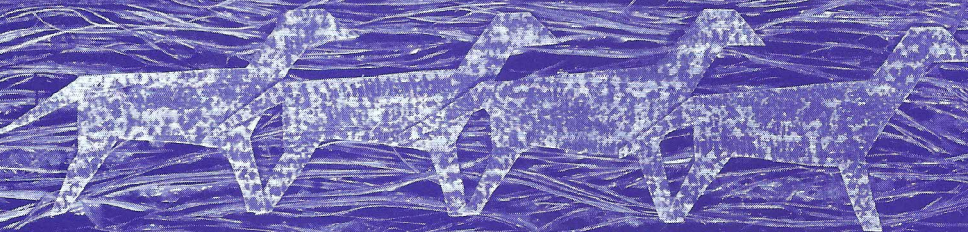
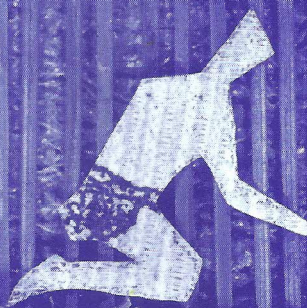
Report of the
THIRD ASIAN DEVELOPMENT FORUM

*"Village-Centered Development:
Towards Sustainable Livelihoods
for Asian Grassroots Communities"*

14-18 February 1994
Kathmandu, Nepal



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Asian NGO Coalition
for Agrarian Reform and Rural Development

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FOREWORD

The Third Asian Development Forum (ADF) reported in this volume focuses on human resources at the village level — the smallest and most widespread form of social organization throughout Asia. Thus the theme — “Village-Centered Economics: Towards Sustainable Livelihoods for Asian Grassroots Communities.”

Three strategic areas were discussed in this forum. One, community (social) enterprises in contrast to business enterprises. Two, financial intermediation mechanisms for the rural poor. And three, alternative economic accounting systems.

Overall, forum participants drew out the growing polarity between the two economic paradigms: a growth-centered development model (where people lie in the service of economics); and a people-centered development model (where economics is placed in the service of the people).

Various regional and country presentations illustrate how this paradigm shift is actually being conceptualized and carried out in various parts of Asia — e.g., a social enterprise model from Malaysia; a rural women’s self-financing scheme in India; a community-based accounting system being experimented in the Philippines; and several concrete examples of NGO-supported sustainable livelihood initiatives at the village level.

With a will and a vision, Asian villages can indeed move on to attain not only greater productivity but also a higher measure of equity, solidarity, and sustainable development for all.

This book binds for posterity and reflection the thoughts expressed and the vision brought forward during the Third Asian Development Forum. This is a must reading not only for development workers but also for policy-makers, business leaders, and anyone who has a stake in the sustainable use of resources.

Of particular interest is the model for a community-based accounting system being experimented in the Philippines. It takes into account not only the material resources used in the production process but also the production process’ effects on the community, culture, and environment.

We wish to sincerely thank all the speakers, presentors, and participants of the Third Asian

Development Forum. Through their efforts, they may all be considered as co-authors of this publication. We thank especially the NGO Federation of Nepal for hosting the conference, and for making the participants' stay truly enjoyable and productive. We acknowledge the months of preparatory work, the unfailing commitment and constant coordination work of the ADF Country Focal Points.

"(There is) the growing polarity between two economic paradigms: a growth-centered and a people-centered development ..."

We also acknowledge the assistance of the Sasakawa Peace Foundation for making the conference and this publication possible. We express our gratitude in particular to Mr. Akira Iriyama for his presence at the conference.

Finally, we wish to thank the following — Dave Ingles, Nathaniel Don Marquez, Jerome Dumlao, Tina Arceo-Dumlao, Roberto Añonuevo, Janie Rose Villaroman, Gloria Punay, Lalaine Angeles, Antonina Ducusin, Marissa Perez, Teresito Elumba and Mira Ofreneo — for their assistance at varying stages of this publication.

FR. ANTONIO J. LEDESMA, S.J.
Chairperson, ANGOC

ANTONIO B. QUIZON
Executive Director, ANGOC

MESSAGE

The Asian Development Forum held this third series based on the past two forums, demonstrating the missions of Asian NGOs and their action plans. The Sasakawa Peace Foundation (SPF) has been proud to support these opportunities for Asian NGOs to express their opinions and to improve the present conditions.

The theme of the Third Asian Development Forum (ADF III) was "Village-Centered Development: Towards Sustainable Livelihoods for Asian Grassroots Communities," which referred its importance of basic factors in economies. Large scale business enterprises have surely contributed to the development in Asian countries in terms of their gross national product (GNP). However, that kind of standard did not fit small communities, especially for the rural areas.

In considering sustainable development, it is important for Asian Communities to realize what measure should be used. Fortunately, ADF III had many participants from local NGOs in Nepal, where the Forum was held. The number of NGOs in Nepal have been increasing these days, not because of political reasons,

"(The standards of GNP) did not fit small communities, especially for the rural areas."

but because of the people's recognition of the importance of NGOs. In that sense, Nepal was the best place to hold ADF III, in thinking and discussing the NGO powers and its roles in real community livelihoods.

In the sessions, we had to realize the importance and role of community economics, not just fighting with business enterprises, because there were many differences in their characteristics. The importance of developing financial support systems has been realized. Indeed, there are many problems to be solved in establishing community-based economics. The Third ADF offered some light on how to reach our goal. The country papers and cases presented during the Forum show that cooperative systems in some Asian countries are already in place.

Finally, SPF would like to express our deepest appreciation to Fr. Antonio Ledesma, SJ and Mr. Antonio Quizon, all staffs of ANGO and NGO Federation of Nepal, and all the distinguished participants of ADF III.

KOSHIRO TAKADA
Program Officer, SPF

INTRODUCTION

Never in history has the world experienced so much economic progress. Yet, never has there been a time when one-fifth of its population wallow in utmost poverty. The current growth-centered economic development paradigm adopted by institutions (i.e., governments, international financial institutions, multinational corporations), which prescribed production, profits and trickle-down prosperity as the cure-all to poverty only further accelerated environmental and social disintegration. In their quest to maximize economic gains, the moneyed elites and their institutions all but discarded the traditional values of long-enduring communities and villages.

Instead, we have created a society that worships money and transforms life into monetary value with relentless efficiency. Our collective obsession on acquiring money as the defining purpose of human society is both cause and consequence of our alienation from the spiritual nature of all life, including our own. It is this alienation that is the root cause of the social and ecological crises that now threaten our collective future.

Pushed by the failure of conventional economic practice, there is global effort to build a commitment to an alternative people's vision of human progress built on just and sustainable human societies. As people become increasingly alienated from their spiritual connection to nature and community, an alternative theory rediscovers the past wherein economic and technological progress is balanced with societal, ecological, and human development concerns. Sustainability means balancing consumption and population levels with what nature can sustain, entailing the elimination of gross political and economic inequality. The step to sustainability requires moving toward an

institutional framework — *a sustainable social practice that roots power in place and community.*

Asia's soul is found in her villages. The village has traditionally nurtured growth of self-sufficient and self-reliant rural communities. In it, social, religious, environmental, economic, political, and cultural systems support and enhance one another. To become truly people-centered and to regain a sustainable world, we must replace the prevailing economies of alienation with its antithesis, an economics of community.

An economics of community restores the necessary balance of relationships among people, place and community. Spirituality and community, not money, are made to grow on the trees of life. Preservation of sustainable productive potentials of ecological resources is emphasized while long-term returns take value over short-term ones.

***"The step to sustainability requires ...
an institutional framework ... that roots
power in place and community."***

Through sustainable livelihoods, village communities generate and ably manage their basic needs of food, shelter, clothing, security, recreation, and spiritual development for all community

members. The village finds means in order to exist within the principles of shared prosperity, stewardship of resources, interdependent relationships among sectors, and a bias towards poverty alleviation. Life takes precedence over profit and production.

The variety of rich experiences among Asian NGOs in restoring the people's connection to nature and community, in attaining sustainable livelihoods, and in regaining spirituality is illuminated in this ANGOC publication. By learning from the values of the past and the living foundations of Asian grassroots communities, the people of the future can hope for a world where economy, ecology, and spirit are lived as one. □

SUMMARY

Global economic activity today is running at a pace never before seen in history. Over the past four decades, including the 1990's, average economic output expanded by five times over that seen from the beginning of human history until the middle of the present century.

Yet, during this same period of economic growth, the world's population doubled. The number of people living in absolute poverty expanded. The gap between rich and poor widened. Consequently, ecological destruction has reached proportions which placed the future viability of the human species in doubt.

If there is a clear lesson to be derived from the past four development decades, it is that economic growth is not the panacea, or cure-all, for what ails human society. Measurements of Gross National Product (GNP) do not necessarily translate into improvements in quality of life. Even the United Nations Development Programme (UNDP), through its Human Development Reports, has begun to demonstrate that growth is neither a necessary nor sufficient condition for the elimination of human deprivation. Economists have also dubbed this era as one of "jobless growth," as its rising productivity has been matched only by the growing ranks of the unemployed.

Thus, participants at the Fourth Asian Development Forum cited the need to re-examine the fundamental ways by which we live and operate. We must shed our obsession with growth, the participants said, and begin to rediscover our true community values, and what they mean for how we choose to allocate our efforts and remaining resources.

Current growth-led development paradigms — adopted by most governments, international financial and development agencies — must be re-assessed in light of the growing ranks of the dispossessed. We must recall historical factors which brought us to this state, assess alternatives, and map-out viable options still open to us.

The spice of life: How it all began

Even before the onset of colonialism, Asian communities already had well-developed economic and political systems. Asian villages functioned as self-sufficient units, or "little republics", producing almost every-

*Written by Antonio B. Quizon,
Nathaniel Don E. Marquez,
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Ma. Cristina Arceo-Dumlao,
based on plenary discussions
and papers presented at the Third
Asian Development Forum:
"Village-Centered Development:
Towards Sustainable Livelihoods
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at Kathmandu, Nepal.*

thing they needed. They had a highly developed sense of equity and operated rigorous systems to ensure that no one got too much nor too little. Political, economic, religious and cultural systems were closely interlinked.

These early societies engaged in the cultivation of crops and other agricultural activities which ensured a fair level of food security. Only surplus was traded. A strong community bond ensured that no one would be allowed to suffer for want of assistance.

Over the centuries, however, self-sufficient villages began to disintegrate as capitalists stamped into the new colonial frontiers of Asia. Later, these small village "republics" were trampled underfoot by their integration into the global market system.

The first European colonizers made their bold ventures into Asia for a simple reason: to search for spices, specifically pepper. The colonial intrusion into Asia was initially driven by the Europeans' need to conserve their food supply through the long, cold winters. Without the spices to preserve the meat, it soon spoiled.

From barter, money became the medium of exchange. It served as a measure of value of all goods and services. If money was saved, its use as an exchange medium was merely postponed. With the rise of a monetary economy, the accumulation of surplus and wealth was facilitated.

Traditional patterns of community life were obliterated with the imposition of a centralized colonial rule. As a result, a dual economy emerged. While traditional villages persisted in many parts of Asia, trading capitals emerged as road and railway networks linked production outposts to the center of economic activity. Centralized administrations were set-up, managed by the colonizers and a new rising class of local elites.

Starting in the second half of the 19th century, the requirements for raw materials and labor of the emerging Industrial Revolution in Europe increased. Thus, tobacco, chromium, rice, bauxite, coffee, cotton, rubber, and jute, among others, were extracted from the territories. What resulted was a new kind of trade which sought to ultimately bring the whole world together under one global economy, no matter how many separate nations or political units it might hold. For even as the nation-states of Asia later gained their political independence, in most cases, the

umbilical cord which tied their colonial economies was not severed. Satellite village economies were linked to towns, towns to cities, and cities to production centers in the North.

There were those who resisted the gradual breakdown of village life. Gandhi was being realistic, not just romantic, when he said that: "The vastness of

*"A clear lesson to be derived
from the past four decades...
is that economic growth
is not a panacea, or cure-all
for what ails human society."*

our country, the vastness of the population, the situation and the climate of the country have in my opinion destined it for a rural civilization. Its defects are well known, but not one of them is irremediable. To uproot it, and substitute it for an urban civilization seems to me an impossibility."

The latter half of the 20th century saw the rapid rise of a new power that would soon eclipse even the power of States: that of Global Capital. Transnational corporations (TNCs) and international financial institutions (IFIs) would leverage their new-found powers to shape the rules of a free market, towards that of a "borderless world" which would allow the unrestricted movement of goods and capital, but not of people, across territories.

Thus, over the past 30 years, a succession of Asian government administrations in national capitals launched their Five-Year Development Plans, aimed primarily at pushing their lagging economies forward under increasing global competition. Appended to these Plans were measures directed at poverty alleviation and social equity.

But a review of different Asian country experiences has shown these social reform measures seemed to represent mere feeble attempts to provide welfare and "safety nets" for poor communities and sectors, which became increasingly displaced and dispossessed as a result of the race towards economic growth. The "growth-at-all-costs" policy was itself



never placed under question. Policies and programs on rural development were largely formulated and implemented within a highly bureaucratic framework, ultimately benefitting only the feudal lords, bureaucrats, and a portion of the middle class.

The illusions of growth

Despite global economic progress, a large portion, or as much as 20 percent, of the world's population continues to be composed of citizens who find themselves on the bare edges of survival, majority of them in rural areas. Each year, 13 million to 18 million people die of hunger and starvation. Equally damaging are the effects of this growth in poverty statistics on the socio-cultural fabric of communities, and on their environment.

The growth-led development vision, in its purest form, defines progress almost entirely in terms of the economic value of production output. Its proponents focus their attention almost exclusively on the budgets of government, production sales, and investments of formal sector enterprises, giving special attention to transactions flowing through international markets and contributing to foreign exchange earnings.

Growth in output is assumed to be a function

of capital investment, which in turn is assumed to be a function of savings. For poor countries to generate sufficient savings which, in turn, is viewed to finance necessary capital investment, it is presumed that foreign investment, loans and grants provide a satisfactory substitute. Market forces, proponents further claim, will distribute the benefits of growth to all sectors in the society, in proportion to their economic contribution. Thus, poverty is seen merely to be a result of inadequate economic growth, and capital investment is seen to be its cure. Along with capital and technology, people are viewed as one input to the production-driven-growth process. Their participation is defined by their roles as laborers and consumers.

Thus, proponents of growth-led development focus their efforts almost exclusively to enlarging the economic pie, leaving the distribution of benefits to unseen market forces.

Over the past three decades, IFIs, multilateral donors and TNCs — the main proponents of growth-led development and wielders of international capital in the form of “development” aid — gained increasing influence over poorer Asian economies, with little or no regard for community realities. With scant financial resources, Asian governments often accept whatever money is offered by these institutions, even with strings attached.

In Nepal, foreign aid constitutes about 21 percent of its national budget, and donors openly dictate development priorities under threats of aid withdrawal. The situation is even more pronounced in Bangladesh, where nearly all development activities are financed by aid. Because its government is heavily aid-dependent, foreign officials from lending institutions visiting Bangladesh would have a disproportionate say in what the government does - or even thinks - during their brief stay.

Growth proponents further stressed that since it is market competition which propels the economy to prosper, government's role is mainly to promote private investments, leaving “development” to the mechanisms of an open and free market. Thus, governments are called upon “to do their job best by staying out” through privatization, deregulation and liberalization of the market. At best, economic policymakers point out that public expenditures should be earmarked for the provision of basic services (especially infrastructure support to complement private investments), or to fund the upliftment

of the poorer sectors left behind by society's march to progress. These have been the hallmark of many National Development Plans.

Yet, the kind of growth proposed by these plans needs much closer examination. Driven by profit, investors tend to go to where raw materials are cheapest, labor is docile, and social and environmental regulations are weakest. They staunchly advocate for the opening and deregulation of markets, as this makes it easier for them to seek communities where they can make the most profits. Investment capital recognizes no boundaries, is not rooted nor attached to areas or communities. It seeks to make the highest returns at the shortest possible time through a relentless extraction from nature's reserves. Neither the social costs nor the environmental damage are internalized, nor factored into production costs.

Thus, the relentless pursuit of economic growth and the unhampered intrusion of capital into investment areas tend to uproot Asian people from their livelihood and communities. As a result, there is an observed breakdown in community life as traditional bonds are replaced by consumerist values. People become increasingly alienated from their spiritual connection to nature and community. The process sets people apart from nature, and legitimizes the view that humanity not only has the right but also the obligation to exploit nature's bounty. This paradigm is rooted in the institution of money, which has created a powerful illusion that everything has a price and hence, can be bought. As such, most people today hardly produce anything to satisfy their own needs. Practically everything people want must be bought, and everything people produce must be sold. Work becomes a chore that is paid, rather than an expression of one's creativity and community service.

In the Philippines, for example, the effects of an export-oriented economy continues to be felt in provinces hardest-hit by poverty. Negros Occidental in the country's central region has its vast, fertile agricultural lands devoted almost entirely to the cultivation of a single export crop - sugar - rendering the livelihoods of entire communities wholly dependent on unstable prices in the world market. Thus, when the price of sugar crashed in the world market in the 1980s, it was the landless *hacienda* workers and their children who suffered through the worst pains of famine — not for lack of local resources, but for lack of work, simply because the *hacienda*

owners chose to let their lands go idle.

Similarly, in the coastal town of Beserah, Malaysia, a booming trade and tourism industry have displaced small, artisanal fisherfolk from their livelihood, and have made them even more dependent now on outside fish traders and tourism operators.

In light of all these events, it has become necessary for citizens to re-examine a new path to development: one which operates within the economic framework of community, and places people at the center of its efforts.

Fighting back: The village community as alternative

The struggle of Asian communities to protect their livelihoods serves not only as an act of protest, but a reassertion of their rights and human dignity.

Sustainable livelihood refers to the means by which a community meets its basic needs for food, shelter, clothing, security, recreation, and spiritual upliftment, as well as management of its resources. Its operational principles are shared prosperity, stewardship of resources, interdependent relationships among sectors, and a bias towards poverty alleviation. Indeed, village-centered development is a stark contrast to current business economics where profit is the sole motivation, and the community is often sacrificed at the altars of economic progress.

“Traditional patterns of community life were obliterated with the imposition of a centralized colonial rule.”

According to Gandhi, community economics is organized on the basis of non-violent occupations involving no exploitation or envy of others. It is organized not on the basis of rights, but on the duties of citizens. Those who engage in occupations do not merely earn their living, but contribute to the good of the community through their labors.

A community-based development model recognizes the capacities of people to manage their

resources and surroundings in a sustainable way. It reaffirms the kind of community life where people observe greater accountability for their actions. It recognizes that since the poor do not have the same mobility as investments do, the heart of development efforts must start where people are. This way, macro-economic policies become a mere reflection of the aggregate reality of communities.

In economic practice, the true value that society gives to each human activity is reflected in the way by which it organizes its balance sheet and book of accounts. The accounting system society adopts also defines the goals of its economy.

The current growth model measures "devel-

"(Growth led development) paradigm is rooted in the institution of money, which has created a powerful illusion that everything... can be bought."

opment" in society, through its productive output, as expressed in society's Gross Domestic Product (GDP). Upon closer examination, however, GDP as a true measure of development is flawed, for two reasons:

- GDP bases its measurement on the output of firms, rather than on the income generated by households. In turn, the measurement of business-enterprise economics relates only to the formal sector, thus excluding a substantial portion of non-formal activities (i.e., subsistence production, sidewalk vending and similar unrecorded activities) on which most people depend for their livelihoods, and.
- Business entities do not internalize the social and environmental costs of their production. The GDP makes no account of loss of environmental resources or the deterioration in the education level of the workforce over time. Labor is treated as a commodity expense, and little or no monetary value is given to a community's resources and environment.

Little wonder then that neo-classical eco-

economic planners tend to overlook the true quality of household life in the face of growth and ignore the real social and environmental costs to a community a business enterprise may bring.

In contrast, an alternative community accounting system takes into account the aggregate human productive activities over a given area, where the household, firm and other entities are subsumed. As a complete reversal of current practice, a community accounting model uses the household as its basic unit and assigns variables to all community resources.

Community enterprises seek to redefine the development agenda in terms of the pursuit of transformation, rather the search for growth. They are organizational entities providing economic and social benefits for a group of beneficiaries. Development is defined as equity-led growth while the path towards equitable growth is holistic, self-sustaining, participatory, and people-centered.

People-centered development is not anti-growth; it calls for a selective kind of growth that emphasizes equity and overall increases in community well-being, gives preference to dispossessed people, and restores the environment. Skeptics who dismiss community-based development as "mere revival of a romanticized tradition" are mistaken; and so are critics who say that community-based development has no place in today's reality of global competition. For across Asia, a countless number of communities are taking bold initiatives to re-assert a kind of development that has eluded them for so long.

NGO responses and actions

After decades of working among communities, NGOs have come forward with a more confident agenda. They seek to revitalize people's bonds with their community and environment through positive, community-based actions. Increasingly, local communities and urban neighborhoods across Asia have begun to confront the rising tide of global market integration through the self-assertion of their rights over their space and livelihoods. More than mere strategy, theirs is an act of fighting back for survival. This growing people's movement is taking shape in the form of savings societies and people's banks, community enterprises, women's forums, and many other forms of self-help, voluntary action.

In most parts of Asia, NGOs have simply taken over where government has failed, such as in

the delivery of basic services. This has been the case in the Philippines, where 20,000 NGOs scattered all over the country respond to the problems of countryside development through community organizing, education and training, primary health care promotion, agricultural extension, and cultural activities that revive community life.

One emerging trend in Philippine NGO activities is the venture towards integrated area development. This area-based approach not only seeks to hasten the development of village clusters; it addresses equity concerns within communities. Thus, efforts towards agrarian reform are combined with agricultural production; producers and consumers are linked through cooperatives; and people interact with local governments in the formulation of area development plans.

Villages in Nepal, on the other hand, have had a long tradition of mobilizing self-help groups as part of their survival response. Earlier groups carried out activities such as agricultural labor exchange, construction and repair of irrigation canals and roads, organization of rituals and festivals and others. These groups later developed into NGOs with more systematic approaches in community-based planning, mutual help, and advocacy on national and international issues.

In many instances, it is the villagers themselves who define their own path to development. One example can be seen in the complete transformation of Ralegan Siddhi — a village in Maharashtra State, India. In 1976, the agrarian economy of the village was shattered due to massive soil erosion, deforestation, recurrent droughts and overall environmental degradation. Ralegan suffered from acute scarcity of water and chronic shortages in food supply. As a result, there was total decay in the economic, social and moral life in the village.

But the persistent efforts of the villagers of

Ralegan Siddhi over a span of 20 years paid off, bringing complete transformation to the community. The village not only achieved self-sufficiency in foodgrains, milk, and fodder but now sells its surplus to nearby villages. Such a dramatic turnaround was made possible by a simple program adopted by the villagers, wherein they identify priority activities. There were no grand economic designs to speak of, only a simple, day-to-day problem-solving process. Because they could easily relate to the objectives and see the immediate benefits, the villagers' talents and energies were put into maximum use. This contrasted with government's incomprehensible macro-economic policies.

Elsewhere, NGOs learned that by building on local capital, villages and towns could be revived. In the southern town of Tagum, Davao del Norte in Southern Philippines, for example, an alternative



ADF participants with the Prime Minister Girija Prasad Koirala of Nepal

financing cooperative that rivals commercial banks now operates in full gear. Born from humble efforts, the Tagum Cooperative Bank now provides its members with a variety of services, foremost of which are credit loans. Members are given higher interest rates for their savings than those given by commercial banks. The bank now ventures into community development projects by extending agricultural assistance to its farmer-members.

Similarly, the Cooperative Development Foundation, an NGO working among rural women in the state of Andhra Pradesh, India, has created a self-

“A community-based development model recognizes the capacities of people to manage their resources and surroundings... where people observe greater accountability for their actions.”

sustaining cooperative enterprise whose operations are wholly-financed by members' contributions. By offering lower interest rates on loans, the cooperative has broken the rural women's dependence on usurious money lenders, and, in the process, generated huge savings which are reinvested in the communities.

Active people's participation is vital to the success of any community-based enterprise. The foregoing examples show that if people are involved from planning to implementation, they gain a sense of true ownership of the enterprise and their participation goes deeper. Tangible benefits are important; and so is the organization of the poor.

The challenge for NGOs is how to expand existing successes in community initiatives — by covering larger areas, sharing technologies and approaches, linking up efforts, and pushing for reforms in structures and policies of governments and financial institutions. In the face of stiff opposition from vested interests, NGOs and communities, will have to take a “leap of faith” in their efforts to restore community balance. However, they must start by addressing critical issues and internal constraints restricting community efforts. Some of the critical issues noted include:

- *Addressing cultural barriers and resistance to change.* In India's Ralegan Siddhi village, for instance, villagers themselves posed the first barrier. Initially, there was difficulty in convincing the community of the power within themselves to solve their own problems without relying on a government that has distanced itself from them.

- *Addressing the needs of women.* Most communities, including NGOs, suffer from a general lack of awareness and appreciation of the conditions

and needs of women. Women's situation is often aggravated by the fact that they tend to be bypassed by most development efforts and organizations still tend to be male-dominated.

- *Understanding the fallacy of growth.* The dominant economic system has become part of the community's psyche. The lure of media and a consumerist culture present powerful images that must be countered.

- *Overcoming dependency.* Systems of patronage remain deeply entrenched, especially in communities where local officials, money lenders, landlords and capitalists are often both hated and revered. Some act as conduits of external aid and peddlers of influence. Even within the growing “development industry,” the chronic lack of funds has also put NGOs at the mercy of the funding agencies. Rather than building on self-reliance and self-sustainability through utilization of community resources, aid is often chosen as the easy way out. In Nepal, this is known as the “donor's trap” wherein the donor controls the organization and its activities. Once donor support is withdrawn, the organization collapses.

- *Building local capacity.* Building local economies and livelihoods demands new skills which NGOs sorely lack. In Nepal, limitations in NGO capabilities were noted in financial accountability, activity planning and monitoring, and cooperation with local government structures. Most NGOs have also been found to lack enough skills to successfully implement larger-scale development projects. In Sri Lanka, NGOs are often hampered by lack of formal training in administration and management.

- *Reforming the policy environment.* Indonesian, Malaysian and Bangladeshi NGOs have to contend with constant pressure from governments that severely limit their activities.

- *Building inclusive alliances and strategies.* Narrow parochial and sectoral thinking (but not self-interest) still dominate many local development approaches. Communities and NGOs need to break out of fixed mindsets, and begin to contextualize their efforts within the socio-economic realities of the larger society.

Future directions

- As communities get organized, NGOs will have to take on additional roles. It is not enough that

NGOs continue to implement their own projects in relative isolation. They must begin to engage in the larger policy debates on economic policy and on the true state of poverty — through public awareness campaigns and direct discussions with governments and external institutions. Macro-policies have had damaging effects on development efforts at the community level.

- In building-up their case for village-based development, the NGO community should develop tools by which they can better analyze the true “net worth” of community activity and resources, and can put forward arguments and data in the form of economic analysis. NGOs must increasingly become “bilingual” in their approach — that is, able to speak the language of people on one hand, as well as the language of economic planners on the other hand. A community-based accounting system that measures the totality of aggregate human productive activities in a community, including the real costs of a community’s assets, resources and environment, is one system which could be explored. This is often referred to as the “community-based accounting system”.

- From this, a new paradigm of a community-based economy emerges — one that links productivity with the well-being of households, and not of corporations; that values livelihoods for its true income, rather than as mere “labor” or an expense of production; and that seeks to restore balance in the community environment as a life-support system, rather than as a free resource of nature to be exploited.

- In developing sustainable livelihoods, communities should focus on consistency with basic needs, preservation of their resource base, use of environment-friendly technology, wide distribution of benefits, and harmony with cultural/religious values; they should develop their plans with broad participation.

- NGO livelihood programs should closely be tied to agriculture, since it continues to be a major contributor to many local economies and the main source of livelihood for poor rural populations. A similar emphasis, however, should be given to non-farming rural activities as a source of alternative livelihood.

- NGOs and local communities must address the lack of access to credit in the countryside. They

must recognize the innate capacities of the poor to generate savings, honor their debts, and build-up local capital, if given the opportunities and tools to do so. They must start from where people are, and build on what they have. Rural women play an important role in the building of community social enterprises.

- Training for “social entrepreneurship” within communities must be actively promoted. “Social entrepreneurs” are those who are able to combine a “hard-nosed” business approach with the delivery of basic needs and services to a community. It is the spirit of service, not the mere drive for profit, which motivates the enterprise. Cooperative ownership and control must be emphasized.

“People-centered development is not anti-growth; it emphasizes equity and overall increases in community well-being...”

- Special attention must be paid to the needs and capacities of rural women, given the various socio-economic and cultural burdens that impinge on their lives in community.

- NGOs must break out of their isolation, and strengthen collaborative efforts with other NGOs as well as the government for delivery of services. Successful field experiences in the scaling-up of development projects must be shared. Linkages must be expanded.

- Experience shows that area-based networking among NGOs and people’s organizations helps not only in knowledge-sharing; equally important is its role in providing mutual protection and support, in lobbying efforts, and in building-up a politically and economically potent force. One tried approach is the creation of “networks of villages”. Integrated area development approaches help people to build-up on locally-available resources, community capacities and existing initiatives.

- Multi-level, tripartite mechanisms among NGOs, local governments, and the central government could be set up, to promote larger-scale commu-

nity projects and to access central government resources to meet community needs. Working with government need not mean cooptation by the highly influential elite. NGOs strive to make the state more responsive to community needs, and more representative of its interests.

- NGOs must continue to advocate for policies that effectively decentralize and devolve state power and resources to the village-level. Village-based development must be made central to national economic policy. Where devolution laws do exist, such as in the case of the Panchayati Raj in India and the Local Government Code of the Philippines, NGOs and local communities should explore and exploit the full potential of the Law.

- To expand voluntary action, NGOs must seek reform in existing laws that restrict their democratic space. These include infringements on basic human rights such as the freedom of association, speech and assembly, as well as official regulations on their registration, funding and mobility.

- NGOs aim to catalyze the formation of autonomous, community-based organizations of the poor around principles of self-help and self-reliance. Indeed, NGOs have pioneered participatory approaches and have given "people empowerment" its varied institutional forms. For the power of the poor to transform lies in their numbers; and it is only through organization that the poor can assert their "right" power. The challenge ahead is how to help people to re-claim their sovereignty over increasingly

larger areas affecting their own lives, so that in the pyramid of power, the apex will eventually be left with the mere "residuals" of power. This is the Gandhian concept of *Lok Niti*, or People's Politics, as opposed to the centralized politics of the State and the Market, or *Raj Niti*.

- Finally, NGOs must strengthen their own systems of accountability, and avoid creating community dependence on their external assistance. They must expand beyond the scope of their immediate circles, to create strategic working alliances with other sectors of civil society. NGOs must embark on new frameworks of thinking and analysis, to enable them to come to better grips with the emerging global market economy. □

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KEYNOTE

by Chandni Joshi

This annual regional meeting of the Asian Development Forum is a *Call for Action* forum to discuss and plan out an Action Agenda on pressing and relevant development issues affecting Asian rural poor — a subject that is not only relevant but timely.

Ms. Chandni Joshi is Regional Adviser of the United Nations Fund for Women (UNIFEM). For 20 years, she taught at the Tribhuvan of Nepal and has served there at different capacities in various departments. Also, she helped create the Private Credit for Rural Women (PCRW), a credit program for rural women implemented throughout Nepal.

Ms. Joshi has then held various positions in a number of international and UN agencies.

As the overall goal of the Forum is to set a Development Agenda for the 21st century, it will be worthwhile to reflect for a moment on existing global trends. A fair proportion of these trends have been expressed efficiently in previous materials covering aspects such as control and ownership of natural resources; debt boomerang; changing value systems; technology displacing labor; market forces failing to provide basic needs; the elite controlling national decision-making leading towards increasing poverty; and ecological degradation. I would like to add a few more pertinent, vital issues which perhaps also need to be taken into consideration as the finding of this forum will be used as a basis for policy advocacy and follow-up action programs by NGOs in Asia.

Globally the last two decades had a significant impact in the region. The socialist block disintegrated. Racial religio-ethnic strife increased. Violence against humanity at large escalated. Refugees flowed, and the patterns of migration had changed. The resulting new economic order, structural adjustment policies, and trade patterns are additional factors which adversely effected the concept of equity and partnership in the Asian region.

Development efforts started in most societies as a system of welfare or help for the dispossessed and poor. By early 1960s, it was recognized that the welfare mode tended to generate a dependency syndrome, and eventually caused damage to the intended beneficiaries. Attention then shifted from providing help to raising the capability of the poor; empowering them through awareness-building and education; and developing local organizations. In the subsequent phase, the need for combining social and economic development was universally recognized. Therefore, most development efforts ride on this trend.

However, the formulation of a social development strategy towards the year 2000 and beyond means recognizing the critical problems arising out of a narrow focus on economic growth as the key to overall socio-economic development. This notion assumes that social conditions will improve automatically in the wake of economic growth. Yet concrete cases in Asian countries show that this growth trend led to the intensification of social problems.

The last three decades have seen a lot of transition in national economic policies — from privatization then back again to nationalization of economic enterprises in almost all the Asian countries, where more than half of this world's poor live. In many cases, whether in richer or poorer countries, macro economic policy has failed to foster appreciable social progress even where it has succeeded in bringing economic gains. Thus, this call for new approaches to development policy and planning from governmental as well as non-governmental sources.

One of the most important messages of UNDP's *Human Development Report* is that economic development and prosperity are infinitely more dependent on the promotion of social investment than ever before. The importance of Promoting Social Investment cannot be undermined or underplayed as often has been the case. NGOs have long been pointing this out, but it is only recently that large international institutions are coming up with the same message.

As a development practitioner and a keen student of development for the last 30 years, it has been very intriguing, and at times fascinating to

observe the trend and impact of macro economic policies on our partners in development.

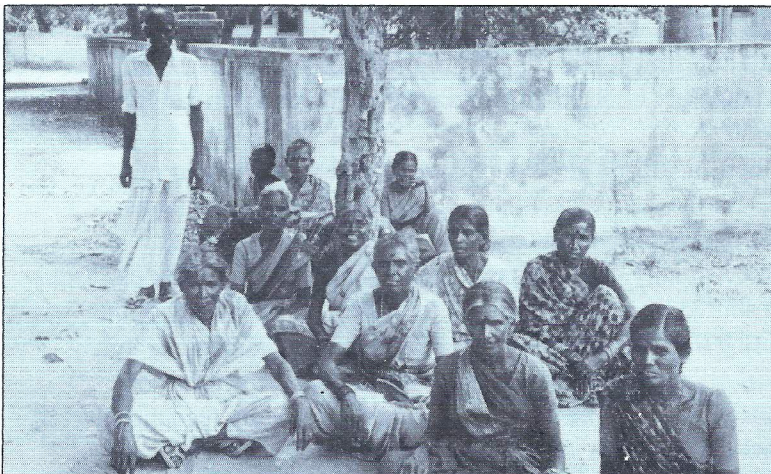
Macro policies of most countries often have been counterproductive and detrimental not only to the micro efforts of NGOs programs but to the overall cause of people-centered development since these are centrally-designed programs that take the top-to-bottom approach. The need and priority of the State generally do not match the need of the people. The grave disparity between the budget allocation for defense and for social spending in any country's annual budget stresses this point. In the *Education for All Summit* held in New Delhi in January of 1994, Dr. Mahboob ul-Haq advised participating countries to freeze their defense expenditure by one percent and subsequently reduce it over a period of three years. This would provide eight billions dollars which could be directed to meet basic needs of the people. A study by Dr. ul-Haq showed that two countries of South Asia spend over 18 billion dollars a year on defense. I quote Dr. ul-Haq who said, "many countries are committing suicide by choosing such a defense policy."

Still, macro policies cannot be ignored either. Micro efforts of NGOs are subject to structural adjustments, price policy, privatization schemes, and trade policies which are often governed by political motives.

The NGO Movement in Asia has come a long way. Its efforts conform to the broad alternative development spectrum, although there remains a great diversity in the choice of programs and strategies. This diversity reflects differing views regarding the suitability of single activity versus multiple activities with integrated development focus; and the relative importance of economic versus social development interventions. Similarly, views have been divided regarding the suitability of developing *models* replication vis-à-vis upscaling and large expansion of the same programs.

Increasingly one comes across the various parameters of development (i.e. sustainable development, people-centered development). One is then forced to wonder whether all development terminologies now need to be redefined and efforts analyzed and shared.

Today we could start by having self-



evaluation and making personal resolutions. I feel that besides being critical of macro policies and the role of the State, it will also be necessary to ask ourselves a few *maybes* and *ifs*, which I believe will help us to jointly plan for a sustainable future while examining innovative livelihood systems with our partners in the

“[W]hether in richer or poorer countries, macroeconomic policy has failed to foster appreciable social progress ...”

region. I would not suggest for a moment that all the answers will be found or that there are any right solutions either. We could make an attempt to figure out what might be needed to shift paradigms from a welfare and top-down approach to a community-centered development one where men, women and children of that community matter. Possibly, there is a need to *humanize* these approaches to remind ourselves and policy planners of the repercussions we face when development blunders occur. It is high time to redefine development jargons and to *rethink*, since sometimes our experiences stand in our way. If we are determined to follow Alternative Economics and Social Accounting Systems, there will be a need to demystify telescopic planning from capitals and towns. It is just too easy to eclipse the real interests of the communities we serve. We have to find socially acceptable measures. In fact, we will likely discover that our urgency is shared by them. We should now try *not to represent our development partners*. They have well been *talked about* and may be *talked to*. Let's reverse the situation and, for once let's *listen* to them. And let them chart their own development, according to their own needs and aspirations based on their knowledge and experience.

We have learned to build trust in the people. But we also need to know their expertise. They are equally vocal and experienced. We could imagine the pangs of hunger, and make guesses about the poverty situation. We could even pretend to know all their problems. But it is now time that they express themselves. Let's count on their judgment and open up participatory learning platforms. They can cultivate confidence and form strong self-reliant and sustainable communities. Let them make their own decisions. Let's just encourage these dialogues with their other partners in development. We have not been wrong in prioritizing but this is not sufficient. Let me cite an example. In the early 80s, in our sheer excitement to reach project goals, we ignored the presence of existing forms of community groups like the *Guthi* in Nepal and *Eidhi Trust* in Pakistan, as they might not have tallied with our lofty ideas of *what should be* rather than *what was already there*.

Perhaps, now we need to permeate deeper into key issues and find out more — by developing a joint Research Agenda to examine and know in depth the following areas:

- 1) NGO-State relations in Asia.
- 2) Role of NGOs. Who will be major players in the overall development? As one cannot generalize national governments, it is difficult to lump NGOs into one category. Only last week, I was involved in organizing a national conference for NGOs in Pakistan working on credit. The role they defined for themselves was that of an advocate, catalyst, activist, facilitator and partner. A more qualifying definition could be added through research to assess the strengths of the NGOs.

Other important dimensions for research could be on:

- a) building linkages;
- b) networking;
- c) Avoiding duplication effort by cost sharing;
- d) setting up data banks;
- e) human resource development;
- f) technology exchange;
- g) banking on successful experiences, documenting and sharing micro initiatives; and
- h) sharing models as precursor for upscaling and

not reinventing the wheel again and again.

These research findings could help in avoiding the turf mentality which often arises due to lack of dialogues, in identifying accountability of institutions, as well as in creating a critical mass for a positive change, which this forum is aspiring to achieve.

Let me assure you, that it's not only us who are discussing these burning issues here in Kathmandu today. The first preparatory committee for the World Summit for Social Development also met in New York on 31 January. The challenges of the 1995 World Summit is to allay the fears of social disorder and to help tackle the growing social problems of persistent unemployment, poverty and inadequate expenditures on health, education and basic services. United Nations (UN) Secretary General Boutros Boutros-Ghali said, "Social development, reduction of poverty, (and) greater social integration can only be achieved, if those involved participate actively in the process. Social Development requires the active involvement of the State, NGOs, private organizations and of all individuals, citizens and entrepreneurs."

If and only if we had all the time in the world, we could wait the process out, and relax. But we cannot as the determining decade is the one we are living now. We must not only change but build new paradigms on the basis of achieving a holistic goal of development in partnership with the people.

We must find *This Way*, with methods that are compatible with the kind of world we want to create. It will no doubt take more resources, energy, and more basic agreements on the global agenda to

*"We must not only
change but build
new paradigms... in
partnership with
the people."*

meet our seemingly impossible goals.

Let me call upon and challenge all the NGOs and their partners present in this forum to devote their synergy and networks in creating conditions through selection, and in creating ethnically and environmentally sound positive social investments for the future of humankind.

I will end by recalling a verse written twenty years ago: I quote:

"We do not live by bread alone.

Consideration must also be given to mental and emotional well being — to education, culture, art, and other forms of expression which enable human beings to achieve self realization.

Satisfaction and happiness comes from creating and doing, leading to a sense of achievement. Thus, solutions to questions of social justice are ultimately not only matters of physical and material well being but also those of a cultural, moral and spiritual nature." □



REGIONAL PAPERS

**A Community-Centered Accounting System: A
Method for Operationalizing Sustainable
Development Management**

by Sixto K. Roxas

An Overview of Community Social Enterprises

by Bishan Singh Bahadur

Alternative Rural Finance: The CDF Experience

by Shashi Rajgopalan

A COMMUNITY-CENTERED ACCOUNTING SYSTEM: A Method for Operationalizing Sustainable Development Management

by Sixto K. Roxas

Sustainable Development is not mere growth. It is a continuing unfolding of human potential towards a fuller human existence. It is not mere expansion in physical size. It is development which is not likely to be interrupted by resource exhaustion, environmental destruction, or war. A development that conserves as it uses the earth's resources. Animate and inanimate systems of the planet complement. Benefits are distributed equitably among people.

Sixto Roxas is President of Foundation for Community Organization (FCOMT).

Over the last 40 years, he served as economist at the Philippine Central Bank, the Philippine National Bank and then as Chairman of the National Economic Council in the cabinet of President Macapagal. He became financial Vice-President and later Executive Vice-President of the Filipino Oil Corp.; President of the Bancom Group of Companies; the Vice-Chairman of American Express Int'l. Banking Corporation in New York; and Chairman of AmexBank in London. He retired from merchant banking in 1981, to devote his full energies to developing community-based organization and management systems.

There is widespread belief that the present development is not sustainable because the whole production technology upon which the present commercial world is based relies primarily on the limited stocks of non-renewable resources.

At the present utilization rate of the planet's natural resources, the next generation will be taking 80 percent of the earth's full capacity for its own use to the detriment of other living creatures. Right now, 18 percent of the world's population live a lifestyle which requires the use of 80 percent of the earth's carrying capacity.

There are ample signs that the planet's capacity to sustain that production level and absorb the waste generated by extant technology and consumption is being exceeded. Global warming, the hole in the ozone layer, land degradation, and loss of biodiversity are just some of these.

What then are the imperatives for achieving sustainability? Poverty must be eradicated. But this must be done while keeping the total level of humanity's use of the earth's resources and waste output within the limits of the planet's capacity. For example, the lifestyle of the 18 percent over-consuming minority must change to one that is less demanding of the earth's resources. The technology of production must change to specifications that require the use of less material resources and non-recyclable waste per unit of product. Besides, these specifications must be reflected in day-to-day decisions made at the micro level by enterprises, governments, and households, particularly on the allocation of resources within their respective controls.

Unfortunately, this is not happening at present. The spreading global trends are headed in the opposite direction. Dominant economic organizations espouse policies that run counter to the requirements of sustainability. This is seen in their use of non-reproducible energy, consumption of material resources, use of resource-demanding heavy capital equipment, generation of non-recyclable waste at production and distribution stages, and distribution of factor incomes among households.

At the same time, these organizations use aggressive marketing and distribution methods that spread these non-sustainable lifestyles to keep their market and revenues growing for the satisfaction of owners and managers.

At present, the measures have been concentrated on the control of non-recyclable and harmful waste in the production and distribution stages. For example, reduction of polluting, harmful gas emissions; toxic liquid effluents; and non-biodegradable solids. These measures are a combination of market-oriented incentives and disincentives and direct government regulations. There are also efforts to make use of reproducible energy sources more attractive.

The said measures may reduce the use of materials and the generation of waste per unit of the product. But the mainstream commercial promotion efforts are spreading the non-sustainable lifestyle at a faster rate and over a larger area. They are extending to the tremendous consumer frontier of the Third World. The growth in the volume of "non-sustainable consumption" more than offsets the reductions in per unit output of resources and waste.

The solution obviously will not come from the present major economic organizations. Their continued existence and growth promotes a system that counters the imperatives of sustainability.

The only answer seems to be COMMUNITIES. Communities of human and non-human living creatures are the natural stakeholders of a sustainable planet. Individual communities have a vital stake in achieving a sustainable symbiosis among populations and their abodes.

Over the centuries, communities have been gradually transformed and their natural bonds destroyed precisely by the rise of modern enterprises into dominance. But modern enterprises can become an effective countervailing force by empowering

communities to transform the world and create their own civilization in precisely the same manner as individual entrepreneurs developed their enterprises.

The assumption of an effective organization form, the development of their own technology and highly trained professional managers, and the entry into the mainstream of political and economic life are the elements for the empowerment of communities.

Enterprises are powerful organizations with well-developed operating technologies. If communities are to develop their own operating technology, the following must be considered.

"Communities of human and non-human living creatures are the natural stakeholders of a sustainable planet.

Individual communities have a vital stake in achieving a sustainable symbiosis among populations and their abodes."

First, they must acquire a clear corporate personality whose interests are served by the entity. The entity's primary purpose is to take over the community's role and responsibility as a member of ever larger communities and nations.

Second, they must acquire jurisdiction and control over their territory and its stock of natural and fabricated resources. This control is not necessarily ownership, but jurisdiction to influence use or impose limits to private options.

Third, they must have a defined organizational structure that assigns roles, responsibilities, authority, means of control, performance objectives, and standards for proper exercise and accountability to the stakeholders.

Fourth, they must have a defined management structure that sorts out roles for governance, management, leadership, and participatory processes for the stakeholders.

Fifth, there must be an operating technology to relate means to goals.

Sixth, they must develop a corps of professional managers. Managers who are trained in the science and art of using the community's resources to achieve community objectives, and in negotiating with other communities to reconcile the interests of their constituents with higher goals of humanity.

Seventh, they must have an appropriate accounting system that is as rigorous as enterprise balance sheets or national income and product accounts in reflecting the interests of the community and its stakeholders.

"For income generation to be a genuine net benefit, its accounting must provide for whatever negative effects that may have resulted from the production activity."

Eighth, they must be formally linked in their operating technology and in their performance criteria to the other communities and the larger systems such as regions, nations and the world.

The specifications of this operating technology are best seen in the *system of accounts*. The philosophy and operating technology of a civilization is concretely reflected in the accounts of its dominant organizations.

The *balance sheet* represents the proprietary interest of shareholders in the resources the enterprise manages. The *income statement* measures the net results of each accounting period's production and sales activities on that proprietary interest.

The *chart of accounts* provides the labels which are tagged on persons involved in the enterprise. They are classified either as managers, salaried employees, paid laborers, suppliers, customers, creditors, or owners.

Where enterprises grow large enough to

encompass whole towns or cities, then the accounts indicate, most dramatically, the hierarchy of values. The *corporate accounts* govern the *general ledgers*. The populations of towns and cities are relegated to the *subsidiary ledgers*.

When these accounts are consolidated at successive stages as industry sectors and then at national levels as national income and product aggregates, the same perspective is retained. National accounts are records of enterprise operations and nations that are classified in accordance with their accounting categories.

Structuring a community-centered system differently

The ruling perspective would be that of the *community's stakeholding households*. The assets would be the total resources located within the territorial boundaries of the community regardless of ownership. The natural assets particularly are interlinked into a system with an internal integrity that remains regardless of the legal ownership. In fact, the pattern of legal ownership may be relevant to the sustainability of the resource use.

Stakeholders would be defined by their residence, a principle of *jus soli* rather than *jus sanguinis*, and the concept of domicile needs to be defined.

Ownership of assets in the community by non-residents would be treated as a liability. The balance sheet then becomes a statement of the resources within the community's territorial jurisdiction on the one hand, and the community's net worth, on the other. The valuation of the resources will be from the viewpoint of benefits provided by resources to the stakeholding community. The flow of benefits actually derived by the community's production and distribution activities during an accounting period is captured in the statement of community product and incomes.

For income generation to be a genuine net benefit, its accounting must provide for whatever negative effects that may have resulted from the production activity. These may be on the health of its population, the quality of its environment and the future productive capacity of its resources. Expenses for the prevention or repair of that damage are explicitly costs rather than benefits and must be treated so in the accounts.

How would the design of such a set of accounts look? The basic unit is a *community*. The design then starts with a taxonomy of communities. Sustainability demands that the system must serve both ecological and economic management. Thus, the classification must include two properties: the nature of the human settlement and the nature of its habitat.

Settlements are rural or urban, a town or a city. Habitats may be coastal, alluvial plains, or upland.

The smallest units are *households* which may be classified according to their principal livelihood as: fishing, food gathering (hunting), farming, trading, professional service, or wage and salary earning.

The major dichotomy among households would be between the self-employed and the wage and salary workers. Self-employed households are both consumers and producers and their resource-allocating behavior is determined by both roles.

Their first and foremost resource would be the time of the adult members of the households. All households have this resource to allocate.

Then, different households would have access to different assets. Even the poorest in the community would have access to "commons" — fishing waters, wet lands, forests, pastures, garbage dumps, public lands, or even private lands. And then there would be households possessing varying amounts of different assets.

Systematic design of a community

First, we would construct a *Chart of Accounts*, in precisely the way accountants design enterprise accounts.

Next, we would define the *mathematical mode for combining accounts* for each level of organization units and to make up different statements that combine stock positions and periodic flows. The accounting "identities" have to be established: total resources must equal total claims, the sum of debit flows must equal the sum of credit flows over the same accounting period, total inputs in value terms must equal total outputs.

Finally, we would define the *consolidation path from smaller to larger units*, from subsystems to larger systems and the conditions for consistency. Consistency would be of two types: a) simple mathematical consistency so that the debit and credit

flows balance out, and b) the "behavior" consistency so that optimizing behavior perceived at lower levels are consistent with optimizing prerequisites considered at higher levels.

An example is a small village in Laguna, along the Laguna Lake. The village is called Tabuan in the municipality of Pila along the southeastern shore of the lake.

The village was the subject of several intensive studies by Japanese social scientists. In 1966, Umehara performed a socio-economic survey. In 1974, the International Rice Research Institute (IRRI) selected the village for an intensive one-year tracking of economic activity backed by formal household accounting records. Dr. Hayami in association with a Philippine team undertook this, and selected the crop year 1975-76. Building on the Umehara records, he did a benchmark survey in 1974, and then mounted a program to get 12 households representative of three classes: large landowners (over 2 hectares), small landholders (less than 2 hectares), and landless workers. Daily entries and detailed accounting records were maintained for the full year 1975-76.

The results, published in 1978, provided the most detailed formal accounting records for a full year that has ever been produced for a rural village in the country. Our Foundation revisited the village in 1984 and interviewed some of the cooperating households regarding the accounting experience. None of them had continued the practice. The exercise had little meaning for them in their own "management" of their affairs. They generally viewed it as a "project" for the use of the research team. And they cooperated for various reasons, mostly because of the friendship and camaraderie developed with the Filipina researchers assigned to instruct them.

This was because the project was precisely a research activity designed to provide data for social scientists. It was not intended as an attempt to install a management and accounting system for the use of the village and its constituents. This would have been in the category of an organizational development or OD process, a different exercise altogether.

Still, the data generated provides an excellent illustration of how an appropriately installed village accounting system could serve as a potent tool in a community organization and management process. This is the perspective this report takes.

The village has a land area of less than 200 hectares. Of this area, 174 hectares of broad alluvial plains are served by a national irrigation system. But of this irrigated land, only 111.5 hectares are actually operated by villagers and only 6.1 hectares are owned in the village. There are 19.7 hectares of coconut lands set in the middle of the rice fields. On about 6 hectares of these, villagers have built their homes.

Results of the IRRI project

Detailed accounts were produced for the crop year 1975-76 with balance sheets for the end of June 1975 and then for the end of May 1976. There are private individual households and aggregations into an estimated set of social accounts in the format of the United Nations system of national accounts. We reformatted the data into our Social Accounting Matrix to illustrate how an operating system might be designed for the village. This is shown in Table 1.

The top portion shows the flow of production to different intermediate and final uses along the rows and of inputs to different users in the course of production along the columns. The inputs are classified in two groups: the intermediate category and the services of primary factors, such as labor, capital and the residual profits. Expressed in dollars, the total inputs equal the total outputs for each sector.

The lower portion shows the stock of resources within the territory of the village and the liabilities of the village to outsiders who have a claim on these assets. These are composed of loan obligations to outsiders, and the ownership claims of outsiders on village assets. The assets are given appropriate values and deduction of liabilities gives the Village Net Worth. The statements are the village's Balance Sheet.

The format sums up in one master table the anatomy of the village. The information in the IRRI survey provides only an economic and financial anatomy. But the same framework is readily extended to encompass the ecological-economic anatomy as well.

Going beyond information gathering

The table gives a more precise technical specification of the ecological-economic circumstances of the village.

On the surface, the village is richly endowed

with natural resources. With only 95 households, there are 191.7 hectares of rich alluvial plains, a large lake, abundant rainfall, an irrigation system which serves 172 hectares of rice lands. It is also near the highway.

But the balance sheet shows that ownership claims from non-villagers cover most of the land, 183.7 hectares — 170.1 hectares of irrigated rice lands and 13.6 hectares of coconut lands. Villagers own only 1.9 hectares of the rice lands and 6.1 hectares of the coconut land.

From these lands, in the crop year 1975-76, the villagers generated for themselves \$784 of gross value added per hectare. The exchange rate then was P7 per dollar, so that overall village income would be equivalent now to P21,155 (\$846) per hectare.

The income generation reflects a low-intensity use of resources: very little income from fisheries in a water-abundant village; no processing income at all, and inefficient use of exchange synergy with the rest of the region. The result shows a low "Leontieff multiplier" because of the lack of intermediate sectors.

The matrix details the community in several ways:

- The resource endowment is specified in the asset side of the balance sheet. The resources are not only listed and valued, but assigned to the sector of primary productive use. That distribution shows the production structure of the community.
- The valuation of the assets reflects the valuation of the resource to the village. The asset statement reflects the degree of development of the village resources and the availability and configuration of complementary capital. The combination should indicate the production and income generating potential of the resources which should be reflected in the valuation. For example, land with an irrigation system should have greater value than rainfed land. In the same way, production that generate resource-damaging waste should reflect the negative value of the waste.
- The liability side shows the claims of non-villagers on the assets located within the village. Improvements on assets may be accompanied by reductions in community net worth, in which case they may be of dubious value to the community.
- The transactions flow matrix (Table 2) defines the parameters of the community's production

and distribution system. It shows the range of products and materials generated from the use of resources and the potential for processing of primary materials and their by-products. It shows how production is organized.

In the case of Tabuan village, the total value

of production in 1975-76 was \$143,200. Palay output was \$110,500 or 77 percent of the total. Only 22 percent of production went to local consumption. Over two-thirds, or 68.5 percent, was sold outside the village or paid as lease rental to landowners living elsewhere. The distribution pattern was dictated by

TABLE 1: A Village Social Accounting Matrix

Constructed from the data collected by Yujiro Hayami et al.
Anatomy of a Peasant Economy
 Barrio Tubuan, Laguna, 1975-76
 (In Thousand US\$)

Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Inventory change	Capital formation	Final demand	TOTAL OUTPUT
Rice	2.3	4.6	0		24.4	75.7	3.5	0	103.6	110.5
Non-rice agriculture	0	0	0		5.7	20.9	0	0	26.6	26.6
Non-agri. enterprise					0.6	0.2	0	0	0.8	0.8
Capital production				0.1				5.2	5.2	5.3
Hired labor wages	21.4	0	0					0	0	21.4
Family labor wages	14.4	4.1	0.2	1		1.2		0	1.2	20.9
Rent to res. landlords	8.3	0	0			2.4			2.4	10.7
Rent to owned land	0	0	0						0	0
Capital rental to villagers	0.5	0	0						0	0.5
Profit (residual)	20.5	10.3	0.3			18.2			18.2	49.3
Rent to absentee landlords	24.9	0	0			-24.9			-24.9	0
Capital rental to non-villagers	3.3	0	0			-3.3			-3.3	0
Purchased non-village inputs	14.9	7.6	0.3	4.2	48.7	-75.7		0	-27.0	0
Savings/Taxes					23.4				23.4	23.4
TOTAL INPUT	110.5	26.6	0.8		102.8	14.7	3.5	5.2	126.2	269.4
Beginning as of 1 June 1975										
BALANCE SHEET			137.9							
Assets										
Fixed assets										
Land	127.2	21								148.2
Buildings & structures	0.8	0	0		40.1					40.9
Major consumer durables					13.9					13.9
Machines & implements		22.5	8.5		0.1					31.1
Livestock		7.5								7.5
Perennial plants		6.								6
Public infrastructure			8.8							8.8
Inventories										
Farm products	3.5									7.4
Farm inputs	0									5.2
Financial assets										
Savings										4.7
Cash										7.8
Total assets	131.5	57	17.3		54.1	0	0	0	0	281.5
Liabilities										
Debts outstanding	31	0	0							38.9
Non-village owned equity										
Total obligations										38.9
Net worth	100.5	57	17.3		54.1					242.6
Total liabilities & net worth	131.5	57	17.3		54.1					281.5

TABLE 2: Initial Condensation

Barrio Tubuan, Laguna
 Village Social Accounting Matrix, 1975-76
 (In Thousand US \$)

Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Inventory change	Capital formation	Final demand	TOTAL OUTPUT
Rice	2.3	4.6	0	0	24.4	75.7	3.5	0	103.6	110.5
Non-rice agriculture	0	0	0	0	5.7	20.9	0	0	26.6	26.6
Non-agri. enterprise	0	0	0	0	0.6	0.2	0	0	0.8	0.8
Capital production	0	0	0	0.1	0	0	0	5.2	5.2	5.3
Hired labor wages	21.4	0	0	0	0			0	0	21.4
Family labor wages	14.4	4.1	0.2	1	0	1.2		0	1.2	20.9
Rent to res. landlords	8.3	0	0	0	0	2.4			2.4	10.7
Rent to owned land	0	0	0	0	0				0	0
Capital rental to villagers	0.5	0	0	0	0				0	0.5
Profit (residual)	20.5	10.3	0.3	0	0	18.2			18.2	49.3
Rent to absentee landlords	24.9	0	0	0	0	-24.9			-24.9	0
Capital rental to non-villagers	3.3	0	0	0	0	-3.3			-3.3	0
Purchased non-village inputs	14.9	7.6	0.3	4.2	48.7	-75.7		0	-27.0	0
Savings/Taxes					23.4				23.4	23.4
TOTAL INPUT	110.5	26.6	0.8	5.3	102.8	14.7	3.5	5.2	126.2	269.4

the structure of ownership claims to village resources.

Every transaction entry should be visualized as a product of a physical quantity of commodity or service times a unit price. The physical quantities are a function of technology, external physical conditions and human choice — the adult-person days of labor used per hectare of irrigated rice land, the kilograms of seed, the hectare-days of land, the amount of fertilizer, chemicals, tractor-hours, the yield of paddy, the 10-kilometers of transport service per kilogram, the square-meter days of storage, etc. are represented in the entry. The unit prices — wages per person-day of labor, per kilogram of seed, per hectare-day of land, per kilogram of fertilizer and chemicals, per tractor-hour of service, per square meter-day of storage, per kilogram of paddy, per ton-kilometer of transport, etc. — are either given by the market or adopted on some basis as an accounting matter.

Although prices of both inputs and outputs are volatile, many parameters that relate physical outputs to inputs are fixed or fairly stable over time and determined by the properties of the natural resource or the technology embedded in customs and practice. Because of this relative stability, it is possible to use them to specify the structure of the

whole system.

This is done by reducing the transactions table to coefficients of relationships. This is illustrated for the Tabuan data in the succeeding tables.

The master table (Table 3) is condensed to reduce the entries to a few key variables. The primary inputs are reduced to two categories: village inputs (which earn village incomes) and non-village inputs which represent out-payments from the village.

The system of accounts as a tool

From the *Social Accounting Matrix*, a powerful assessment and planning tool is readily extracted. From the matrix of coefficients that give the volume (value at fixed base price) of inputs per unit of output (the backward linkage table), a matrix was derived showing the ratios in relation to final demand. If Total Production equals Intermediate Inputs plus Final Demand, then Final Demand for Output equals Total Production less Intermediate Usage. This is simple arithmetic. This is illustrated for the Tabuan Village in Table 4.

The next stage is then to derive a table of ratios that gives the units of production required per unit of final demand. This takes into account that

TABLE 3: Condensed Version

Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Inventory change	Capital formation	Final demand	TOTAL OUTPUT
Rice	2.3	4.6	0	0	24.4	75.7	3.5	0	103.6	110.5
Non-rice agriculture	0	0	0	0	5.7	20.9	0	0	26.6	26.6
Non-agri. enterprise	0	0	0	0	0.6	0.2	0	0	0.8	0.8
Capital production	0	0	0	0.1	0	0	0	5.2	5.2	5.3
Village factor income	65.1	14.4	0.5	1	0	21.8	0	0	21.8	102.8
Non-village factor incomes	28.2	0	0	0	0	-28.2	0	0	-28.2	0
Imports of goods & services	14.9	7.6	0.3	4.2	48.7	-75.7	0	0	-2.7	3E-18
Savings & Taxes	0	0	0	0	23.4	0	0	0	23.4	23.4
TOTAL INPUT	110.5	26.6	0.8	5.3	102.8	14.7	3.5	5.2	126.2	269.4
LAND (Has.)	111.5	19.7								

every unit of production requires products from the other sectors, from imports and factor services from villagers and non-villagers. The amounts are precisely specified by the structure and organization of the village resource usage and livelihood system.

This is done mathematically by taking the reciprocal of the second matrix, i.e. one divided by the Matrix B. The process is called "inverting the

matrix." With a modest computer, it now only takes seconds depending on the size of the matrix, i.e. the number of columns and rows.

We have reduced our matrix to a set of five variables, four production sectors, rice and non-rice agriculture, non-agricultural enterprise and capital production. The fifth variables are in the rows, the total village income which is determined by the

TABLE 4: Linkage Coefficients

Backward Linkage									
Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Capital formation	Final demand	TOTAL OUTPUT
Rice	0.021	0.173	0.000	0.000	0.237	5.150	0.402	0.821	0.410
Non-rice agriculture	0.000	0.000	0.000	0.000	0.055	1.422	0.000	0.211	0.099
Non-agri. enterprise	0.000	0.000	0.000	0.000	0.006	0.014	0.000	0.006	0.003
Capital production	0.000	0.000	0.000	0.019	0.000	0.000	0.598	0.041	0.020
Village factor income	0.589	0.541	0.625	0.189	0.000	1.483	0.000	0.173	0.382
Imports of goods & services	0.390	0.286	0.375	0.792	0.474	-7.068	0.000	-0.437	0.000
Savings & Taxes	0.000	0.000	0.000	0.000	0.228	0.000	0.000	0.185	0.087
TOTAL INPUT	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Forward Linkage									
Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Capital formation	Final demand	TOTAL OUTPUT
Rice	0.02	0.04	0.00	0.00	0.22	0.69	0.03	0.94	1.00
Non-rice agriculture	0.00	0.00	0.00	0.00	0.21	0.79	0.00	1.00	1.00
Non-agri. enterprise	0.00	0.00	0.00	0.00	0.75	0.25	0.00	1.00	1.00
Capital production	0.00	0.00	0.00	0.02	0.00	0.00	0.98	0.98	1.00
Village factor income	0.63	0.14	0.00	0.01	0.00	0.21	0.00	0.21	1.00
Imports of goods & services	0.41	0.07	0.00	0.04	0.47	1.00	0.00	-0.47	1.00
Savings & Taxes	0.00	0.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
TOTAL INPUT	0.41	0.10	0.00	0.02	0.38	0.05	0.03	0.47	1.00

structure of each sector, and the column of household consumption and savings which are now determined as fixed average ratios of total village income (Table 5).

This gives us a square matrix with 5 rows and 5 columns. We take the matrix of coefficients converted into 1 minus the ratio of input to output and "invert" it. We get a matrix of ratios expressing the units of product required to meet each unit volume of final demand on products of the system. This the matrix we call $[I - A]^{-1}$ (Table 5).

When we get a column giving the Demand for the product of each sector in volume terms (values at base year prices) the matrix will calculate the column of production volumes for each sector, that will result (Table 6).

On the assumption that the Products generate demands for primary factors and imports, in the same ratio as in the base year, we then also get the resulting distribution of the product value (at fixed base year prices) among intermediate sectors, incomes for the village, demand for imports, incomes for non-villagers, consumption demand by sectors, savings and investment levels and net external surplus or deficit in the village trade and financial relations with the outside world.

The simple set of tables in the illustration does all that. Thus we can reproduce the original tables that came out of the Hayami Survey from entering the Final Demand figures in his findings. These are the figures shown in the figure and which we call Scenario 0, the Base case (Table 7).

The bottom table shows the system performance under each set of assumptions. The bottomline is per household income, which in the base case is P29,217 or \$1,169 per year (at roughly current exchange rates).

But one is able to assess then the intensity efficiency of resource use. The only two resources shown are land and water which are the base for the village livelihood. The overall average income

generation in the base case is \$2.21 per hectare-day or under P60 per hectare-day in local currency terms. Two-cropped rice uses 26,800 hectare-days out of a total available of 40,698 hectare days (based on 365 days of use which is of course not realistic). The utilization rate is 66 percent.

Higher intensity is of course possible with intercropping and rotation, but rice agriculture

TABLE 5: Deriving the Inverse Matrix

Technical Coefficients					
Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.
Rice	0.021	0.173	0.000	0.000	0.237
Non-rice agriculture (agri.)	0.000	0.000	0.000	0.000	0.055
Non-agri. enterprise (ent.)	0.000	0.000	0.000	0.000	0.006
Capital production (prod'n.)	0.000	0.000	0.000	0.019	0.000
Village factor income	0.589	0.541	0.625	0.189	0.000
[I - A]					
Rice	0.979	-0.173	0.000	0.000	-0.237
Non-rice agriculture (agri.)	0.000	1.000	0.000	0.000	-0.055
Non-agri. enterprise (ent.)	0.000	0.000	1.000	0.000	-0.006
Capital production (prod'n.)	0.000	0.000	0.000	0.981	0.000
Village factor income	-0.589	-0.541	-0.625	-0.189	1.000
Inverse Matrix $[I - A]^{-1}$					
Rice	1.207	0.376	0.193	0.059	0.308
Non-rice agriculture (agri.)	0.041	1.044	0.042	0.013	0.068
Non-agri. enterprise	0.004	0.005	1.004	0.001	0.007
Capital production	0.000	0.000	0.000	1.019	0.000
Village factor income	0.736	0.789	0.764	0.235	1.223

represents far greater cropping intensity than coconut. The usual average density of coconut planting is 140 to 160 trees per hectare for 365 days a year. But the coconut tree actually occupies only a portion of the land, perhaps, one square meter per tree. This leaves in-between space available of some 95 percent of the land area. Given the moisture conditions and the suitability of crops that will thrive at reduced solar radiation, this leaves a substantial percentage of the 19,700 hectare days available in the village. The income generation per hectare in non-rice agriculture (which was mainly coconut) was only \$0.73 or P20 per hectare day compared to P66 (\$2.44) from rice.

But the most interesting underused resource

was the 133,800 hectare-centimeter-days of standing sweet water in the ricefields which is used only for weed-control for the rice plants. The experience in Vietnam for example is that fish culture on this water concurrently with the rice growing period can double the income yields of the rice farmer per hectare-day.

The system thus provides the village with a framework for:

- Understanding the way its livelihood system operates, the key factors and the precise quantitative impact of the different variables on the village income, the terms on which the village trades with the outside world, the generation of resources for capital formation, and the constraints and opportunities posed by their resource endowment and the structure of claims against these resources.

- Determining what changes in its structure are dictated by the changing circumstances of the village people. Growth and shifts in consumption patterns will necessitate changes in the patterns of resource usage and in the input-output parameters. These include the results of introduction of new crops, of handling and processing plants, expanding the non-agricultural production and service sectors, etc.

- The effects are readily estimated by inserting suitable columns and rows into the structure and determining the impact on income generation, per hectare day of land and per-hectare-centimeter-day of water, with the resulting enhancement of per

household incomes, and the assessment environment-harming gas, liquid and solid wastes.

In brief then, it is possible to see what range of scenarios does not involve fundamental changes in the system structure: no new crop or new industry or change in cropping patterns, etc. It can also determine the impact of changing the structure itself, changing coefficients, introducing new columns or new rows, etc.

How the design works for the community

To be useful for future rather than merely serve as retrospective recording, a more elaborate system would be required. A chart of accounts appropriate for the village is shown in Table 8. The classification of materials provides greater detail than is required to describe the simple economic transactions prevailing in 1975-76 when palay production accounted for over 80 percent of the activity — with no local rice milling, only moderate fishing, duck raising and coconut harvesting. Non-farm enterprise consisted of three sari- sari (general) stores and two tricycles for local hire.

The classification given sets the stage for the introduction of rice milling, the utilization of field and mill waste (rice straw, bran and husk and coconut shell and husk) in rice and coconut.

The transactions would be tabulated into a

TABLE 6: Calculating the Demand to Production Multipliers

Sector	Calculations of Leontieff multipliers			\$100 fd by sector		In US\$
	Rice export	Non-rice export	Non-agri. export	Capital prod'n. capital	Income from non-village sources	
Rice	120.68	37.56	19.27	5.93	18.17	
Non-rice agriculture	4.08	104.38	4.24	1.30	3.67	
Non-agri. enterprise	0.43	0.46	100.45	0.14	0.45	
Capital production	0.00	0.00	0.00	101.92	0.00	
Village factor income	73.57	78.92	76.43	23.52	122.29	
Imports of goods & services	83.25	82.04	82.60	94.65	72.16	
Savings & taxes	16.75	17.96	17.40	5.35	27.84	
TOTAL INPUT	298.76	321.32	300.39	232.81	122.29	
LAND (Has.)	131.20	131.20	131.20	131.20	131.20	
Exports	100.00	100.00	100.00	0.00	27.84	
Net resource balance	33.50	35.93	34.79	(89.29)	55.67	
FACTOR INCOME/HA.	560.78	601.55	582.53	179.24	932.05	
IN PH PESOS @ 7/\$	3,925.48	4,210.83	4,077.73	1,254.69	6,524.37	
IN PH PESOS @ 7/\$	15,141.13	16,241.79	15,728.40	4,839.51	25,165.44	

Table 7: SCENARIO CALCULATOR & PLANNER

Scenario 0: Baseline Case

Total output calculator

Requirements per unit final demand

Inverse Matrix $[I - A]^{-1}$

FINAL DEMAND SCENARIO

Sector					Endogn Consump.	Export	Inventory Change	Final demand
Rice	1.207	0.376	0.193	0.059	0.308	75.7	3.5	79.2
Non-rice agriculture	0.041	1.044	0.042	0.013	0.068	20.9	0.0	20.9
Non-agri. enterprise	0.004	0.005	1.004	0.001	0.007	0.2	0.0	0.2
Capital production	0.000	0.000	0.000	1.019	0.000	0.0	5.2	5.2
Village factor income	0.736	0.789	0.764	0.235	1.223	21.8	0.0	21.8
TOTAL	1.9876	2.2132	2.0039	1.3281	1.6062	118.6	8.7	127.3

Backward linkage

Sector	Rice agri.	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Capital formation	Final demand	TOTAL OUTPUT
Rice	0.021	0.173	0.000	0.000	0.237	0.638	0.402	0.450	0.41
Non-rice agriculture	0.000	0.000	0.000	0.000	0.055	0.176	0.000	0.116	0.10
Non-agri. enterprise	0.000	0.000	0.000	0.000	0.006	0.002	0.000	0.003	0.00
Capital production	0.000	0.000	0.000	0.019	0.000	0.000	0.598	0.023	0.02
Village factor income	0.589	0.541	0.625	0.189	0.000	0.184	0.000	0.095	0.38
Imports of goods & services	0.390	0.286	0.375	0.792	0.474	0.000	0.000	0.212	0.00
Savings & taxes	0.000	0.000	0.000	0.000	0.228	0.000	0.000	0.102	0.09
TOTAL INPUT	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

RESULTING TOTAL SYSTEM PERFORMANCE

Final demand assumptions

Sector	Rice agri.	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Consump.	Export	Capital formation	Final demand	TOTAL OUTPUT	COMP. OUTPUT
Rice	2.3	4.6	0.0	0.0	24.4	75.7	3.5	103.6	110.5	110.5
Non-rice agriculture	0.0	0.0	0.0	0.0	5.7	20.9	0.0	26.6	26.6	26.6
Non-agri. enterprise	0.0	0.0	0.0	0.0	0.6	0.2	0.0	0.8	0.8	0.8
Capital production	0.0	0.0	0.0	0.1	0.0	0.0	5.2	5.2	5.3	5.3
Village factor income	65.1	14.4	0.5	1.0	0.0	21.8	0.0	21.8	102.8	102.8
Imports of goods & services	43.1	7.6	0.3	4.2	48.7	(103.9)	8.7	(46.5)	(8.7)	246.0
Savings & taxes	0.0	0.0	0.0	0.0	23.4	0.0	0.0	23.4	23.4	
TOTAL INPUT	110.5	26.6	0.8	5.3	102.8	14.7	17.4	134.9	260.7	
COMPUTED OUTPUT	110.5	26.6	0.8	5.3	102.8					
LAND STOCK (Has.)	111.5	19.7	Flooding factors							
LAND (000 Ha. days)	26.8	19.7	Depth period							
H20 (000ha-cm-days)	133.8	0	10	0.5						
Growing period (days)	240	365								
Exchange rate	7	27	Y/HaD	Village balance of payments						
Village Inc/HaD	\$2.43	·\$0.73	\$2.21	Net	14.7		Village income		102.8	
In Ph pesos @ 7/\$	17.03	5.12	15.49	export			Imports of Gs & Ss		(103.9)	
In Ph Pesos @ 7/\$	65.68	19.74	59.74	Savings	23.4		Savings & tax		23.4	
Households			95	Net Res+	38.1					
Income per HHLd	7,575	29,217								

matrix of the form providing a double entry accounting format in which transactions are credited to a row and credited to a column account simultaneously (or the other way around depending on the classification). Appropriate design would ensure that row and column sums are equal achieving the balance between debits and credit.

Successive stages of tabulation array the details of materials and link their flows to the operations of production units. Production units here are classes of households which not only reflects the perspective of community-centered accounting but also corresponds far more closely to the realities of the Tabuan Village. (see Table 8)

Table 8 covers six categories:

1. Commodities (products or materials and services);
2. Producers, a term more generic than industry sectors, since in many areas of Asia these are really households;
3. Factors and other sources of inputs within and outside the community;
4. Final usage which are of three categories:
 - a. To meet immediate needs for private and public consumption;
 - b. To exchange with other communities for other commodities or products or services;
 - c. To provide for future needs in the form of Inventory, fixed capital in the form of construction and fixed plant and equipment and for improvement in natural resources. (Note: we include a fourth category which is "Waste." Making this explicit forces the accounts to factor in negative wealth as well as opportunities for converting negative wealth into positive product through technological change.
5. Two "Stock" categories, the first of which are assets, inventory, natural resources and their improvements, man-made capital.
6. The second stock category are the claims against the assets, the claims of non-resident creditors and owners of assets located in the village, and the residual proprietary claims of the community

residents themselves, the community's "Net Worth".

The matrix constructed out of these data conforms closely with the new format of national input-output accounts. In the Philippines, for example, the national matrix consists of 427 commodity categories and 187 industry classes. There is an advantage in the synchronization of the formats. The local community accounts become more easily linked in successive stages to the national system.

The links among the categories are shown in Table 9.

The upper half of the table is a matrix of flows, commodities, services, and money over the accounting time period covered. The lower half is a stock position of resources and claims either at the beginning or the end of the accounting period. The half showing flows is really the Production and Income Statement of the community. The lower half is the balance sheet.

We focus first on the upper half recording flows. The flows of physical volumes of products and services go from the category on the row, arrayed on the left margin, to the category on the column, arrayed on the top. Each entry is viewed as a delivery of the product or service from the unit on the row to the unit on the column.

The first two sets of categories, Commodities and Sectors appear both on the rows and the columns.

The rows and columns of commodities and producer sectors together form a square matrix, having the same combined number of categories. Of course, commodity rows and columns, on the one hand, and producing sector rows and columns, on the other, form square matrices. But generally there will be a far larger number of commodities than there are producer sector categories. So the sub-matrices formed by commodities and industry sectors will be rectangular.

Because of the way data are collected, the initial tabulation will relate commodities and sectors in two sets of matrices: one showing the use of commodities by sectors on the one hand, and the other showing the volume and combinations of the commodities that each sector produces. The first is shown as the intersection of commodities on the rows

and producing sectors on the columns at the top of the matrix. The second is shown as the intersection of producing sectors on the rows and commodities on the columns. This appears in the middle of the left section of the matrix. The first is called the "USE" Matrix. The second is called the "MAKE" matrix.

The information on final use is generally available by commodity category (as surveys classify them by product rather than by supplier.) This will likely be true of the way records will be kept or recollections documented in the communities. So the final usage columns will be filled from commodity categories rather than from producers.

So the Commodity rows will be completed showing the usage of commodities by producer sectors on the columns, for intermediate purpose, and by categories of final use, for immediate consumption needs, for exchange, for future needs and as waste. And at the extreme right the row totals will give the total output of each class of commodity, Materials, Private Services, Government Services. Those will be the sum of uses: Intermediate by the producer

sector; final, for consumption, exchange and capital accumulation and waste.

The "Make" matrix will show the share of each producer sector on the rows in the year's production of the commodities on the columns. The column totals will give to the total production of each commodity, by category. The row totals will give the total production of the commodities but by each producer sector. While the sum of production should

TABLE 8: Chart of Accounts

Barrio Tabuan, Pila, Laguna

COMMODITIES (C)	PRODUCERS (P)	BALANCE SHEET
1. Palay	1. Large farm HHLDs	Assets
2. Rice straw	2. Small farm HHLDs	1. Land
3. Rice hull	3. Landless farm HHLDs	Irrigated
4. Rice bran	4. Non-farm HHLDs	Rainfed
5. Rice	5. Local government	2. Land improvements
6. Coconut meat		3. Trees
7. Coconut shell	PRIMARY FACTORS (F) &	Coconut
8. Coconut husk	OTHER INPUTS	Fruit
9. Fresh fish		4. Livestock
10. Dried fish	1. Large farm HHLDs	5. Water
11. Bamboo	Family labor	surface
12. Nipa	Exchange labor	ground
13. Wood	Hired labor	6. Wells
14. Charcoal	Land rentals	7. Water control facilities
15. Firewood	Capital services	8. Roads & bridges
16. Chickens	2. Small farm HHLDs	9. Farm equipment
17. Ducks	Family labor	10. Warehouses
18. Pigs	Exchange labor	11. Residential houses
19. Transport services	Hired labor	12. Consumer durables
20. Trade services	3. Landless farm workers	13. Inventory
21. Farm equipment services	Family labor	14. Financial assets
22. Milling services	Exchange labor	15. Liabilities
23. Warehouse services	Hired labor	Loans
24. Maintenance services	4. Depreciation	Non-village equity
25. Personal services	5. Local taxes	16. Net worth
26. Medical services	6. Imports	
27. Waste disposal	7. Non-village factors	
	8. Savings	
	FINAL DEMAND	
	1. HHLd consumption	
	Large farm HHLd	
	Small farm HHLd	
	Landless farm worker	
	Non-farm HHLd	
	2. Local gov't. consumption	
	3. Exports of goods & services	
	National	
	International	
	4. Inventory change	
	5. Fixed capital - private	
	6. Fixed capital - gov't.	

balance, the total for each commodity category will not correspond to a total for each producer sector category. Each producer category will produce several commodity categories. The mix of commodities prevent a one-on-one correspondence between commodity and producer.

The indigenous factor and imported material and factor inputs are usually tracked as purchases of the producing sectors. So in the initial tabulation, the data will be entered into the matrix relating Factors and Producers rather than Factors and Commodities. This then appears in the lower middle of the matrix and is labeled "Value-Added".

The Value added by community factors and the intermediate products provided by community producers combined make-up the total indigenous inputs into the production process for the year. The imported inputs are also of two types: material imports and factor imports.

Like the simpler table discussed in the first part of this paper, the entries into this matrix must be viewed as products of physical quantities and a schedule of prices per unit. When they are expressed as values then, the column totals of the Producer sector columns, X_1 , X_2 , X_3 , are precisely equal to the row totals of the producer sectors. Since the q 's and x 's on the columns and rows are equal to one another and the final total on the right hand bottom corner of the matrix must reflect equality of column totals and row totals, it follows then that the sum of Y 's plus imports and savings must equal the sum of Final Usage.

Turning now to the Balance sheets. The resulting net flows, in so far as they result in net changes in stock positions, must be consistent with the changes between beginning and ending balance sheets and in the resulting Net Worth of the Community. This is precisely what makes the set of accounts such an important instrument for monitoring the effect of current economic activity on the welfare of the community.

The stocks will likely have matrix relations with the Producing Sectors, households and both Private and Government Institutions which are the organization and decision units and legal personalities.

The data of Hayami and Associates for the Tabuan village do not show the detail required in precisely the form that enables us to apply the expanded system. But it is still possible to restructure

the matrix to fit this format. This is shown in Table 10.

The commodity classification adopted corresponds to the original sector classification of the study. We now use for producing sectors the classification of households according to landholdings, large and small farmer and landless worker.

The "Use" and "Make" matrices are shown and the Factor and the Final Demand submatrices are filled. The row and column product equalities are shown, and the equality between value added and final demand.

But then what happens to all the analytical uses that we demonstrated earlier for which we need the technical coefficients and the inverted matrix? There is a method to derive from Table 10 either a commodity x commodity or a Sector x Sector square matrix.

This matrix is then fitted back into the standard Social Accounting Matrix that we used in our earlier examples for Tabuan. And then we can perform the analyses and follow the planning and project identification techniques that we discussed earlier in the paper.

The method is demonstrated for the very simple system of Tabuan, simple because it has an insignificant intermediate sector.

Installing in a community

In describing the procedure, we must make certain assumptions. We must distinguish between the installation of the CCAS and the community organizing process. In talking about the installation, we must assume that the whole community organizing process has reached a stage in which the village is primed to adopt a systematic recording procedure. This is part of the community organizing (CO) and organization development (OD) work.

There are certain elements that need to be part of the CO and OD work to prepare the community for the installation.

1. The awareness of each member's dependence on the others for the construction and running of a sustainable life support system. This awareness needs to have been brought home in terms specific to the particular circumstances of each community — the nature, organization structure, resource

- limitations and constraints, dangers and opportunities of its livelihood base.
2. The awareness of the particular characteristics of their habitat and imperatives these pose for the entire community's lifestyle, organization structure, production methods. It also includes the relationship among community members, and with other communities that share a common habitat. For our village case, these elements include the community's dependence on the market town, the other rice villages in the irrigation system with which they share the water, towns and cities along the lake. These are included because these towns and cities have practices that affect the lake waters, while the communities in the uplands have practices that impact on their watershed.
 3. The community should have decided on the design of their own organization, the definition of their common interests, the distribution of functions and responsibilities, the selection of persons who will assume those responsibilities. Thus in the Tabuan village, let us assume that the households have formed themselves into 10 clusters of some five to 10 households in each cluster. Each cluster has selected a cluster leader. The cluster leaders have formed a community council and elected a community level chairperson.
 4. In the clustering we need to assume that attention has been paid to grouping together those with similar interests: farmers into farmer clusters, the landless into separate clusters, and those engaged in non-agricultural livelihoods into other clusters.

The cluster members have gone through awareness-building workshops and the leaders train in the organization structure of the community; the relationship between components in providing life support for the community; and the relationship between their own

community to other communities and the natural environment.

It is assumed that they have established periodic routines and weekly and monthly cluster meetings to review the position of the households and the cluster as a whole; identify problems that may have cropped up; review work obligations and performance, financial situation, coordination and arbitration in matters of resource usage, water distribution, labor deployment — community-wide synchronization in production, purchasing, field work, or marketing, finance, schooling, health, education, etc.

Likewise, we assume that an installation team is working in the community and that a computer workstation has been installed with the appropriate hardware and software, and that the training of cluster leaders and community level officers has included some familiarization and appreciation of the importance of the community data base for the management of their resources and their "business".

5. The previous state of affairs being assumed, what are the concrete steps in the design and installation of the community accounting system? They may be outlined without giving the impression that this is a detailed manual. What follows merely indicate the main steps and principal prerequisites in the design and installation of the system.

The Design of the System

1. Participatory Action Research (PAR) to Establish the Baseline

- 1.1. We include this as a first step because the design must have certain standard elements necessary to make the records consistent for larger consolidation. It must also have "custom-design" features to suit the peculiar anatomy of each community.

The identification of those peculiarities that must be taken into

account comes from the Baseline study. And right at the outset, its members must be the designers with technical assistance and facilitation services from the installation team in order to establish the proprietary interest of the community in this recording system.

1.2. This information is built up from the households, and consolidated at cluster level and then at community-level. But the Baseline must contain the following data:

1.2.1. The household demographics: number of members, age and

gender distribution, education, occupation.

1.2.2. The possessions of the household and tenure over the possessions (owned, borrowed, rented, leased, etc.) to include agricultural land, home lots, house, tools, equipment, livestock, improvements on the land, trees planted by kind, standing crops, and physical structures, barns, sheds, artesian well, among others.

1.2.3. The principal, secondary and

TABLE 9: Combined Make/Use Matrix

	COMMODITIES			INTERMEDIATE			FINAL USAGE						Waste	TOTAL FINAL USE	TOTAL PROD.
	Pvt		Gov't	For production			Present needs		Exch.	For future needs					
	Prod. i...	Svcs. m...	Svcs. o...p	Hhlds	Pvt. Inst.	Govt. Inst.	Pvt.	Public	for Comm.	Inven-tory	Fixed Capital	Env. Imprv.			
COMMODITIES	C x C			USE MATRIX			FINAL USAGE Y								Q1 Q2 Q3
SECTORS	MAKE MATRIX			S x S											X1 X2 X3
FACTORS				VALUE ADDED											Y1 Y2 Y3 Y4 MF MC S X
TOTAL INPUT	Q1	Q2	Q3	X1	X2	X3	CP	CG	E	I	FC	EC	W	FD	
ASSETS															
TOTAL INPUT															
ASSETS															I
MATERIALS															HR
PEOPLE															NR
NATURE															CR
CAPITAL															
LIABILITIES															CR
Creditors															FE
Outside owners															
NET WORTH															NW
TOTAL STOCK				R1	R2	R3	HR	GR		dl	dFC	dNR	dW		X

tertiary livelihood source as measured by a) the usage of the adult person-days of the household in the past year, and expectation in the current year, and b) the principal source of income in that period in cash and in kind.

- 1.3. At the same time, the installation team gathers data from official sources at the level of the political unit to which the community belongs — land area, natural resources, establishment and household surveys, income-expenditure surveys, land use, agricultural and industrial production, technical information on geology, hydrology, climate, rainfall patterns, trade flows, transport and communication, public finance, etc. The data will be processed and reduced to simplified terms for presentation to the participants in the PAR group to supplement, serve as check on their own results to complete the picture of the community.

This is synchronized with the Community Self-Assessment workshops

in which the communities identify their problems, the imperatives of their circumstances and their priorities for action.

- 1.4. From these data, it becomes possible to prepare the accounting design.

2. *The Chart of Accounts*

2.1. Definition

This classifies a) the principal transactors in the community, b) the materials and services which flow in the transactions as inputs and outputs, c) the financial transactions d) the types of possessions held in the community and by its members, and e) the types of claims on particular stocks or on the community as a whole.

There is a community-wide chart that envisions the classifications used in the full consolidation and then individual charts for the recording units within the community, e.g. households, clusters, establishments and organizations, local government unit.

2.2. Design

Certain principles must apply to the

TABLE 10: Expanded Social Accounting Matrix

VIEWPOINT OF HHLG GROUPS AS PRODUCERS
Barrio Tubuan, Laguna, 1975-76
TRANSACTIONS TABLE: 000\$

Sector	Rice	Non-rice agri.	Non-agri. ent.	Capital prod'n.	Large farmers	Small farmers	Landless workers	TOTAL INTERM.	Consump.	Export	Inventory Change	Capital formation	Final demand	TOTAL
Rice					3.9	2.1	0.8	6.9	24.4	75.7	3.5	0.0	103.6	110.5
Non-rice agriculture					0.0	0.0	0.0	0.0	5.7	20.9	0.0	0.0	26.6	26.6
Non-agri. enterprise					0.0	0.0	0.0	0.0	0.6	0.2	0.0	0.0	0.8	0.8
Capital production					0.0	0.0	0.1	0.1	0.0	0.0	0.0	5.2	5.2	5.3
													0.0	0.0
Large farmers	72	11.3	0.8	0.0				84.0					0.0	84.0
Small farmers	38	12.2	0.0	0.0				49.8					0.0	49.8
Landless workers	1	3.1	0.0	5.3				9.4					0.0	9.4
Non-farm households								0.0					0.0	0.0
								0.0					0.0	0.0
Hired labor wages					13.9	7.3	0.2	21.4	0.0			0.0	0.0	21.4
Family labor wages					11.2	6.9	1.6	19.7	0.0	1.2		0.0	1.2	20.9
Rent to res. landlords					5.4	2.8	0.1	8.3	0.0	2.4			2.4	10.7
Rent to owned land					0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0
Capital rental to villagers					0.3	0.2	0.0	0.5	0.0				0.0	0.5
Profit (residual)					17.7	11.8	1.5	31.1	0.0	18.2			18.2	49.3
Rent to absentee landlords					0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0
Capital rental to non-villagers					0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0
Purchased non-village inputs					26.9	17.9	10.4	55.2	48.7	(103.9)		0.0	(55.2)	0.0
Savings/Taxes								0.0	23.4				23.4	23.4
TOTAL INPUT	110.5	26.6	0.8	5.3	79.4	49.0	14.8	286.4	102.8	14.7	3.5	5.2	126.2	412.6

design.

- 2.2.1. The classification of transactors must be applicable to the decision-making units as they exist in the village. For example, we cannot classify rice growing as the activity of rice growing enterprises if rice is actually grown by households that are both producer and consumer units. The transactor in this case will be a farm household, not a contrived rice firm.
- 2.2.2. The classification of materials and services must include those that are produced or used in the village but must be subdivided into the materials that flow from the growing or manufacturing process even as waste. Thus, not simply paddy and rice but rice straw, bran, rice hull; not simply coconut but coconut meat, juice, shell, husk, etc..
- 2.2.3. And then the units of measurement must be defined for each category: for physical quantities, e.g. kilograms of paddy, liters of kerosene, person hours of medical or dental services, machine hours of tractor service, ton-kilometers of transport services, hectare days of land-use, hectare-centimeter-days of irrigation water usage, etc. Translation into values must be at explicitly designated prices, farmgate market price or ex-warehouse, or assessments made on some basis.

2.3. Then the proforma statements must be designed: the stock balance sheets, the flow income statements, the materials balance statements reconciling beginning stocks, in and out flows and ending balances, and the cash flow statements reconciling starting cash position, in and outflows and ending statement. This is designed for the individual recorder level and then for the successive levels of consolidation — cluster, village, market town, municipality, district, etc.

- 2.3.1. The ultimate unit of recording is the household. The household "books of accounts" must be designed. These must be simple and structured in the way that the information is understood by the households. If seeds are customarily measured in cans, then the household is asked to record them in number of cans. If land is understood in modular blocks, then this is the way the records should be maintained.

In the Philippines the size of land farmed is reckoned not in hectares or acres but in small milk cans of seed planted — one can plants one hectare.

3. *The household "books" and the daily posting problem*

The household records three categories of activities: the daily use of labor time, the flow of materials harvest, purchase, exchange, sale, grants (out or in), transactions in cash, purchases and sales for cash.

There is a problem of attitude, motivation etc. involved in making the posting of information a daily habit and routine for the households. How this is done, again is outside the scope of this paper. The design must make it easy to maintain the records. But how the household is motivated to do so, whether through ritual, or peer pressure at the cluster meetings must be made to suit the circumstances of particular communities.

4. *Assistance from the community computer work station*

The Philippine experience in building and maintaining data bases shows that one computer work station is adequate for every hundred clusters (in the lowland, this would be about 10 villages, which would mean about two work stations per municipality).

The station is manned by one person in charge of the database and one encoder. Both may be part-time and may be recruited from among the local school teachers. They undergo training and then have the responsibility for providing assistance in the maintenance of the household records, working through the cluster organizations. Experience in the Philippines even in tribal communities shows that it is possible to train persons to become computer literate quickly through hands-on practice.

The introduction of the computer can itself become a change agent and pedagogical tool for educating the community. The use of information for management is also an integral part of the training of the cluster leaders, and the general appreciation of data and information is part of the training of households in the cluster workshops.

5. *Monthly Tabulation and Feedback*

It is assumed that weekly, monthly, quarterly and annual routines are established. The tabulation and feedback of results should be timed with these routines, so that the households, clusters and the community as a whole form the habit of using the information to understand their respective situations and plan their courses of action, monitor results and set priorities.

It is here that the importance and advantage of the computer work station can be repeatedly demonstrated. But the results must be processed to popularize the presentations and make the "print-outs" understandable to the clusters and interesting rather than intimidating. □

AN OVERVIEW OF COMMUNITY SOCIAL ENTERPRISES

By Bishan Singh Bahadur

The village is the most natural human habitat. It is the most ideal spatial unit and is usually built around a natural watershed eco-region to support the community's survival. Community spirit, well-being, and the responsibility of stewardship are the top priorities.

The village is also an ideal economic unit. The fundamental organizing principle of the village economy has always been self-reliance in the provision of food and other basic needs. Only its surplus is exchanged with other villages and communities.

The village forms the basis of an ideal social system. There is a strong sense of social responsibility of the individual to the community and the environment.

The village is also an ideal political unit. It gives both the responsibility and opportunity for everyone to participate in decision-making. It is indeed the smallest republic and the most ideal democracy.

The village is also the basis of support for religion, culture, arts, education, and technology.

Unfortunately, instead of strengthening the village as a natural human habitat, the Industrial Revolution ushered in an economic order that has transformed the community into a capital-centered one. Money became the god. Banks became the temples. The act and art of accumulating money became the new theology.

Alvin Toffler in his book, *The Third Wave* points out that, "Most people were sucked into the money system. Commercial values became central, as economic growth (measured by the size of the market) became the primary goals of governments, whether capitalist or socialist . . . Not only politics but culture, too, was shaped by this cleavage, for it also produced the most money-minded, grasping, commercialized and calculating civilization in history. Personal relationships, family bonds, love, friendship, neighborly and community ties all became tinctured and corrupted by commercial self-interest."

This rising wave of infinite growth and greed for money

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transformed human civilization — institutions, technology, worldview, ethics, and lifestyles. The main motivation for development was the pursuit of more wealth, rather than the care and sustainability of the life support system.

This motivation triggered the destruction of the village system: appropriate technology, sustainable livelihood, social ethics, and stewardship.

The challenge for the future is how the new emerging economy can build a human habitat that ensures development based upon social justice, productive economy, sustainable environment, political participation, and a vibrant culture.

Economic Realities: Sharing Insights

The first economic reality: Hard work has nothing to do with earning more. Smart work as well enough skills to get more for ourselves by exploiting the system is what mattered.

When I was 14 years old, I used to help my mother in her work drying padi during weekends and school holidays. My mother, along with 20 other women, worked for a Chinese rice miller drying newly-harvested padi before it was milled. All of them were paid daily wages. Of course, when there was no harvest, the workers were laid off.

"The village forms the basis of an ideal social system. There is a strong sense of social responsibility of the individual to the community and the environment."

The rice miller's wife sat on the balcony of her huge two-storey house that overlooked the drying ground. From this vantage position, she watched over the women drying the padi. It was not so much to ensure they worked hard, but to ensure that they did not steal the padi.

My question to my mother was: how come the rice miller's wife was so rich and we were so poor?

The secret, according to my mother, was

hard work. The economic principle I was taught was: to become rich we have to work hard, save and invest to get more returns for our savings.

I felt then that this economic principle was distorted. My mother and all the other women worked very hard yet got so little pay, while the rice miller's wife who sat all day long was getting richer and richer.

I later learned that this was the same with the countries in the North and the South. Many people from Southern countries worked very hard. Through their hard work they managed to survive and meet their basic needs. But the North grew richer even without such hard work.

I concluded then that hard work had nothing to do with earning more. It was smart work as well as the skills to get more for ourselves by exploiting the system that really mattered.

The second economic reality: Ignorant people are masquerading as educated experts trying to change the world.

When I was in college training to become a teacher, one of my core assignments was to study a child in-depth.

The boy I studied used sticks from neem branches to brush his teeth despite being taught in school to brush his teeth with toothbrush and toothpaste. I too advised the boy the same. But the boy was merely obeying his grandfather's instruction.

When I tried advising the grandfather about this, the old man's response was simple: Was I an expert in herbal medicine? Did I know the ingredients of neem and its pharmaceutical efficacy? If not, I was ignorant of the practice and the system I was proposing to change. This same thing is happening to our traditional knowledge, technology, and way of life.

I realized that ignorant people like me have been masquerading as educated experts trying to change the world. Western education is not only homogenizing people's lifestyles, but is destroying their traditional survival technology and skills, and is integrating them into the global market system. This meant destroying diversity in all its aspects which is so essential to our ecosystem — be it environmental, social or cultural.

The third economic reality: Trade Unions are part

of the capitalist system in a fine-tuned form.

The third economic reality came to me after my nine years in the teachers' union. After graduating with a degree in education, I became an active trade unionist in the Teachers' Union. As primary school teachers, we were getting less pay than secondary school teachers although we had the same qualifications and the same years of training. Also, teaching primary school children was a more difficult and delicate task. We thus demanded equal pay and other remuneration.

My interest in trade union work was an offshoot of my earlier experience seeing my mother's labor being exploited. I felt that primary school teachers were not given a fair deal.

After years of struggle, we got equal pay. But I grew disillusioned. I saw that not only do trade unions protect employers' interests, but also leverage against the community. I spent precious time defending and protecting lazy teachers, many of whom seemed more interested in receiving their salaries than in the children they were teaching.

The economic reality I learned was that the trade union was itself part of the capitalist system in a fine-tuned form. Its power lay in collective labor. It was the *labor capitalist* that bargained the use of labor like any other commodity in the market system.

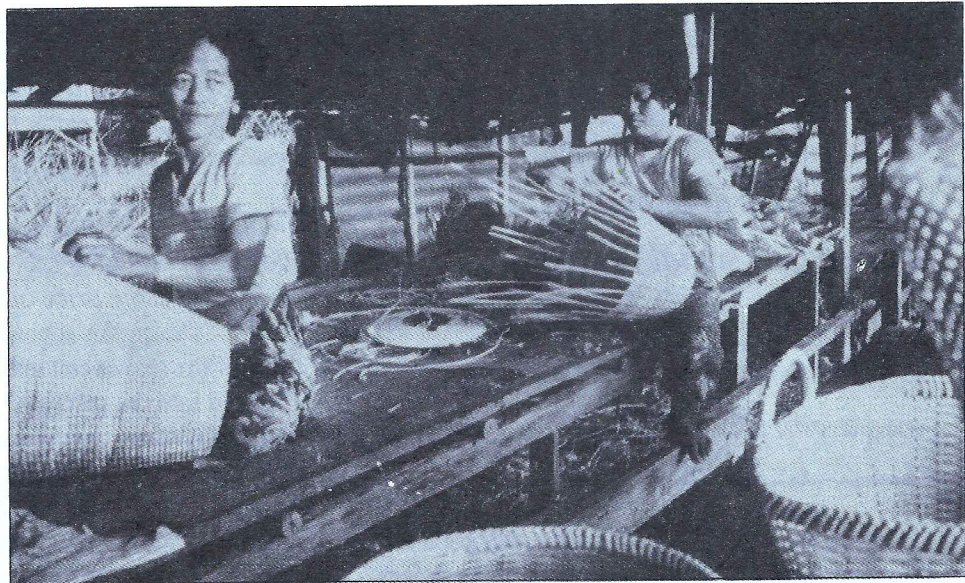
The fourth economic reality : Goods and services are often geared to those required by the external market or local enclave of the rich rather than for the consumption of the masses.

I learned the fourth economic reality while working with a youth organization. Many of the youth had no resources, lacked skills, and were unemployed as jobs were scarce in Malaysia at that time. So, through a youth organization, we decided to lease about 20 acres of land for farming from the government. Later, we found that the community

around the farming land was also poor and marginalized, and so we decided to organize the community into a production and marketing cooperative.

We soon learned that the youth decided to tend chickens and crops to meet the needs of the people who could afford to buy them, rather than for the poor local community. I realized then that all activities in the market economy responded to the rich. Goods were very often geared to those required by the external market or local enclaves of the rich rather than for the consumption of the masses. All economic decisions were dictated by the rich's purchasing power and not by the survival needs of the people.

The cooperative shop we established not only



marketed the community's products, but also sold cigarettes, infant formula, beauty and cosmetic items, pesticides and other products of transnationals. We were helping the poor and at the same time the transnationals, by creating a market for the latter's products.

The fifth economic reality : As the rural population becomes more productive, urban centers become richer.

Urban areas siphon off the increase in rural people's wealth by promoting affluent consumption. Similarly, added wealth in developing countries helps the economy of the developed countries. Developed

Here lies a critical challenge to the consumer movement: how to educate consumers to be more critical in using their purchasing power; and to propagate not only value for money but more so value for people, environment, democracy and social justice.

The ninth economic reality : Consumption is central and essential to economic growth and progress.

Consumers in the dominant economic model are molded into a one-dimensional human being with the sole purpose of consumption. We are all caught up in an economic system where human and natural resources are exploited in the service of the economy, instead of the economy serving our survival needs and community requirements for expression, creativity, conviviality and for deciding our own destiny.

In addition, the need to fuel more consumption to keep the economy growing is propelling a culture of materialism, individualism and competition.

Conclusions from the experience

My experience, reflection, and search, have unfolded to me one significant truth: That economy is central to everything, as the bedrock upon which our institutions, education, science, technology, lifestyles, ethics and values are built.

The same experience and reflection have also validated five important insights:

1. *The existing dominant economic model is flawed.* It has failed to meet the needs of the vast majority, and continues to reserve its benefits for a privileged minority.
2. *The core motivation of this economic model is infinite growth in a finite world.* A consumer culture is central to this model. Most production does not include both the social and environmental costs of products.
3. *The model is capital-centered.* It mobilizes and exploits human and natural resources to earn maximum returns for capital. People are put in the service of the economy instead of the economy serving the people.
4. *This dominant economic model is*

industry-focused. All wealth and national accounting systems are based upon industrial output. Integration, homogenization, and globalization are their key characteristics. Such model destroys diversity, the community-centered economy and lifestyles.

5. *The survival response of humankind is challenging everybody to transform and change our flawed economic model.* Concerned individuals, NGOs, and community leaders are using their imagination, resourcefulness and creativity to create alternatives for a more sustainable, equitable, and just model.

Learning from others

Seven significant works helped shape my thinking about the social enterprise economy.

1. *Small is Beautiful, by E. F. Schumacher*

This is a collection of essays that shares a lot of insights on how "economics" dehumanizes people and reduces them to either factors of production or as one-dimensional beings whose sole purpose is merely to consume.

2. *The Third Wave, by Alvin Toffler*

This book contends that "a new civilization is emerging in our lives: one that utilizes diversified and renewable energy sources; that ushers in methods of production that makes most of our present-day factory assembly lines obsolete; that breeds non-nuclear families.

"This new civilization will topple bureaucracies, reduce the role of nation state and give rise to autonomous economies in a post-imperialist world. It requires a government that is simpler, effective, yet more democratic than we know today."

3. *World Without Borders, by Lester Brown*

This book identifies a fresh, comprehensible framework within which

to examine the principal factors affecting humankind in the 20th century. It points out that we have already reached our limits in a finite world. Humankind is on the threshold of a new era, the era of diminishing demographic and economic growth. As we press against the limits of Earth's capacity — to absorb waste materials, to supply fresh water, to produce marine protein or to provide energy and certain scarce metals — we

"We are all caught up in an economic system where human and natural resources are exploited in the service of the economy, instead of the economy serving our survival needs and community requirements for expression, creativity, conviviality and for deciding our own destiny."

find ourselves confronting social justice within an entirely different framework. The issue is becoming a less traditional one of how charitable the rich countries should be toward the poor countries. The issue now is how to distribute the earth's finite resources and capacities equitably among the people.

4. *Paradigms in Progress, life Beyond Economics*, by Hazel Henderson

Henderson points out in her book that the wrenching shifts to sustainable and ecologically viable forms of productivity are now showing in many ways. She says that citizens' movements have started responding positively. "They organize for safe, renewable energy development, emphasizing its labor intensity; conservation and

weatherization technologies that decentralized economic and political power, retrofitting and renewing older centers, cities, revitalizing mass transit, local self-reliance and alternative economic development and enterprises."

These initiatives and growing new worldviews according to Henderson, "are already generating better policy tools and models, beyond economics: technology assessment, social and job impact studies, environmental impact statements, futures research, cross impact studies, scenario building, global modeling, and forecasting no longer based on past trend extrapolation."

5. *Getting to the 21st Century*, by Dr. David C. Korten

This book examines the lessons of the 1980s, describing the decade as one of crisis, denial, newly emergent opportunities and an awakening that left us hoping that the 1990s could achieve the transformation so essential going into the 21st century.

It also points out the importance of determining how society behaves. It argues that to overcome the current global crisis, it is necessary to renew our vision of who we are and what we hope to become. More specifically, it calls for a new development vision that leads to just, sustainable, and inclusive improvements in human well-being. It also outlines the critical elements of an alternative people-centered development and a supporting equity-led sustainable growth strategy.

The book also focuses on the voluntary development sector. It examines the distinctive nature and role of this sector and the evolution of the strategies of its constituent organizations from relief and welfare, to community development, to catalyzing institutional and policy change.

It also outlines the development agenda for the 1990s, focusing on the

need for a system transformation as a prelude to new patterns of economic growth. It further suggests that the priority must be to achieve transformation without risking either social or ecological collapse.

6. *Megatrends, by John Naisbitt*

The intention of *Megatrends* is to discover various ways for which America is restructuring and to understand how the pieces fit together and try to see what the new society looks like.

The book examines the critical elements of restructuring in America which includes, among others:

1. The shift from an industrial society to one that is based on the creation and distribution of information;
2. The movement in the dual direction of high tech/high touch, matching each new technology with a compensatory human response; and
3. The shift from a society run by short term considerations and rewards in favor of dealing with things in longer timeframes.

7. *The Agenda for Islamic Economic Reform, by S.N.H Naaqvi, H.U.Beg, Rafiq Ahmed, Mian M. Nazeer*
The Agenda for Islamic Economic

Reform appeared in May 1980 in the form of the Committee on Islamization appointed by the Federal Minister of Finance of Pakistan, Ghulan Ishaq Khan. Since its publication, the main thesis of the Agenda — that the Islamic economic system is based on the Divine Law of al-'adl (social justice) and wal-Ihsan (social service) — received *universal* acclaim particularly in Pakistan.

The thesis on Islamic economic reform was culled from the Holy Book of Quran and articulates three important principles on the Islamic economic

system:

1. It must enforce an *equilibrium* among the consumption, production and distribution relations in the society, while keeping a delicate balance between individual freedom and social responsibility.
2. The process of pushing up the poor along the scale of social hierarchy must continue until the *deprived* in the society receive their *due share*.
3. There is a clear *separation* in Islam between a poor man's needs and his ability to earn through his own labor.

The analysis of the readings

From these books, we see the need for a new economy. They point to the characteristics of an emerging social enterprise economy, namely:

1. It is life-centered and community focused.
2. Sustainability of the environment is the core organizing principle.
3. A hard-nosed business approach is used for cost-effectiveness, without risking social and environmental costs.
4. The bottomline of the social enterprise is quantity and quality of service to the community, providing needs that must be met including procreation, recreation, expression, creativity, and conviviality.
5. An indicator of wealth is the community's net worth rather than the outputs of firms, and the quality of life rather than monetary profit.

Learning from others' experiences

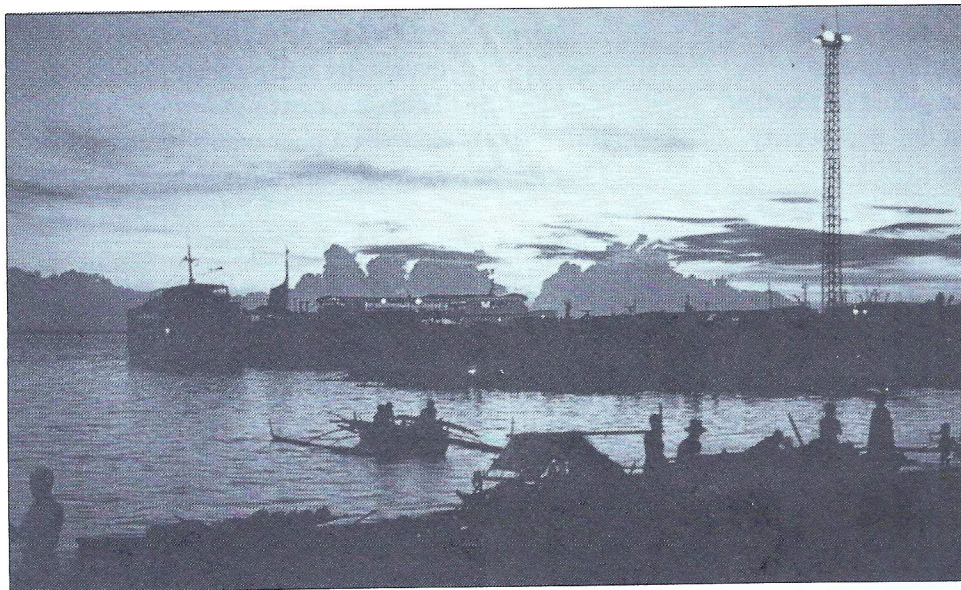
The following case studies illustrate how man has started using innovative technologies that use less resources; recycle waste into reusable form; undertake organic farming; and adopt alternative ways of production, distribution and consumption of goods and services to ensure a healthy and sustainable lifestyle. Although all are Japanese initiatives, similar cases can be seen all over the world.

Case Study 1 : Lake Biwa

Lake Biwa, the largest freshwater lake in Japan, lies in Shiga Prefecture in the main island of

Honshu. In the early 1970s, it was threatened with massive pollution.

Concerned citizens began to organize themselves, and took the initiative to save Lake Biwa. First, they educated the people to live a more responsible lifestyle. They campaigned against the use of detergents and advocated the use of soap; they



took greater care in disposing their kitchen waste. Used cooking oil was collected and recycled into soap. Second, they used their power of citizenship to help enact the Lake Biwa Eutrophication Prevention Ordinance and other regulations. They got the Prefecture to set-up the Lake Biwa Research Institute.

Today Lake Biwa is one of the cleanest freshwater lakes in the world amidst densely located industries. But the campaign and auditing continue. What is most impressive is that the people Shiga Prefecture continue to exercise their responsibility as stewards of the community's resources. They have also extended the responsibility of stewardship to the global level by sharing their experience, expertise and commitment to ensure the protection of lakes all over the world.

Case Study 2 : Minamata

Minamata Bay located in Kyushu, the Southern island of Japan, has lent its name to a most painful disease -- the Minamata disease -- a

methylmercury poisoning acquired by people who ingest fish and shellfish from contaminated waters.

Minamata Disease attacks the brain and the nervous system. It can cause spasms, and the inability to coordinate bodily functions. Great suffering and misery will be felt by the patients before dying.

The tragedy was caused by Chisso Chemical Company which was built in 1908 as an ammonia synthesizing plant in Minamata. After World War II, Chisso lost all its properties in the former colonies of Japan. To regain the loss, Chisso concentrated its operations at Minamata Plant.

The effects were disastrous on Minamata Bay and its traditional fishing community. Mercury oxide which was used as a catalyst in

acetaldehyde production was discharged in the plant's waste water as organic mercury. In 1950, fish catch started to dwindle, affecting the livelihood of about 200,000 people who were engaged in fishing and fishing-related work along the Shiranui Sea.

This tragedy brought forth the brave struggle and sacrifice of the people who organized themselves to help fight this pollution and injustice. The fishermen's union fought hard to put a stop to the pollution and demanded compensation for the victims. Concerned doctors and nurses came forward to help build a private hospital. And, with the help of the community, they provided medical care and undertook research.

Simultaneously, concerned lawyers fought legal battles in favor of the victims. And citizens' groups began helping in developing alternative lifestyles. Organic farming, soap making from used cooking oil, and other recycling initiatives were done. Such initiatives raised funds to help the victims and their families. More importantly, they shared their experiences with the rest of the world to ensure that a

similar disease would no longer afflict mankind.

Case Study 3 : Kikuchi Youjou-en Health Clinic

The Youjou-en Health Clinic is unique for it stresses preventive health care system based purely on diet and healthy living. Here, patients are given modern and traditional medicines and they follow a strict diet of organically-grown food.

The pioneer and founder of this innovative clinic is Dr. Yoshitaka Takekuma. He graduated from the University of Kumamoto, majoring in internal medicine. In 1974, he resigned from the university hospital where he worked after graduation to take up the new challenge.

His interest in medicine shifted to an interest in food, and then to agriculture for two reasons. First, he experimented on, and completely cured himself of certain allergies and diseases merely through fasting and diet. Second, Dr. Takekuma began to notice that modern diseases were growing rapidly because of the cycle of poison in our food chain, through increasing use of food additives and wrong eating habits. He concluded that the issues on medicine and agriculture must be understood as an issue of *life* in a holistic way, and with a global perspective.

Youjou-en is run by Kikuchi-City and covers five other villages. It has a health clinic, a farm, and a culture center. The health clinic only cares for out-patients, with two doctors, three nurses and one dietitian. The farm has 50 acres and practices complete organic farming.

Youjou-en also is linked to a health cooperative run by Dr. Takekuma's wife. The cooperative supplies natural food, brown rice, honey, homemade soap from recycled cooking oil and other products that promote healthy living.

The Youjou-en Health Clinic is an enterprise that is community-based and not enterprise-focused. It amplifies how the new and old, modern and traditional, can be merged to improve the quality of our health care and life. It is an excellent example of a social enterprise run by a social entrepreneur.

The Social Enterprise Economy: A conceptual framework

Before I outline the conceptual framework of the social enterprise economy, it is important that I contextualize this framework within three important realities:

Reality 1: Economy as the bedrock of human civilization.

The manner by which we fulfill our basic needs determines the way our society is organized. The organization of society's economic activities requires the development of its own social, political, and human consciousness to make the economic system work.

This can be illustrated by reviewing the history of human civilization. The march of human civilization can be divided into many periods. To make the argument simple, I chose to divide human civilization into five main periods, with the fifth one illustrating the new emerging economy.

1. Consumer Economy

The consumer economy is the earliest economy in civilization. The term is used because humans depended on nature for their survival. People hunted, foraged, and consumed what nature had to offer. A man and a woman began a family, then sustained it. Women played the role of a mate. The family was the social unit. Religion was organic. Human muscle was the main energy source. Wealth depended on the quality of the living environment.

2. Agricultural Economy

Soon, humans learned to control the production of their basic needs — food, clothing and shelter. This economic enterprise heralded the agricultural revolution. Families grew into tribes. Agricultural technology and animal husbandry began to take shape. Religion slowly began to be more organized. The level of human consciousness took a quantum leap, with chiefs and kings taking over political power. Women, in addition to being a mate, took on the responsibility of a home-maker. Animal power was added to human power. Land and animals were the main sources of wealth.

3. Trading Economy

The agricultural revolution led to an age of plenty. With excess in production, trading begun. It was barter trade at the beginning. But soon, gold, silver and other precious

stones became the medium of exchange and storage of wealth. Trading became more important than agriculture. Simultaneously, the aristocracy, the ruling class and the landed gentry began to enjoy more affluence, greater wealth and prosperity. This unleashed an age of adventure and exploration financed by kings, chiefs and merchants to search for gold, precious stones, spices, goods and land. This opened the world to plunder, slavery and colonization.

4. *Market Economy*

Soon the Industrial Revolution began. The role of the producer and the consumer was split. The free enterprise economy emerged, and was institutionalized by economist Adam Smith with his thesis, *The Wealth Of Nations*. The Industrial

"Our dominant economic model is flawed and has come to the end of its usefulness. With infinite growth as its main objective, it cannot continue to function successfully in a finite world."

Revolution accelerated change and development of technology. Women suddenly had to bear the triple burden of being a mate, home-maker and a worker. Religions fragmented into different groups, often in the same faith. Fossil fuel became the main source of energy. Politics, too, got reformed as kings gave way to popular democracies. Bonds and share certificates replaced gold as the source of wealth.

5. *Social Enterprise Economy*

We are now entering a new economy which is anticipated to ensure development based upon social justice, economic

productivity, sustainable environment, political participation, and a vibrant culture. We will discuss in detail this emerging new economy.

Critical Note: Civilization took a wrong turn in history upon reaching the Trading Economy. Human greed for power, wealth and profit were institutionalized. A religious missionary zeal, particularly Christianity, followed closely behind colonization. Slavery and the use of forced labor were popularized. Women were greatly subjugated. Rules and traditions were developed to reinforce this subjugation.

Reality 2: Our economic model is flawed

Our dominant economy is flawed and has come to the end of its usefulness. With infinite growth as its main objective, it cannot continue to function successfully in a finite world. We have passed the limits in particular of the carrying capacity of the earth. As Korten points out in his book, *Getting to the 21st Century*, we are facing a three-fold crisis of poverty, social strife and environmental degradation.

Poverty

As of 1994, an estimated 2.2 billion lived in absolute poverty. These people struggle daily to survive. They lacked the most minimal requirements of diet, shelter, and clean water. The trend towards increasing poverty accelerated in the 1980s as the gap between rich and poor grew at an alarming rate.

Environment

Pollutants, which are now loaded in our atmosphere, are destroying the ozone layer that protects us from the lethal rays of the sun. They brought climatic changes that threaten to melt the polar ice caps, flood vast coastal areas, and convert fertile agricultural areas into deserts. We are depleting the very soils on which our growing population depends for food. We are destroying the regenerative capacities of the hydrological systems that provide us fresh water and ground water supplies. We are stripping our forests bare and burying ourselves in garbage. We are and dumping our chemical and radioactive wastes

around the world wherever people are too poor to protest. We are exhausting our fossil fuels, even as we continue to build economic systems that are wholly dependent on them — while reassuring ourselves that undefined technological miracles will happen.

Growing Communal Violence

Growing communal violence is a manifestation of the disintegration of our social fabric. It takes many forms.

One form is organized armed violence. In 1988, of 25 active wars in the world, 24 were in Southern countries. Twenty-two were internal to a single country, and 80 percent of casualties was civilian. The predominant role of national armies in our *modern* world seems not to protect national borders against foreign intruders, but to keep dissident civilian populations in check.

Social disintegration is also manifested in:

- Random violence that has become endemic in both North and South, often associated with disruptive social phenomena such as religious fundamentalism and drug abuse;
- Universal patterns of family breakdown as revealed in alarming statistics on divorce, abandonment, teenage suicide, domestic violence, and streetchildren;
- Growing numbers of refugees and international migrant workers. People who have been uprooted from communities — that no longer exist — no longer find a place or means of livelihood.

Each element of the crisis given tells us that things are not working in a profound and systematic way in our world.

Reality 3: The positive impact of the market economy is the foundation of the social economy

Not everything is wrong with the market economy. There are definitely some positive characteristics. The emergence of the *social enterprise economy* will focus on ethics, community, village habitat, and sustainable environment. This does not mean we are going back to the *good old days* or to the *cavemen era*.

The social economy rejects the capitalist approach in the market enterprise economy. It also

rejects the negative impact of state control in the state enterprise economy. But the emerging social enterprise economy, as from the five case studies, will be built upon the positive impact of the free enterprise economy and state enterprise economy.

"Sustainability of the ecology and the community will become the organizing principles of all production."

The market enterprise economy has integrated many regions and societies into the global economy, making the *global village* concept a reality. It has developed a greater understanding of the diversity of peoples and began to help synergize this diversity into unity. It has improved communications and increased mobility. It has massified (to borrow an expression from Alvin Toffler) and made available information, education and technology, to a large extent, common to all. And most important, it is a hard-nosed business approach motivated not for profit, but for efficiency, cost effectiveness, and sustainable use of resources.

What is social enterprise economy?

The social enterprise economy can be defined as a life-centered economy with the growth of the quality of life as its core motivation. Our current dominant economy is capital-centered with economic growth as its prime motivation.

All enterprise decisions in the social enterprise economy shall be made, not on the basis of how much profit can be made, but how a community can meet its needs in the most caring, efficient, cost effective and sustainable way.

All costs are internalized and factored into the price which the consumer has to pay according to the "user-pay" principle. In the current market enterprise economy, social and environmental costs are often not included and are often borne by the poor. The decision-making process differs in the two models. Their key differences are illustrated in Table 1.

What are the implications of this change?

Once the decision-making patterns in economics are transformed, we will develop a whole new civilization and a world order. All over the world, concerned individuals and groups are innovating and creating this change. Let us review this in the context of ten important aspects namely:

1. *Economics: what shape will it take?*

The social enterprise economy, as we can see, shall become an economy with ethics. The market enterprise economy has strongly excluded ethics from its discipline.

2. *Development: what meaning will it take?*

Development will not mean economic growth alone. It will be more holistic that includes social justice, economic productivity, sustainable environment, political participation, and vibrant culture.

"Community organizations will emerge to help restore the community support element in towns or cities where this spirit has been destroyed."

3. *Enterprises: what form will they take?*

They will be people-centered, community and place specific. Goods and services will be geared to fulfill community needs and not be motivated purely by profit. A diversity of ethnicity, language, culture, ecology, production and consumption patterns and way of life will be energized. Such diversity, in turn, will be synergized into a unique global unity in the spirit and sense of responsibility of stewardship to the earth as the life support system.

4. *Production: what pattern will it take?*

It will assume a food and basic needs

first policy in all production. Communities will learn how to meet their needs for food and other necessities from their own resources. Surplus will be traded to meet other needs, and not as a motive for accumulating wealth. Sustainability of the ecology and the community will become the organizing principles of all production.

5. *Livelihood: what focus will it take?*

People will be moving into sustainable livelihoods. They will be doing work that will ensure the sustainability of their environment, their community and their own way of life. A good example is Dr. Takekuma in the Yojoen Clinic case. He does not only give medical service to the sick, but also involves the community in organic farming. The people will increasingly engage in livelihoods that will help them actualize their talents and potentials.

6. *Money: what role will it play?*

Money will more prominently play the role as a medium of exchange, rather than as a storage of wealth and future claims on resources. The role of money, collection of taxes, banking, insurance etc. will adopt the Islamic economic principles.

7. *Consumption: what pattern will it take?*

With ethics and the sense of social responsibility and stewardship to the life support system, consumption will take the form of conservation and judicious use of resources. Consumption will not be dictated by prices alone, but by conscience as well. Green consumerism is one example of this direction.

8. *Habitat: what pattern will it take?*

With the unfolding of the social enterprise economy, the community spirit will emerge as the predominant trait of the habitat. Community organizations will emerge to help restore the community support element in towns or cities where this spirit has been destroyed. This is one option that provides civil sector organizations a

tremendous challenge for reform and change.

9. *Human Relationships: what kind will develop?*

The family as a social, economic, political, and spiritual unit will be strengthened. Both men and women will become partners with their distinctive sexual bias, and without subjugation and coercion.

There will be greater self-reliance which means interacting with everyone on equal footing.

10. *Accounting: What accounting system will this economy assume?*

The economy will take on a community accounting model, ideally based on a watershed or a bio-region basis. Professor Sixto Roxas has well articulated such a model on the ground level. It is a difficult task, but not an impossible one. The focus of accounting shifts from the firm to the community. The community net worth — in terms of resources and families — is accounted for, and linked up with the outputs of the community.

Why call it a social enterprise economy?

This is because of the fundamental differences in the motivation, namely:

- The free market economy is enterprise-focused and capital-centered. Natural and human resources are exploited as factors of production to maximize profit for capital. People are placed in the service of the market.
- The state enterprise economy of the communist world (that collapsed) is state-focused. Here, too, natural and human resources are exploited to maximize profits for the state.

People are placed in the service of the state.

- The social enterprise economy is community focused and people-centered. Natural and human resources are not considered as mere factors of production. They are resources to meet human needs for now and for the survival of life in continuous sustainability. People are placed in the

TABLE 1: Decision Making Process In The Economic Models

CAPITAL CENTERED	COMMUNITY CENTERED
What can I sell?	What do people need?
How much can I make?	How much will people benefit?
How to produce it cheaply? (using machines and cheap labor etc.)	How can production involve the community and sustain the habitat?
Market Development: promoting consumer cultures	Community Development: responsibility of stewardship
Individualism	Community well-being
Profit and wealth accumulation	Resource-sharing quality of life

service of others and community life.

Who will be the key actors in this economy?

The key actors in the social enterprise economy are the *social entrepreneurs* — people who have the capacity, capability, and skills in the community to successfully spawn and undertake enterprises. The social entrepreneur must also be able to recognize opportunity in the environment, in himself or herself, and in the system for enterprise

"The social enterprise economy is community-focused and people-centered. Natural and human resources are not considered as mere factors of production."

development that can promote the social cause of the community; enable the people to choose the appropriate resources, develop and use the most capable organization and adopt the most effective intervention mechanisms as to successfully develop the enterprise; and identify bottlenecks, exploitations, contradictions and dichotomy in their institutions;

economy, technology, and behavior consistent with the ecological, economic and social realities.

The initiative of transformation from the market economy to the social economy is moving from theory to practice. Many of us are struggling with it. With a clearer understanding of the new emerging economy, our task and initiative will become easier and more effective.

Proposals and Recommendations for Sustainable Livelihoods

This paper identified a number of key facts and realities that points us to the direction of how we can transform and change our economic model that will ensure sustainable development. I am picking five such realities to make specific proposals how we can achieve sustainable livelihood particularly among village grassroots communities.

1. *The recognition that a new economy is emerging*

Identifying community-based social enterprises is the action we must take. We must engage in research and development of social enterprises. There must be continuous upgrading on the state of the art enterprises. We must also engage in trials and experiments, building a critical mass to put the social enterprise economy in the mainstream.

2. *The recognition that the catalyst and agents of this new economy are the social entrepreneurs*

A social entrepreneur is a pioneer of tomorrow's emerging economy and development model as opposed to an economic entrepreneur who makes people work for him.

We must begin training social entrepreneurs to enable them to become effective agents of change.

3. *The recognition that NGO and CBO leaders and staff persons are natural candidates as social entrepreneurs.*

Leaders and staff of NGOs and community-based organizations (CBOs) have the core value that is required of social

entrepreneurs. But what they lack is the enterprise development and entrepreneurial skills to:

(a) recognize opportunity in the environment, in themselves and even the system for enterprise development that can promote the social cause of the community;

(b) enable them to choose the appropriate resources, develop and use the most capable organization, and adopt the most effective intervention mechanism to successfully develop the enterprise;

(c) identify bottlenecks, exploiting contradictions and dichotomy in their institutions, economy, technology and behavior, consistent with ecological, economic and social realities.

If we can transform NGO and CBO leaders and staff into social entrepreneurs, we will see a total shift in the process of people-empowerment.

4. *The recognition that NGOs and CBOs are ideal basis for the transformation into the social enterprise economy.*

If leaders and staff of NGOs and CBOs can be transformed into social entrepreneurs, their organizations can also be transformed into social enterprises.

Every NGO or CBO has an economic niche. We have to identify this niche. For example, *The Widows Association of Sabah* always depended on aid and grants to help support and care for widows. After an alternative financing workshop, they identified their economic niche in cooking and preparing food.

They turned the house of a widow as a center to cater lunch for women office workers in Kota Kinabalu. This service brings 15 women together everyday for lunch. This has developed into a women's forum.

In addition, their services have expanded to catering for occasions like parties and dinners. They have also started providing nursing care for the old. They are planning to set up day-care centers for children as well

as kindergartens schools which will be managed by widows as a source of support for themselves.

Suddenly, they are realizing that the traditional approach to social help and care makes us *professional beggars* and trap ourselves in a perpetual dependency syndrome. There is a way for transformation and change for all NGOs and CBOs by identify our economic niches and developing them as sources of income. This will help perpetuate transformation and change in self-reliance.

5. *The recognition that the village is the ideal habitat of a community*

The damage that the industrial revolution and market economy has done to the village habitat in many places cannot be reversed.

However our action plan must be to try and develop villages as an ideal habitat of a community. These communities must be assisted to support their social, cultural,

political, religious and economic needs.

This action is in many places only a reaction to a particular social, political or economic problem. Urban squatters are banding together to further their cause for shelter. Petty leaders are getting together to protect their businesses. And farmers are joining up to protect their interests. We are becoming sectoral in seeking solutions. I think we must develop a holistic community perspective.

But in many other places, community living and lifestyle are unfolding and maturing even in urban centers. A good example is the Seikatsu Club in Japan where the community gets together to meet their consumption needs in a sustainable manner. In some places, people have begun sharing homes and apartments and developing a totally new community relationship. These are areas of intervention that can assist us to build a more humane society and sustainable livelihood. □



ALTERNATIVE RURAL FINANCE: THE CDF EXPERIENCE

by Shashi Rajgopalan

The Cooperative Development Foundation (CDF) works for the advancement of cooperative thought and action. It works for changes in cooperative legislation and policy at one level and in promotion and development of cooperatives and their federations at another level.

As we have been requested to speak on alternative rural finance, we will not discuss our experience with paddy processing and marketing cooperatives or with urban thrift and credit cooperatives. Further, since our direct experience in rural thrift and credit were only with women, this paper will:

- explain why we entered the field of thrift and credit cooperatives (thrift coops) for rural women and what we do in this field;
- list the reasons why the concept of thrift coops appears so popular among members (women), giving perhaps some indication of their otherwise unmet banking needs;
- outline the processes adopted for promoting member control and member sensitivity; and
- provide information on the costs incurred both in the promotion of these groups, and on actual provision of financial services, commenting on the viability of the thrift coop.

Ms. Shashi Rajgopalan is Director of the Cooperative Development Foundation (CDF) based in Hyderabad, India. CDF is voluntary social action group that seeks to promote an environment in which cooperatives flourish as decentralized, democratic, and mutual aid business organizations, effectively harnessing and fostering local resources.

CDF's entry into women's thrift coop work

Since its inception in 1982, CDF has worked with primary agricultural cooperatives (PACs). While doing so, it attempted to induce PACs to increase female membership although this proved quite difficult. The leadership of these PACs argued that any man or woman formally in control (as owner or cultivator) of agricultural land could be their member, since their services were related mainly to provision of agricultural inputs and marketing of produce.

CDF itself had no idea of what rural women's needs or capacities were. Perhaps, CDF was trying to evade responsibility by letting the PACs take the burden of figuring out "what to do with women." The

refusal of PACs to be drawn into women's issues for the sake of it turned out to be a blessing in disguise for the guilt-ridden CDF, which had to start applying its own mind in organizing women for cooperative action.

By that time, CDF already had some experience in dealing with urban-based employees' thrift and credit cooperatives. CDF had been exposed to a couple of unregistered, very basic, rural neighborhood thrift and credit coops of self-employed men.

Having the background of working with PACs and thrift coops with predominantly male members, CDF began its work with rural women. First, CDF indirectly worked through another organization, and by February 1990, it finally worked directly with women.

This paper draws on CDF's direct experiences in establishing women's thrift coops in Karimnagar and Warangal districts of Andhra Pradesh where it has been working with women since early 1990. By the end of 1993, membership in rural women's thrift coops promoted directly by CDF stood at over 11,500. These women registered their organizations into five thrift coops, as mandated by the public societies registration law. Women's thrift, reserves and surplus stood at over Rs3.5 million (\$87,500). Outstanding loans were almost Rs3.1 million (\$77,500), with delinquency at five percent.

What is a women's thrift coop? How does it operate?

1. Fifty women (members) meet on a fixed day and time each month. Each member brings with her a monthly savings of Rs10 (\$0.25) from her village.
2. Loan installments and interest payments are also brought by the women to the meeting.
3. From the pooled savings and collection money, fresh loans are given to eligible members, according to their need and the group's decision. Loans can reach up to three times the members' savings. Loans are then channelled to agriculture, irrigation, petty trade, animal husbandry, home improvement, education, health, consumption, and others.
4. All such groups in the village and its adjoining places within a 5 to 10 kilometer radius

would form a thrift coop. Group accounts are merged, with a common identity, review meetings, etc. During village meetings, member passbooks are updated. Two sets of records are kept on all transactions: one is retained at the village with the group president; and the other is taken to the thrift coop's headquarters.

5. Thrift coops charge members 24 percent interest on loans and pay 12 percent interest on thrift. They try to give an additional three percent to members at the year's end as a bonus, based upon surplus earned.
6. Thrift coops of Karimnagar and Warangal districts now intend to form a regional association for activities such as training, education, insurance, accounts computerization, and design of multiple savings schemes.
7. Thrift coops are managed democratically, and work on the principles of cooperation.

CDF, however, is not merely in the business of providing credit or credit access to rural women, but rather in building rural women's financial institutions. Its energies do not go into identifying women's credit needs alone, but also in ensuring that women define their thrift coop, take responsibility for its operations and management, and decide how they wish to interact with it.

Relevance of thrift coops to rural women

When CDF began working, it did not have a sound theory in place. All that it wanted was to test the attractiveness of organized thrift and credit cooperatives among rural women and to provide any advisory assistance they might need. CDF thought that it had been reasonably good at savings mobilization and in promoting responsible borrower behavior in PACs. It also thought that it understood well enough employees' thrift and credit cooperatives. Further, it did not wish to continue to contribute to women's worldwide absence in the cooperative movement. For all these uninspiring reasons, CDF began its work with women. And perhaps it was the uncertainty, the nebulosity of the idea that helped CDF learn its lessons about women, their needs, and their capacities.

CDF had as many prejudices and

assumptions about rural women as had most organizations that did not work with them. CDF initially believed that rural women were poor. And credit was what they were probably after. Rural women were seen to be shy, and did not wish to add to their responsibilities the establishment and management of a financial services enterprise.

CDF was surprised. In the early meetings, CDF stressed on the need for saving during one's

*"Some women would wonder
(why) ask the poor to save ...
(yet) some would start building
on the idea."*

working years. In several villages, some women would wonder aloud at the audacity of asking the poor to save. However, when the concept of a thrift cooperative was explained, there were also some who would start building on the idea, asking for time to share the concept with other friends, and wanting a second meeting.

The concepts CDF projected were:

- Women work all their lives, but have neither assets nor savings to their name.
- Women are hardest hit as they age and can no longer put in a good day's work. The women may lose their husbands who are much older than them. In the process, women may lose ownership even over the home they live in. Women may feel vulnerable with their children who now need to support them.
- However, if women can regularly save even a little while they work, then these savings may serve as social security for them in their old age. Regular and accumulating thrift can amount to a tidy sum even where the thrift installments are small.
- Further, these savings ought not to be kept in a bank for the following reasons: (a) They will work for someone else; (b) At most, a woman can have access to the money in times of need only up to the saved amount; and (c) Her savings being in the nature of a savings or recurring deposit account will

earn a low interest rate. CDF savings will work in favor of women by being made available to such savers loans needed from time to time — as multiples of their savings, with interest rates, and upon terms and conditions to be decided by them.

- The size and number of loans may grow together with savings.
- All decisions will be made by the members (women savers-cum-borrowers) on democratic basis, based on cooperative philosophy.

CDF has helped women to frame their own by-laws. It started by having a questionnaire, and the above concept.

In retrospect, while CDF was making most of its comparisons with the formal banking system, the women were using as their frame of reference the more relevant, accessible, informal moneylending system, and on occasion, the chit fund system that they were used to.

Therefore, the interest rate on loans which was initially fixed by them at three to four percent per month when the loan size ranged from Rs50 to Rs100 (\$1.25 to \$2.50), has now stabilized at two percent per month — still much higher than the bank rate for small individual loans (which is available more in theory than in practice), but lower than the moneylender's rate in most areas.

With rural women's thrift coops, CDF has been overwhelmed by the quality and size of response, and finds itself ill-equipped to do justice to it. So why did rural women seem to want thrift coops?

Let us take a quick look at the comparative advantages and disadvantages for a woman as a member of a thrift coop, a bank, or as moneylender's client. While the bank column contains more of CDF's perception (since rural women don't seem too involved with banks), the thrift coop and moneylender columns contain largely women's perceptions on relative advantages and disadvantages. (Refer to Table 1)

Member control and member sensitivity

Women's thrift coops are essentially cooperative financial institutions. They are committed by definition to member control and member service. How does this commitment translate into action?

Table 1: Advantages and disadvantages for women in dealing with banks, moneylenders, and cooperatives

BANKS	MONEYLENDERS	THRIFT COOPS
Multiple savings opportunities	No savings opportunities	Initially, only regular thrift opportunity - potential for multiple savings opportunities
Facility to withdraw savings in times of need	Not applicable	Thrift withdrawable only upon withdrawal of membership
Low interest rate on savings	Not applicable	Assured of 12% per annum interest on thrift plus bonus at year-end
Schematic loans - often one-time loans in case of women	Loans to suit individual needs	Loans to suit individual needs - repeated loans possible
Small loans discouraged	Small loans available	Small loans available
Larger loans available (Rs5,000)	Larger loans available	Larger loans available only after five to six years
Interest rate on loan reasonable	Interest rate on loan very high	Interest rate on loan quite high
Guarantee/hypothecation procedure cumbersome and confusing	Items of value or utility mortgaged, and except for immovable property, items inaccessible till loan fully repaid	Items of value or utility pledged through simple procedure and items in use and available during period of responsible borrowing
Loan to be repaid in installments with interest	Loan to be repaid in lumpsum while interest to be remitted regularly	Loan to be repaid in installments with interest
Decisions on payback period, interest rates, installments, and other operating rules made by bank	Decisions on payback period, interest rates, installments, and other operating rules made by moneylender	Decisions on payback period, interest rates, installments, and other operating rules, framed by members through mutual agreement
Woman's role that of client	Woman's role that of client	Woman's role that of client, owner, and director
Bank transactions conducted in public (therefore respectable)	Moneylender transactions conducted in lender's home resulting in vulnerability in negotiation	Thrift coop transactions conducted in village, in open public place
Bank field staffers mostly male, mostly urban and patronizing	Moneylender usually male, patronizing but rural	Thrift coop management mostly female, rural, patronizing behavior unlikely
Bank not accountable to clients with regard to its own performance	Moneylender not accountable to clients with regard to own performance; satisfaction for own progress	Thrift coop fully accountable to members and dependent on them
Confidentiality of transactions maintained	Confidentiality of transactions maintained	Transactions transparent; confidentiality not possible (but desirable?)
Bank branch not available in every village	Moneylender available in village	Thrift coop services available in village
Bank branch open most days	Moneylender available most days	Thrift coop available only once a month (at least in early stages)
Profits not for sharing among clients	Profits not for sharing among clients	Surplus for utilization as decided by members
Staff not accountable to clients	Staff not accountable to clients	Staff accountable to clients
Unviable for bank to give large numbers of small loans and take large numbers of small savings on a regular basis in a concentrated geographical area	Could give small loans but does not have the infrastructure to deal with large numbers of such loans	Designed to deal with large numbers of small savings and loans
Deposits guaranteed	Not applicable	Deposits not guaranteed
Recovery through legal means	Muscle power used for recovery	Social pressure used for recovery
Overall recovery rate poor	High recovery rate (which may change when larger loans are given?)	High recovery rate
Multiple financial services offered	Very limited services offered	Limited services offered
Considered legitimate by public and has confidence of public	Considered usurious but useful by rural public	Considered fragile by both men and women; and in men's opinion likely to be wiped out under stress; has admiration of of rural public but yet to gain their confidence

- The thrift coop is based on mutual aid among members, not on external aid. Member identification with the thrift coop is, therefore, very high, as it is not perceived as an institution dependent for its survival on external goodwill or finance, but on members' goodwill, members' thrift and members' responsible actions.

- Members do not perceive the thrift coop as a social service or charitable organization. They see it as their bank, their own financial institution. Therefore, their decisions when managing the thrift coop are governed by financial discipline useful to member development rather than by a desire to be of *public service*.

- Since all decisions on management are taken by members or their chosen leaders, they tend to be cautious when fixing interest rates, penalties, and wages for staff.

"Mutual trust and willingness to work with one another is ... one of the foundations of the cooperative."

- Membership is voluntary and self-selecting. No external agency is involved in identifying who should be members. Membership cuts across class, caste, religion, and depends upon local dynamics. Mutual trust and the willingness to work with one another is, therefore, one of the foundations of the thrift coop. Withdrawal from membership is permitted. But for subsequent re-admission, the individual may be asked to bring back the amount of thrift withdrawn at the time of membership withdrawal.

- All members must save regularly with the thrift coop, and may borrow when in need. The thrift coop thus ensures that its members gradually increase their financial stake in the organization and that they are active. The dangers of a bogus membership, or having a large inactive membership which turns up only to tilt election results, are overcome.

- Thrift coops, because of their large

membership, have a decentralized, democratic decision-making set-up. Regular thrift and loan businesses take place at the 50-member group meetings in the village. There can be several such groups in a given village. Unused funds at the end of these meetings are taken to the headquarters (situated within the same 10 kilometer radius), for use by other 50-member groups under the same thrift coop.

Presidents of all the groups form a representative general body, which meets three to four times a year, while all the members of all the groups under a thrift coop meet annually. The managing committee consists of 12-15 women elected from among the group presidents by the representative general body. The committee meets at least once a month.

All staffers are appointed by and are fully accountable to this committee. Staff are members as well. This set-up provides several opportunities for members to air grievances openly, and to influence the decision making process.

- Annual reports and accounts are presented at the general meeting and copies given to all members. Minutes books and other records are maintained by staff and leaders as in any organization.

- Leaders have been taken on study tours to SEWA Bank in Ahmedabad, for vision and team building.

- The regular meetings at various levels have served as a training ground, and a common forum for planning, strategizing, and peer pressure build-up. The larger meetings have also created a political presence, which has proven to be a major asset in confidence-building and in public accountability, but has also quickly brought about external attempts to subvert it.

- An ongoing audit has also contributed to accountability.

Having dwelt at some length on the contributors to member control and sensitivity, it seems necessary to mention the factors that hinder member control. Where literacy levels are low, running a financial institution can be difficult. Increasing literacy and numeracy levels have been a major challenge, though at present the only progress made in this direction is the slowly increasing literacy among leaders.

The rapid growth of membership has resulted

in the need for focused member education. At present, neither CDF nor the thrift coops are giving sufficient attention to said education. If left unattended, this can result in a weakening of the foundation.

The huge number of regular, repetitive manual transactions for bookkeeping has consumed much of monthly meeting time. Time for meaningful discussion has reduced. An attempt at computerization of accounts is under way. Once the computerized system is effectively in place, it is hoped that issues on hand and analyses will be given more time in regular member meetings.

Thrift coops are essentially user-oriented, user-controlled and user-sensitive. They are business organizations. They need corporate status as they grow; as their transactions with members become sophisticated; as dealings with the outside world become inevitable; and as they begin to acquire property. They ought to be rightfully registered as cooperatives. However, the Department of Cooperatives views thrift coops as threats to existing agricultural credit cooperatives. Thrift coops are refused registration as mandated by cooperative laws. This may at present be a blessing in disguise since existing cooperative laws are grossly violative of voluntary membership and democratic control, and other cooperative principles. However, these thrift coops must finally have formal recognition as cooperatives, since several laws, too, have impact on them. Also, the application of thrift cooperatives will be determined by the nature or status of these enterprises. At present, these thrift cooperatives are being registered as mandated by the Societies' Registration Act that is not really meant for such services as a thrift coop offers to its members.

Under a sensitive cooperative law, member gains and member control could be formalized and further promoted.

Viability of thrift coops

When CDF first began dealing with rural women's thrift coops, it was very particular that the

work be done intensely in small clusters of villages so that hundreds of women could relate and draw strength from one another. What actually happened was thousands of women became members of thrift cooperatives covering villages within one to 10 kilometers distance of one another.

In tackling viability and sustainability, CDF would discuss first the mobilization of resources by thrift coops. Then the discussion would focus on costs incurred by both cooperatives and CDF, so that insights could be gained into the nature of subsidy and the levels at which a thrift coop could function as a corporate body and as an independent and vibrant

TABLE 2

Period	Total Member Funds (in Rs)	Loans outstanding (in Rs)	Loans disbursed during the year No./Amt. (in Rs)	Cash balance (in Rs)
1990-91	183,000	179,000	1947 / 416,000	4,000
1991-92	834,000	761,000	4929 / 1,719,000	7,300
1992-93	2,069,000	1,800,000	9126 / 4,109,000	270,000
1993-94	*3,564,000	*3,089,000	*9163 / 5,066,000	*475,000

Total no. of loans disbursed since inception: 25,165

Total amount of loans disbursed since inception: Rs 11,310,000 (\$282,750)

* Figures relating to 1993-94 are up to 31 December 1993; February and March 1990 figures are included in 1990-91.

enterprise.

Women had low literacy levels and did not previously work together in organization-building outside their homes. CDF initially played a major role in trust building, accounting, and auditing. The geographical intensity of the work, however, made it possible to have inter-group and inter-village communication. This resulted in the emergence of the *Thrift Coop*, with staff and leaders serving all groups in its fold. Not every village acquired immediately the leadership and accounting potential needed. But for every 10-kilometer neighborhood, such skills and human resources had been identified and mobilized by the women and made available to all members.

Another advantage of the concentrated approach was balancing out the varying savings and credit needs of members. Had the strategy been only to reach out to those who needed relatively large

production or trade loans, the cash inflows in the form of savings and loan repayments would not have been adequate. However, since the concept marketed was that of thrift for credit, the thrift coops were able to issue to their members an estimated 25,000 approved loans amounting to over Rs11 million (\$275,000) rupees from February 1990 to 1993.

Most women borrowed several times while others did not. In other organizations, not borrowing money from the coop would have meant missing out on something. In the thrift coop, a trusted member could loan immediately and her earnings could earn interest. In the process, the women became more responsible borrowers and ardent savers.

The demand in fact was to permit multiple savings. It would facilitate loan eligibility as related to regular earnings. Managing committees of the thrift

form thrift coops, they are now beginning to link again to form a higher level of association for establishing loan insurance services (in case of death), inter-thrift coop lending, training, etc. Thrift coops have indeed proven their capacity to mobilize human and financial resources.

Now, let me share with you the hidden costs contributed by the members and CDF.

Large numbers of leaders gave tremendous energy and money for thrift coops to succeed. In the first year, several volunteers helped in bookkeeping. Many attended peer review and planning meetings. Some gave time for promotional meetings in neighboring villages. Assuming that the five thrift coops covered about 100 groups, each with 50 members in the first couple of years, and assuming that a volunteer ought to have received Rs 10 for having put in a day's work for the bookkeeping of a group, then in the first two years volunteer leaders put in Rs 24,000. Similar time on leaders' meetings would add on another Rs 24,000. Bus fares going to leaders' meetings might be nearer Rs 8,000. Hence, at least Rs 56,000 worth of subsidy was met by women in the initial period. Their goodwill, marketing skills, and other inputs had not been included here.

Let us now move to the costs that could be met by a thrift coop. With a lending interest rate of 24 percent per annum and a

coops had seriously considered evolving such appropriate services. Table 2 gives some indication of the thrift-credit balance over the years. These figures show five thrift coops whose total membership stood at 11,576 as of 31 December 1993.

From an average loan size of Rs214 in 1990-91, the thrift coop's average loan size in 1993-94 increased by Rs553. While maximum loan size at present is Rs 2000 depending on eligibility, unused cash balances as a percentage of total funds have been increasing. Whether this increase was due to thrift or overcautiousness, savings outweigh credit needs. Isolated small groups would be reorganized into large thrift coops.

These thrift coops are not particularly anxious to seek external finance. Just as the groups linked to

savings interest rate of 12 percent, there ought to be a 12 percent margin for meeting costs in thrift coops. In fact, the margin is nearer to 10 percent because of unused funds. Of this 10 percent, thrift coops intend to set aside three percent to be returned as a bonus on regular thrift and on regular loan repayment, leaving a margin of seven percent to meet operational costs. In absolute terms, how much does this mean?

The women's thrift coop at Mulukanoor has over 5000 members and Rs15 million plus funds. The other older thrift coop at Makdumpuram has close to 3000 members and almost Rs 1 million of its own funds. In Mulukanoor, Rs 50,000 is added to thrift every month at Rs10 per member. While in Makdumpuram, Rs30,000 gets added. At seven percent margin, the thrift coop in Mulukanoor can

TABLE 3

Year	Managerial support, training, etc.	CDF extension costs	Total expenditure	Cash balance (in Rs)
1990-91	15,000	65,000	1947 / 416,000	4,000
1991-92	110,000	180,000	4929 / 1,719,000	7,300
1992-93	130,000	250,000	9126 / 4,109,000	270,000
1993-94*	60,000	215,000	*9163 / 5,066,000	*475,000
Total	315,000	710,000		

* Costs for 1993-94 are up to December 1993

expect to meet costs of up to Rs150,000 this year, while the coop at Makdumpuram can meet Rs70,000. Both coops are in their fifth year of operation. They estimate their operational costs to be nearer Rs80,000 and Rs60,000, respectively. This would imply that they can afford to create various reserves as well.

At CDF, we have maintained separately all costs incurred on this work. A small team of four to five persons consisting of one team manager, two extension officers, one desk assistant, and one driver (all are women except for the driver), is responsible for the establishment of these thrift coops, and the training of leaders and staff of the thrift coops.

The costs on staff salaries, staff travel, administration, and on thrift coop training, publications, and others are shown in Table 3.

At CDF, therefore, Rs1,025,000 were spent. The following would show:

- Total thrift, reserves, etc mobilized: Rs 3,560,000
- Total incoming monthly thrift (11,500 members): Rs 115,000
- In 1993-94, fresh incoming thrift was estimated to be Rs138,000, while CDF expenses were estimated to be Rs350,000

Assuming a 12 percent per annum interest gain for members by not having to approach the moneylender, members are expected to save Rs 420,000 by way of interest alone in 1993-1994 from a fund size of Rs 3.5 million.

CDF feels that its costs as a percentage of funds mobilized so far are very high but reasonable, and funds will continue to flow in because of the design, and the worth of savings in interest as discussed above.

CDF's role in the thrift coops has changed considerably since the project started. It is currently working on the design of a computerized accounting system. CDF will not be able to withdraw completely yet, since it expects to play new roles like assisting the management in handling the external political environment and the legal environment. CDF will also have to play a major role in setting up an association of thrift coops.

For the sake of the existing thrift coops, CDF does not expect to increase its own expenses. In fact, CDF expects to reduce its own costs, increasing them only in the event of entering totally new areas which the association of women's thrift

coops feels to be outside its area of interest.

An argument often heard in favor of what was euphemistically termed as "mainstreaming" is that savings can never match credit needs, and that small savings may be an "entry point," but simply cannot match commercial bank resources. Having seen the performance of the coops, CDF would argue that no commercial bank can ever hope to have the intense financial interest in members that a thrift coop does. In five small areas, each within a 10-kilometer radius, what poor rural women did was to create for themselves a financial institution which is neither vulnerable, nor a poor *alternative*, but is well on its way to becoming *mainstream* as far as these women are concerned.

CDF hopes that these notes are of some value to those interested in alternative financial institutions. CDF, however, continues to believe that thrift coops are rapidly emerging for thousands of families, as their own responsive, responsible, *mainstream* banks. □

COUNTRY PAPERS

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BANGLADESH

based on the paper presented by Dr. Atiur Rahman in behalf of the Association of Development Agencies in Bangladesh (ADAB)

Although Bangladesh came into being only in 1971, it is a very old nation — perhaps as old as Indian civilization itself. From 1757 to 1947, the country was part of the British empire, and known as the eastern part of Bengal.

Even before the British founded Calcutta in 1690, cities were already flourishing in the area. Murshidabad (now in West Bengal, India) and Dhaka (the present capital) were already centers of government, culture, and commerce long before the arrival of the British. For centuries, Bangladesh's rural economy relied heavily on the production of rice and jute, and in recent times, tea.

Official name: People's Republic of Bangladesh
Area: 55,598 sq. mi. (143,998 sq. km.)
Population (est. mid-1994): 116,600,000 (average annual rate of natural increase: 2.4%); birth rate: 37/1000; infant mortality rate: 116/1000; density per sq. mi.: 2,097
Capital and largest city (1991): Dhaka: 3,638,000; other large cities (est. 1991): Chittagong, 1,566,000; Khulna, 601,000; **Monetary unit:** Taka; **Principal languages:** Bangla (official), English; **Religions:** Islam (official), 83%; Hindu, 16%; **Literacy rate:** 36%
Member of the Commonwealth of Nations
Economic summary: Gross Domestic Product (FY92): \$23.8 billion; per capita: \$200; real growth rate: 3.8%; inflation: 5.09%; unemployment rate (est. FY90): 30%; inflation rate (est. FY91): 8.9%; Arable land: 67%; Agriculture accounts for 40% of GDP and 70% of employment. Principal products: rice, jute, tea, sugar, potatoes, beef. Labor force: 35,100,000, 11% in industry and commerce. Major industrial products: jute goods, textiles, fertilizer, paper, processed foods. Natural resources: natural gas, uranium, timber. Exports: \$2 billion (FY92): garments, jute and jute goods, leather, shrimp. Imports: \$3.4 billion (FY91/92): capital goods, petroleum, food, textiles. Major trading partners: U.S., Western Europe, Japan.

For two centuries, jute was the major cash crop for farmers. Farmers would calculate each year how much land they would devote to rice and jute, depending on the previous year's prices. In the 19th century, jute became the "golden crop" due to increasing world demand, and for many years onward was Bangladesh's chief export. Buyers came from all over the world to obtain this fiber. Jute was made into sacking for grain or tobacco, or used as carpet backing, sacking for sandbags, and netting for camouflage.

Jute is not a plantation crop like tea but a small landholder's cash crop. In recent years, shrinking demand and declining prices due to the emergence of synthetic fibers have been major factors in the decline in monetary wealth among Bangladeshi farmers. In fact, jute's astoundingly low price in world markets is the primary cause of poverty in the countryside today. No reliable crop has been found to replace it. The decline in demand for jute also accounts for the displacement of

many small landowners and the migration of many landless families to the cities.

Another crop with economic significance is tea. Although tea is native to Bengal's hilly countryside, its mass production was developed only with the coming of the British. Discovering tea plants growing wild in the 19th century, the British turned vast areas into plantations. Soon the tiny hills were carpeted with tea bushes planted under the

“For an economy deeply rooted on land for its survival, what happens when the land can no longer support its people?”

cover of widely-spaced shade trees. Many plantations or “gardens” have their own processing plants where the leaves are withered, cut, torn, twisted, fermented, dried, and sorted.

Although tea cultivation has helped spawn the growth of trading centers which later became cities, the tea gardens are far from these cities. As a result, tea planters and plantation workers are isolated from Bangladesh's surrounding rice and jute culture. The plantations, therefore, are virtual fiefdoms — as its owners provide housing, medical care, some access to education, and cradle-to-grave security for their work crews to offset the isolation and lack of alternative employment.

For an economy deeply rooted on land for its survival, what happens when the land can no longer support its people?

Many of the country's rural folk who can no longer support themselves on the land are migrating to the cities. This migration is not a straightforward one-step process. Rather, people leave the land and try to find work in small villages, doing agricultural processing, road-building, or personal service. Some stay there and some migrate to the new subdistrict towns designated as government centers in the past several years. They find work there or drift on to the district towns. Finally, the overflow converges on Dhaka, where camps of migrants are formed around this ever-expanding city. This migration is the most

dramatic aspect of the changes undergoing in Bangladesh. It is a process of migration similar to movements seen throughout the developing world. It is similar to the process that took place in Europe and America in the 19th and early 20th centuries.

Government and economic policy

Bangladesh is a country that survives on foreign aid. Hence, government policies are dictated by international development institutions. Since 1972, the country has absorbed a total of \$16 billion — some \$800 million annually for 110 million people, or about \$8 per capita. Pledges of aid are greater but only so much could be absorbed. Total aid is small compared to the \$3 billion received by Israel with its 3 million people, or the billions in loans given to Latin American countries. Nevertheless, Bangladesh's aid is considerable in that the government collects almost no taxes and that aid finances nearly all the country's development activities.

Nearly everything in Bangladesh is built with aid — the new fertilizer factory in Chittagong, the new first-time-ever bridge over the Meghna river, even the swimming pool at the country's posh golf club.

Because government is so aid-dependent and will not sufficiently tax its own people, foreign development agencies and donors have a big say in what the government does — or even thinks. Annual World Bank (WB) and International Monetary Fund (IMF) consortium reports are major political news in Bangladesh, and the heads of government officials and economic planners roll when reports are negative. Indeed, no Bangladeshi government can survive if it displeases all the national and international aid-givers. Not only do these agencies dictate the country's macroeconomic policies; they also set quotas for minorities in government employ, and directly intervene in controlling the country's population. They dictate where and when bridges are to be built, and determine import duties. They even send *observers* during elections. There is no aspect of the country's life which aid givers do not oversee.

In the world of aid, almost no real work is done by officials. Aid agencies hire consultants to handle their projects entirely. Before coming to the country, these consultants are well-briefed on what is expected of them and what conclusions are being

sought. They therefore spend a large chunk of their time developing reports which the aid agencies want to see. They recommend products the aid-givers' host country produces, or has excess of, for the projects the agency funds.

Thus the project often begins with the product. And the aid agency, beholden to its political masters, will look for projects that sell the product. Holland's excess machine tools, Britain's used telephone exchanges, or surplus food from the United States are all given as aid. The trouble with aid, then, is that it is seldom given based on the recipient's needs. This is particularly serious for Bangladesh, as often the country's leaders see other priorities.

Being a poor country, Bangladesh cannot refuse aid, even if it goes against the country's interests. For instance, American food is given to the government which then sells it in the open market to raise cash to cover its deficit. This results in the artificial depression of food prices that hurts 90 percent of the country's farmers. It is also bad because generous food aid makes it unnecessary for government to collect taxes. Also, much of the food aid is given in kind — for food-for-work programs. These are then sold to dealers for cash because it is hard to pay for one's rent in grain.

Thus, aid often hurts the farmers and manufacturers and corrupts the political process. For what is the sense of democracy if the people are not required and refuse to pay taxes. A retired government official quipped that the cost of collecting the taxes that are collected equals the revenue. Even farmers often come out net winners — they pay no land tax and seldom pay income tax, and the loans they have taken are forgiven by the aid-financed government most of the time.

Businesses often do not pay their government debts, knowing that sooner or later the aid-givers will

refinance the banking system and past loans will be written off. Such debt forgiveness and lack of taxation foster an unhealthy sense of irresponsibility toward scarce capital and an attitude that the aid-givers can afford to absorb the cost. Indeed, it is detrimental to the country that most of its people have the notion that debts do not have to be repaid.

All this does not mean that all aid has been wasted. On the contrary, Bangladesh is richer by far today than at any time in its history. It has been nearly half a century since the last famine and 18



years since the last serious food scare, when a near-famine occurred.

Furthermore, the electric system built with help from the United States now reaches around the country. Roads are much improved. Bridges span even the largest rivers. Tubewells are found almost everywhere. Fertilizer factories and power plants have sprung up. Railroads and airports are well maintained.

Bangladesh is better-off today than it was 20 years ago. People live longer, eat more, are better dressed, and have greater access to modern communications and medicines. The country's transport systems have more connections with other parts of the country and the world.

There's not a chance that the country is ready to relinquish aid. Far too many of its inhabitants are living on the edge of disaster for that. Thus, Bangladesh will continue to be fed, and



shaped, by the international donor community — as its government remains only an implementor of the programs of the aid-givers.

The business sector and its impact on the village economy

Despite its reputation as the world's poorest nation, Bangladesh has a business sector which over the years has played a major role in its development.

For many years, jute and tea production and

processing were the main earners of foreign exchange — a major source of real resources for paying for imports of badly-needed foreign goods. But in recent years, the decline in the world demand for jute due to synthetic fibers has resulted in a considerable decline in the income of the country's farmers. In fact, jute's astoundingly low price on world markets is the primary cause today of poverty in

the countryside, displacement of small landowners, and migration of many landless families to the cities. The jute crisis has reduced the people to slavery — with the emergence of the food-for-labor phenomenon.

Another industry that has emerged in recent years is the garments and textile industry. The demand for ready-to-wear items has doubled many times over. In turn, the garments industry has stimulated the production of buttons, fasteners,

PRODIPAN

Prodipan has been functioning as a non-governmental organization since it was established in 1983. It is registered with the Social Welfare Department and the NGO Bureau of Bangladesh. Prodipan's mission is to promote, protect, and support the socio-economic development of the poorest of the poor.

Now, after years of work, it has succeeded in persuading policymakers to adopt pro-people policies in some of its areas of operation.

At present, Prodipan is working in seven districts in Bangladesh — Khulna, Bagerhat, Jessore, Namail, Jhenidah, Banisal, and Dhaka. By the end of 1992, 661 villagers have been covered by Prodipan's operations, 1,962 groups were formed with

39,020 members. The total amount of savings accumulated by Prodipan-organized groups was Taka 1.23 million. The number of projects implemented was 1,181 among which are fish culture, livestock raising, leasing of village market, shoe-making, small-scale irrigation, money processing, handicrafts production, and mat making.

Prodipan's first intervention was in the Beel Dakatia area in the Khulna district. A firing range in the area often caused injury to



zippers, and cloth. Factories that supply sewing machines and other equipment were also put up to meet demand. South Korea's aid agency and manufacturers played a major role in the development of this industry.

Ironically, the textile and garments industry was pioneered in this part of Bengal and until early in the 19th century had a near monopoly on cotton cloth production. However, this industry was deliberately destroyed by the British.

With the growth of the garment industry also emerged a new business — weaving of cotton and synthetic yarn.

A new export zone in Chittagong churns out video players and recorders, radios, light bulbs, and other electronic and plastic products. Television sets are being assembled from imported components, and one company is producing tennis and athletic shoes of world-class look and quality.

Bangladesh also has an iron and steel industry of sorts called "shipbreaking." Foreign vessels no longer serviceable are brought into the country to be scrapped. These are dry-docked and the frames are taken apart and either sold as scrap or melted down.

Bangladesh has a leather industry, a recent phenomenon despite the country having millions of cows, buffaloes, and goats. Before that, leather

exports were confined to unprocessed hides. Now, local manufacturers produce export-quality shoes, bags, coats, and luggage. Although still in its infancy, the leather industry is another industry of the future.

The country also produces and exports handicrafts, frogs' legs, and shrimp.

The country's industries and businesses are aimed at exports which is the only way Bangladesh can earn enough to pay off its loans and get off aid. However, this feeble attempt at industrialization will never be successful if the agricultural sector, which feeds the nation, continues to be neglected.

NGO initiatives in sustainable livelihood activities for the rural poor

Non-government organizations (NGOs) in Bangladesh have evolved into their present form through a series of events. Prior to independence in 1971, only a few NGOs operated in the then East Pakistan. After the 1971 War of Liberation, NGOs re-emerged on a large scale and undertook relief and rehabilitation efforts in this war-ravaged and famine-infested country. This *welfare and charity* orientation continued until 1974 — when NGOs started to initiate integrated community development programs — believing that an improvement in the quality of life of the poor would result in the

farmers and cattle hit by stray bullets. To show their discontent, the local populace organized marches, demonstrations, and meetings that were supported by Prodiplan. Later, Prodiplan also stood by people affected by the problem of water-logging in the area.

Programs

Through experience, Prodiplan came to realize that mere protest actions were not enough to alleviate the people's suffering. It introduced different development programs in seven districts in

Bangladesh. Prodiplan's operations covered group formation, human development and skills training, functional education, legal aid, primary health care, backyard gardening, improvement of water and sanitation facilities, slum development and relief and rehabilitation. Among the livelihood projects implemented included fish culture, livestock raising, credit provision, handicrafts making, and mat-making.

The migration of landless rural folk to urban centers encouraged the adoption of its slum development program. The

provision of credit grew out of a need to provide livelihood mechanisms to sustain the organization. The legal aid program was borne out of the experience with working with the landless and their lack of security. Institution building came about to give the poor a stronger economic base, enabling them to cope with the vulnerabilities of everyday living. Realizing the need for coordination among other NGOs, Prodiplan has been strengthening networking efforts.



country's over-all development. Suddenly, NGOs once deeply-rooted in welfare activities now concentrated their efforts in the areas of group formation, training, credit, and health.

Based on spatial coverage and sources of funds, NGOs could be classified as (1) *Local NGOs*, which operate in only a few villages and receive funding from local sources or national and international NGOs; (2) *National NGOs*, which operate in several geographical areas covering a number of districts and are funded mostly by foreign sources; and (3) *International NGOs*, which operate in several locations, have their headquarters outside the country, and are run by expatriates.

NGO activities over the last two decades have been concentrated in a number of areas of intervention. These are:

1. Establishment of effective democratic process at the grassroots;
2. Poverty-alleviation;
3. Women's rights;
4. Education;
5. Health and family planning; and
6. Environment.

Over the years, Bangladesh NGOs have instituted a number of innovations, the more important of which are:

1. The target-group approach, which emphasizes the centrality of landlessness to a development strategy;
2. The prioritization of non-land-based sources of livelihood for rural women;
3. The establishment of income-generating activities, an effective alternative to government's "food-for-work" program; and
4. Development of technologies appropriate for the people.

Furthermore, NGO credit programs have shown the poor to be credit-worthy. All they need are strong organizational-building and credit schemes. A more significant aspect of NGO activity is the impact of its awareness-raising programs, not just due to their formal training courses and seminars, but more so by example. The active involvement of women in NGO work is unprecedented in a country where women are regarded a "second-class" and passive citizens. The mere sight of a female NGO worker riding a motorcycle encourages rural women to look beyond their centuries-old role. This is a more effective teacher than distributing hundreds of books and giving hundreds of lectures. However, in a country where tradition still holds sway, women NGO workers face threats to their safety because

Management

Prodiplan has a general board consisting of 31 members that elects its seven-member executive board to a two-year term of office. The president of the executive board heads the organization and the secretary coordinates between the executive board and the staff. There is also an advisory council, a program coordinator is in charge of programs assisted by a supervisor. There are also field coordinators in areas where several programs are being implemented simultaneously. Project coordinators take charge in

areas where only one project is being implemented. Under these coordinators are the development workers, social workers, and link workers. A training and supervisory cell serves as a support and feedback mechanism. Technicians and technical staff provide training and other specialized services.

Monthly staff meetings presided over by the coordinators are held to review the progress of work. Coordination meetings are held regularly at the field level. A yearly workshop is also held, wherein all staff participates and review the year's work, sum up

experiences, and propose policy changes.

Management style is participative. Senior managers make a sincere attempt to maintain two-way communication with the staff. Lower level staff are given the opportunity to influence policy decisions and actions. Most development, social, and link workers are recruited from among the inhabitants in the areas of operation -- providing for stability and facilitating rapport with the community -- not seen as paid



they are seen as violating the "purdah" or veil-rule.

Though NGOs have made a significant contribution to national development, earning acclaim both at home and abroad, they too suffer from certain weaknesses:

1. Most NGOs do not have a formal organizational structure and management systems. They feel that such formalities emulate an elitist mode of operation and bureaucratic style of control which is likely to stifle their creativity, flexibility, and independence. But the absence of structures means absence of controls and appropriate check-and-balance mechanisms. NGOs should realize that with increasing scope, beneficiaries, and funds, adequate mechanisms should be in place.
2. NGOs undertake programs which are determined by donors' demands and expectations. These programs, often with little or no relevance to the beneficiaries, may be far drawn away from their (NGOs) long-term objectives and strategies.
3. For NGOs to be operationally effective and to emerge as a consequential sector in national development, cooperation and

collaboration among them is indispensable. Unfortunately, such a climate is yet to emerge.

4. With increased resources, NGOs quickly expanded operations, often encroaching on other NGO program areas. This results in resentment and distrust not only among NGOs but also among the

"Nearly everything in Bangladesh is built with aid ... from the new fertilizer factory to the country's posh golf club."

villages.

5. NGOs are now heavily dependent on foreign donors so much so that they fail or refuse to address the possible discontinuance of funds.
6. Despite two decades of grassroots operations, only few NGOs have documented their experiences and insights.

employees but as the community's change agents.

Obstacles and Limitations

1. Non-cooperation and bureaucratic red tape from government agencies;
2. Village power structure sometimes conflicted with Prodiplan's interventions;
3. Political forces were at times indifferent, or initially antagonistic;
4. Religious fundamentalists campaigned against Prodiplan;
5. Natural calamities;
6. Migration;

7. Lack of cooperation between NGOs; and
8. Overdependence on foreign funding (from 1992 to 1993, Prodiplan's annual budget was Tk. 10,200,000 — donors were Swallows Sweden, Bam International, Bread for the World, Oxfam, Swallows-Denmark, NOVIB, CAFOD, DIAKONIA, and APHD.)

Results of Prodiplan's Intervention

Based on the survey results of beneficiaries conducted from 12-15 December 1993:

1. Increase in landholdings;

2. Increase in per-capita income;
3. Increase in income sources from purely agricultural to other sources (poultry, fish cultivation, trade, agricultural labor, cottage industries);
4. Income from ecological reserves rose to 11 percent;
5. Decrease in dependence on moneylenders;
7. People can now resolve feuds by themselves;
8. Repression of women has virtually stopped; and
9. Males sought more the opinion




7. NGOs cover only a third of the country.
8. There are also claims that the changes brought about through NGO programs may have been overstated.
9. Development concepts, the basic premise of all NGO activity, are apparently not clear even among NGO leaders.
10. NGOs often duplicate government activities.
11. There is a widespread perception that NGOs lack proper accountabilitysafeguards.
12. There is lack of policy analysis among NGOs. Also, there appears to be a conscious government effort to exclude NGOs from sensitive concerns and issues.
13. The lifestyles of NGO personnel often come under question.

4. NGOs should have regular dialogue with political parties, academic institutions, business groups, media, and professional organizations to clarify their roles as development agencies.
5. NGO organizers should be exposed to the latest development paradigms so that they can respond to the development needs of the people. They should vigorously participate in training courses and seminars — particularly those related to economic policies.
6. Tension between small local NGOs and the bigger national or international NGOs should be removed for the greater interest of the development sector. Large NGOs should be more accommodating and sympathetic to the smaller NGOs.
7. The role of federating agencies like the Association of Development Agencies in Bangladesh (ADAB) should be strengthened, especially in the areas of monitoring, evaluation, and policy research. These agencies can tap the expertise of independent research institutions and the academe to build their capacity in policy research, documentation, and program design.
8. NGOs should be more transparent to

Insights and Recommendations

1. All NGOs should start documenting their experiences in development.
2. All NGOs should be prepared to face well-designed evaluations by externalevaluators concerning their focus, strengths, weaknesses, and effectiveness as development agents.
3. More attention should be given by both NGOs and government on their coalition with regard to policies.

7. The role of federating agencies like the Association of Development Agencies in Bangladesh (ADAB) should be strengthened, especially in the areas of monitoring, evaluation, and policy research. These agencies can tap the expertise of independent research institutions and the academe to build their capacity in policy research, documentation, and program design.
8. NGOs should be more transparent to

<p>of their wives in domestic decision-making.</p> <p>Accomplishments</p> <ol style="list-style-type: none"> 1. Prodipan has gained acceptability in its areas of operation 2. Prodipan has succeeded in establishing human relationships with its beneficiaries based on trust. 3. A sense of confidence has been generated among the project beneficiaries; 4. Despite being a "small" NGO, Prodipan has played a significant role in policy-advocacy, particularly concerning Beel 	<p>Dakatia.</p> <ol style="list-style-type: none"> 5. It has succeeded in either reducing or stopping migration from Rangpur -- the hardest-hit area in Beel Dakatia 6. Prodipan has enabled the people of waterlogged Beel Dakatia to utilize its water resources for fish culture and duck-raising <p>Problems Encountered</p> <ol style="list-style-type: none"> 1. Moneylenders create confusion among members for their own ends; 2. Salinization; 3. Marketing of commodities -- 	<p>often difficult to sell produce at a favorable price;</p> <ol style="list-style-type: none"> 4. Inadequate credit facilities; 5. Conflict with power structure hampers development work; and 6. Social backwardness and conservative attitude with regard to gender equality/rights still prevail. <p>Lessons</p> <ol style="list-style-type: none"> 1. An NGO must gain acceptability in the community to be able to work successfully with 
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facilitate informed development dialogue.

9. There should be more venues of exchange among NGOs for effective sharing of insights and experiences.
10. The NGOs' role should be defined after the necessary dialogue between government, public representatives, and NGO representatives. Once defined, there should be no unnecessary bureaucratic hurdles which stand in the way of NGO efforts. □

"...NGO credit programs have shown the poor to be credit-worthy. All they need are strong organizational-building and credit schemes."

the people. Acceptability is gained through long, patient work, always standing by the people and getting well-acquainted with their problems and aspirations

2. An environment of mutual trust between NGO and the people makes the work of change much easier. Only genuine commitment could foster trust.
3. An NGO engaged in promoting participatory development should shun bureaucratic and rigid hierarchical structures, and its leadership

should have genuine commitment to democratic participation.

4. Development activities should be participated by the people.
5. Human beings are a community's most valuable resource. People should be trusted and be the driving force for any program to succeed. Every development activity should have a human face.
6. Even a small NGO can play a vital role in policy formulation via skillful policy-advocacy.
7. Instead of rapidly expanding areas of operation, activities in

a particular area should continuously be consolidated, refined and adjusted

8. The longer the field workers stay with the people, the more they become aware of the socio-economic and cultural realities in which people struggle to survive. Field workers should see the community's problems and prospects through the eyes of the people. □



INDIA

based on the paper presented by P.M. Tripathi in behalf of the Association of Voluntary Agencies in Rural Development (AVARD)

India has a long tradition of village-centered and people-led development. Autonomous village communities managed their agro-industrial development along with other affairs and shared its fruits for a long period. However, much development was

gradually weakened in the course of subjugation of India by external invaders, and was totally disrupted during the British colonial rule.

Official Name: Republic of India

Area: 1,229,737 sq. mi. (3,185,019 sq. km.)

Population (est. mid-1994): 911,600,000 (average annual rate of natural increase: 1.9%); birth rate: 29/1000; infant mortality rate: 79/1000; density per sq.mi.: 741.3

Capital (1991): New Delhi, 294,149; **Largest cities (1992):** Greater Bombay, 12,916,272; Calcutta, 10,916,272; Delhi, 8,375,188; Madras, 5,361,468; Ahmedabad, 4,775,670; Bangalore, 4,807,019; Kanpur, 2,284,000; **Monetary unit:** Rupee; **Principal languages:** Hindi (official), English (official), Bengali, Gujarati, Kashmiri, Malayalam, Marathi, Oriya, Punjabi, Tamil, Telugu, Urdu, Kannada, Assamese, Sanskrit, Sindhi (all recognized by the Constitution). **Dialects:** 1,652; **Religions:** Hindu, 82.6%; Islam, 11.3%; Christian, 2.4%; Sikh, 2%; Buddhists, 0.71%; Jains, 0.48%; **National name:** Bharat; **Literacy rate:** 52.11%

Member of Commonwealth of Nations

Economic Summary: Gross Domestic Product (FY93 est.): \$240 billion; per capita: \$270; real growth rate: 4%; Inflation: 11.9%; unemployment (1991 est.): 20%; Arable land: 55%; Principal products: rice, wheat, oilseeds, cotton, tea, opium poppy (for pharmaceuticals); Labor force (1992): 314,903,642; 67% in agriculture; Major industrial products: jute, processed food, steel, machinery, transport machinery, cement; Natural resources: iron ore, coal, manganese, mica, bauxite, limestone, textiles; Exports: \$19.8 billion (f.o.b., FY93); gems and jewelry, clothing, engineering goods, leather products, cotton yarn and fabric; Imports: \$22.5 billion (c.i.f., FY93 est.); crude oil and petroleum products, gems, fertilizer, chemicals, machinery; Major trading partners: U.S., C.I.S. nations, Japan, E.C., Middle East.

During the pre-independence period, Mahatma Gandhi initiated concrete steps to regenerate village-centered, people-led development. To this end, he tried to revive *khadi* and village industries and launched a constructive program.

Gandhi's initiatives, apart from regenerating and rebuilding villages, had a wider purpose of involving the masses in the freedom struggle. Foreign goods were boycotted. Political workers were trained in constructive work and social service.

The reaction against foreign exploitation typified the constant struggle between the rural and urban economies. The urban sector favored the entry of big, foreign firms while the greater rural majority sought to remove them.

In Third World countries such as India, these two economies coexist and function side by side although not always in harmony with each other. While modern industry tends to be oriented towards the world market. Rural production is based chiefly on using local resources only for domestic consumption.

The constant struggle between these two often opposing forces perpetuated the urban-rural dichotomy. Gandhi's attempts to remedy this situation continued with steady progress during the post-independence period. Gandhian freedom fighters actively led and participated in this struggle. In the process, a large institutional network was created.

As of now, khadi and village industries activities cover 2.1 million of the country's villages. They provide self-employment to 51.58 million people: 46 percent of whom are women and 30 percent are from tribes.

The rural sector comprises the unorganized sector of India's economy. The rapidly growing population has only exacerbated the situation. The unemployment problem has become more acute. And the need for a reconstruction of rural life has become more urgent.

Indeed, rural unemployment and underemployment are India's principal economic problems. A village-centered development approach, thus, should include plans of solving the unemployment problem if sustainable development is to be achieved.

Government and policy on economic development

The question of sustainable development has become a subject of major importance in our time. Recent experience forced a revision of old ideas and marked said subject with new significance and urgency. In India's economic history, the state played a big role during the early phase of accelerated industrialization.

The state's policy at that time was aimed at breaking the vicious cycle of poverty caused by a backward economy. A limited domestic market and low product demand hampered growth in Indian domestic industries. The government initially tried to push up demand by using surplus goods and labor.

The "stores policy" of the British-occupied India in the 18th century discouraged the purchase of manufactured goods within the country. The additional demand generated by the state did not particularly help in achieving industrial growth. The situation changed somewhat as a result of the two world wars, when dependence on imports was hindered.

After independence, the national government adopted a deliberate policy of import substitution as

an instrument of industrialization. The state, at the same time, became a consumer of surplus additional goods. The role of the state then became even larger and more direct. It did not simply enter the market as

"[P]rivate sector in India has not developed any worthwhile program that had any impact on uplifting the plight of the rural poor."

a purchaser but directly organized the production of goods in a number of important areas.

The state also played a vital role in putting up the necessary infrastructure for industrial and agricultural development. Priorities and objectives of development were laid down in five-year plans. Various instruments of control typified by permits, licenses, quotas, and subsidies were instituted to achieve conformity among planned priorities.

The Indian model of a mixed economy had room for both public and private sectors' productive activities. But it was clearly intended that the state should occupy the apex of the economy.

This model of development was not wanting in good intentions. And it had some achievements to show. While India's agriculture was practically stagnant in the first half of the century, it grew rapidly in the first four decades after independence. India came to possess a somewhat impressive complex of heavy industry unlike during the colonial period. But the defects of this system of development were also considerable and became evident with the passage of time.

The effects of an overcontrolled economy could be seen under the policy of liberalization or globalization. We noticed earlier how import substitution became a major plan of India's economic program in the early years after independence. However, India's imports kept mounting despite the policy.

The program of developing heavy industry was supposed to help the country become self-reliant.

But capital goods had to be imported to build heavy industry. The oil import bill became larger and larger. The new middle class developed consumer tastes which could only be satisfied by foreign goods.

Meanwhile, the rest of the population suffered unemployment despite attempts at industrialization.

It was not long, however, before the government realized that it could no longer be indifferent to the problems of unemployment and the growing number of rural poor. It was in this context that the government introduced democratic decentralization through a greatly strengthened Panchayati Raj.

The Panchayati Raj was perhaps the single policy that would have profound effects on the implementation of a village-centered program. This policy sought to bring the government closer to the people through the establishment of strong local government units.

Panchayati Raj brought a qualitative welcome change towards sustainable livelihoods for grassroots communities. The establishment of the Gram Sabha, consisting of all voters in each village, was extremely helpful in facilitating effective community action in a spirit of cooperation.

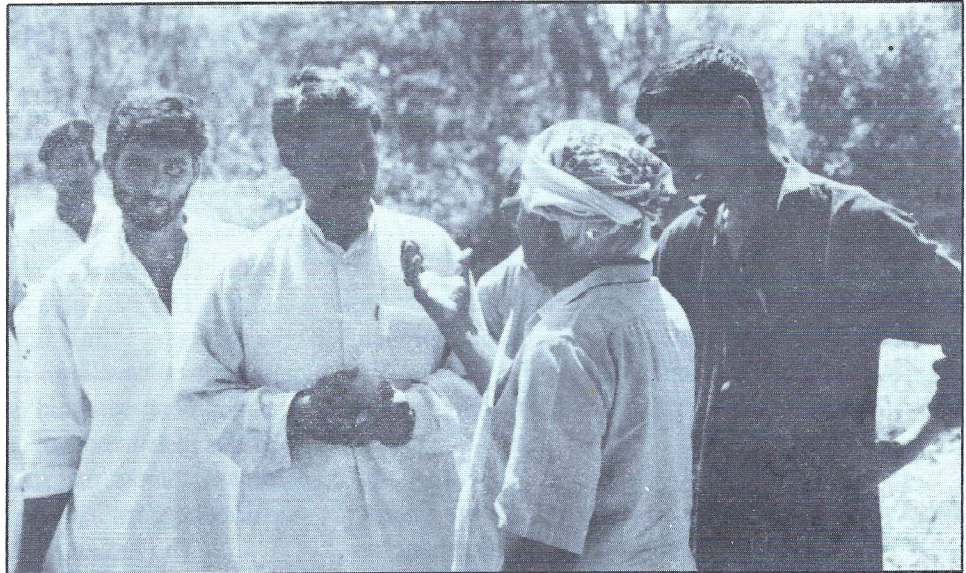
The private sector and its impact on the village economy

The private sector in India has not developed any worthwhile program that had any impact on uplifting the plight of the rural poor. It has, in fact, become a formidable partner of the state in implementing policies that tend to protect its interests.

India's policy on "mixed economy" gave the private sector to take part in the industrialization program although at a lesser degree as compared to the state.

Few people from the private sector have benefitted under the government's liberalization policy. In addition, the private sector provided employment to only a small portion of the labor force. Prospects were indeed dim that the majority of the labor force would be employed under the liberalization policy.

The system of state control on the private sector has also bred inefficiency and corruption



among its ranks. And since the public and the private sectors are interlocked, inefficiency and corruption spread to both sectors.

For instance, an enterprise may have very inefficient operations but it still survives because government provides it subsidies and price incentives.

The government, meanwhile, may take its time before approving a private sector project. Work, thus, gets halted while the bureaucrats and businessmen are entangled in shady deals. This system affects the morale of workers as well as management.

Status of voluntary organizations

The limitations of government in implementing specific programs to accelerate village-centered rural development has placed on India's NGOs the difficult role of espousing the interests of the poor. Not all NGOs are models of excellence as some even become corrupt. Yet it is towards these

voluntary organizations that the people are increasingly relying on to improve their lives. Neither the state nor private business can exactly take their place.

India has a vibrant and growing NGO sector firmly rooted in its long tradition and rich heritage of voluntary action. During the late pre-independence period, Gandhi's leadership and constructive program gave birth to a participative and transformative voluntary action movement in India.

There are an estimated 25,000 to 30,000 active voluntary organizations now in India. The distribution of NGOs, however, across the states is uneven. The largest number of NGOs work among underdeveloped rural areas while a few are concentrated in the cities.

NGOs have also been engaged in village-centered development in their respective areas of operation. Their collective activities cover the entire village life. These activities include the development of agriculture, horticulture, irrigation, education, and other services needed to empower the people. NGOs have been trying to respond to people's needs and priorities with varying degrees of success.

A number of NGOs initially started out as mere relief and welfare organizations but a growing number of NGOs have been moving forward from charity to development, and later on, to social change since the mid-1960s. Lately, activism and professionalism are increasing among NGOs.

NGO programs are funded mainly by the government and foreign donors. Other sources include donations by individuals or institutions such as Christian organizations.

Foreign funding has been increasing steadily. Funding was estimated to have reached Rs9 billion during 1992-1993. The government's much propagated allocation for NGOs during the seventh Five Year Plan (1985-1990) was only about Rs1 billion a year. After two years, the eighth Five-Year Plan (1992-1997) was launched. It laid greater emphasis on involvement of NGOs in rural development to enhance popular participation. However, clarity was lacking as regards the present funding policies for NGOs.

Although NGOs were generally able to implement government schemes far better than the government's own machinery, lack of adequate flexibility and freedom of action in such collaborations

did limit their success. Similarly, foreign donors often pushed their own perceptions and priorities which might not be appropriate to diverse local situations. Still, NGOs have been performing quite well despite these constraints.

As a result of sustained efforts of NGOs, considerable quality work was done in a large number of villages across the country. NGOs contributed much to the livelihood of the poor, apart from influencing public policies and generating constructive debate on vital development issues.

However, there were few successful cases of NGO initiatives in integrated multisectoral development leading to regular employment and livelihoods for village communities.

In most of the NGO initiatives, major attention was often focused on one or two selected sectoral activities as against integrated economic development. Available resources and inputs were inadequate and rarely reached the villages. Resources were not dispersed readily. Professional inputs were inadequate. And planned efforts over a long period as required for a breakthrough were not done due to short-term project-based funding and other constraints.

Finally, since the rural economy in India is predominantly agrarian, weak policies on land and agrarian reform greatly hinder the progress towards sustainable livelihood of the landless labor force.

Exemplary NGO initiatives

- *The Chakriya Vikas Pranila (CVP - cyclic system of development)* is an exemplary NGO initiative on village-centered development towards sustainable livelihoods. It is a well-conceived system of efficient, equitable, and sustainable natural resource management evolved by an NGO called Society for Hill Resource Management School (SHRMS).

Blending appropriate modern science and technology with traditional wisdom and organic farming, CVP promotes multi-layered, multi-cropping based on the natural symbiosis between different species of plants. CVP seeks to optimize sustainable management and efficient use of natural resources of each village (i.e. land, water, vegetation, sunshine, air, and others). Local resources, capability, and creativity are harnessed in the process.

Each village under CVP is expected to

RALEGAN SIDDHI VILLAGE

Ralegan Siddhi is India's model for village-centered development. It has achieved considerable success in creating sustainable livelihood opportunities for its population along with remarkable progress in other aspects of life since 1976. Lessons and insights emerging from its experience would be extremely helpful to other communities and non-governmental organizations (NGOs) engaged in rural development.

Ralegan is a small village in Maharashtra state of India. It is mainly an agricultural village although highly prone to drought. The rainfall is erratic and scanty with long dry spells. The soil is generally of light and medium type with only the lower plains suitable for crop cultivation.

Population stands at around 1,982 according to the latest census, with males dominating with 1,042. The number of households is estimated to be 310. The villagers are predominantly Marathas from the Khatri caste. The backward class of villagers comprising of Sutras, Matangas, Chamers, Nais, sum up to about 300. Most of the population in 1976 was engaged in agricultural activities.

Engaging in agricultural activities in 1976, however, proved unable to sustain the villagers' needs as the agrarian economy of the village was shattered due to massive soil erosion, deforestation, recurrent droughts and overall environmental degradation.

Ralegan suffered from acute scarcity of water. No efforts were made to conserve rain water. The water runoff was very high and it eroded the fertile topsoil. Drinking water, thus, had to be fetched from other villages during lean periods. As a result, not even 30 percent of food requirement could be met from rain-fed monocropping practiced in the villages. About 45 percent of the population had to manage with only one meal a day. The villagers had no option but to borrow from "sahukars" (moneylenders). Their inability to repay increased their indebtedness and bondage.

In desperation, most of the villagers started brewing liquor. About 85 percent of the villagers — even schoolchildren — were addicted to local wine. In short, there was total decay in the economic, social and moral life in the village.

However, after less than 20 years the village has seen a complete transformation. Everyone has enough gainful work and no one starves. The village now has not only achieved self-sufficiency in foodgrains, milk, fodder, fuel, timber, and water supply but it also produces marketable surplus of milk and vegetables as well as papayas and onions which are also now exported to other Gulf countries. Double-cropping, sometimes even triple-cropping is practiced. Yields per acre have, thus, gone up substantially.

Microwatershed and village ecosystems were regenerated

and are now efficiently managed. Unlike before, water is conserved and soil erosion has been controlled.

The level of health and hygiene has highly improved. Potable drinking water is now available to every household and is even supplied to neighboring villages. Education has also improved considerable. Money is no longer wasted and exploitative money-lenders have disappeared.

There has been a tremendous social and moral upliftment in Ralegan Siddhi never before seen in India's history. These achievements are products of sustained village-centered development pursued by the community as a whole over the past 17 years.

The Transformation

Ralegan Siddhi's road to development started when Anna Hajare, after voluntary retirement from the Army, returned to the village and decided to devote the rest of his life to its upliftment. His selfless service soon inspired the willing cooperation of the village community for his programs. He started with the renovation of the village temple, prohibition of liquor use, extended need-based assistance to villages, and finally organized and motivated the village community towards cooperative development action.

On top of Hajare's priorities was micro-watershed



development to maximize the use of the village's meager water resources. It included conservation measures such as the construction of small check dams for water store. Afforestation and pasture development were also undertaken to regenerate vegetative cover and village ecosystem, control soil erosion, minimize run off, develop wastelands, and provide fuel and timber needs of the community.

Soon enough, adequate water became available. Several wells were drilled to supply piped potable water to the community. As the water table rose, new wells were dug to continue supplying water to the population that used to get water from nearby villages.

The improvement in the water system shortly allowed the village to implement an irrigation scheme for the village's cultivated lands. Drip irrigation was also introduced to economize the use of ground water for high-value crops like vegetables and fruits. The system is also useful for shallow soils and hilly areas. These combined efforts increased the area under irrigation from 25 hectares in 1976 to 447 hectares in 1993. As of now, about 70 percent of the cultivated area in the village is irrigated.

As a result of watershed development and greatly enhanced irrigation facilities, there has been tremendous development of agriculture in the village. Cropping intensity has increased from 97 percent in 1983 to 162 percent in 1993. The villagers have also organized themselves into cooperative societies to ensure

the monitoring of water system repairs, maintenance, and operation. The system of water management in the village has been considered unique, effective, and participatory.

The villagers readily organized themselves to ensure continued water management as it is the lifeline by which the village's entire economic system is tied.

Ralegan Siddhi also ventured into organic agriculture and livestock development to augment its village livelihood. These efforts were supplemented by the development of an effective marketing arm — such as the Vividh Karyakan Seva Samiti cooperative that exports products like onions; and a credit arm that provides loans for further development.

With these village-centered development measures in place, it has been possible to ensure sustainable livelihoods for the entire work force in the village. As of now, all workers have full gainful employment. The village has achieved self-sufficiency in food grains. Basic needs are met as a result of greatly enhanced incomes. Labor migration has stopped. In fact, there is so much work that Ralegan Siddhi hired additional labor from outside. Full employment also gave the village the opportunity to tap other activities such as cotton cloth weaving, mulberry sericulture, and edible oil extraction to enhance earnings derived from agricultural activities.

It is, however, pertinent to note that Ralegan Siddhi has been able to achieve considerable success through sustained

planning and unified community efforts from 1976 to the present.

The village, for example, has utilized a *Gram Sabha* (village assembly) which makes all vital decisions for the village as well as policy-setting. The role of the Gram Sabha is extremely vital as it gives all citizens the opportunity to participate directly in all decisions that have impact on the community such as development progress and resource sharing.

Local leadership, an enterprising spirit, and creativity have played an extremely vital role in the success of village-centered development in Ralegan although difficulties were not absent in the village's uphill climb to development.

Firstly, it was highly difficult for Hajare to convince and motivate the village community to actively participate in the development program. Second, it was not an easy job to persuade people to accept a total liquor ban and to inculcate new habits on sanitation and education, among others.

There were also difficulties encountered in providing infrastructure such as roads and schools. There was also the problem on government bureaucracy. These hurdles were eventually overcome mainly through collective pressure from the villagers. These difficulties have, in fact, eventually made the village community more resolute and self-confident. As of now, Ralegan Siddhi has cleared the way for itself and is able to mobilize support more smoothly. □

achieve self-reliance in about seven years. As of now, CVP covers 23 villages in the Palamau district and five more villages in two neighboring districts. Presently, CVP is being experimented on degraded land on hilly areas with focus on timber and fruit tree cropping along with inter-cropping of legumes and tubers.

CVP also seeks to promote substantially higher earnings and decent living conditions among the people by realizing the potential of natural resources and human creativity. It promotes a system of equitable sharing which would help in transcending the contentious issue of land ownership.

Like any other system in its formative phase, CVP needs further improvements. However, it has been able to demonstrate its feasibility.

- *The Ralegan Siddhi experience is another outstanding case of village-centered development spurred by the leadership of Annasaheb Hajare with his volunteer organization.*

In the beginning, 45 percent of the village's population was virtually starving to death. Not even 30 percent of food grains requirement of the village could be met by rain-fed monocropping.

Due to grossly inadequate employment opportunities in the village, workers had to migrate to the cities and look for jobs. About 85 percent of the villagers were addicted to country liquor. The village community, in short, was ridden with strife.

The village, however, made a remarkable turnaround mainly due to an effort to improve the agricultural production of the community. About 70 percent of the cultivated areas was brought under irrigation. The community was able to achieve manifold increase in agricultural and horticultural production. Food self-sufficiency for the entire village community was reached. And progress towards sustainable organic agriculture was encouraged.

The village also diversified to other economic activities such as cotton cloth weaving, mulberry sericulture, and edible oil extraction to supplement and enhance earnings. Last but not least, harmony, cooperation, as well as self-reliance along with active participation of all the villagers enabled the village to recover.

Inspired by the exemplary success achieved in village-centered development in Ralegan Siddhi, the

state government of Maharashtra has initiated an ambitious project to replicate it in 300 villages through community participation and local voluntary organizations under the leadership and guidance of Annasaheb Hajare.

- *But perhaps the most widescale of NGO initiatives was the well-planned village-centered development action in Musahri block (1972-1982). Permanent full employment and substantially enhanced income opportunities for the poor were tapped with considerable success to enable two-thirds of the population living below the poverty line to earn a modest living. Active popular participation with adequate appropriate professional assistance facilitated innovative solutions to problems. It also underlined the potential and feasibility of village-centered participatory development action to ensure sustainable livelihood for the communities and achieve peaceful social transformation. Consequently, it earned the recognition as a model integrated rural development project in 1978.*

These NGO initiatives in village-centered development have been far more successful in ensuring sustainable livelihoods for the communities compared to what the government did.

Insights and recommendations

Village-centered development is not only feasible but also essential and overdue as the only effective way to create adequate employment opportunities and achieve sustainable livelihoods for grassroots communities.

Given the enabling support and inspiration, adequate resources and appropriate opportunities, village communities can achieve sustainable livelihoods in far more cost-effective ways. However, it is well recognized that lasting development cannot be delivered by an external agency alone, be it government or non-government, indigenous or foreign. It has to be achieved by people and communities themselves by their own sustained endeavor and hard work.

The villages in India that have yet to be developed can start village-centered development starting with the primary village-level community organization such as a small village. It has been seen that people and communities are able to pursue

efficient and effective village-centered development to achieve full and gainful employment only through their own organizations and institutions.

NGOs could provide the vital catalyst needed in the desired village-centered development. Awareness building, enough motivation, proper training, and sustained organizing of communities by the NGOs are essential for village-centered development initiatives to succeed.

It is also recommended that communities and Panchayats be required to assert and struggle in order to gain adequate policies, powers, and resources needed for effective village-centered development. The constitutional amendment for Panchayati Raj is expected to endow enough powers to the villages to

and operational collaboration.

Finally, it is pertinent to underline that localization and democratic decentralization through Panchayati Raj on one hand, and new economic policies for liberalization and globalization on the other, represent two contradictory trends in the current national policies.

Indeed, effective village-centered development is going to be an uphill task under the prevailing situation in the country. However, adjustment between these two apparently contradictory trends is feasible and necessary. Besides, people as political sovereign in a democratic system like that of India, activated with adequate awareness and motivation, can very well create the congenial environment for village-centered development through their sustained struggle. □

“[L]ocalization and democratic decentralization through Panchayati Raj on one hand, and new economic policies for liberalization and globalization on the other, represent two contradictory trends.”

enable them to function as real institutions of self-government. However, much still needs to be done in unifying and strengthening the whole country.

The combined successful cases of village-centered development as an integral part of the overall networking of Panchayats would be helpful in facilitating appropriate policies and adequate decentralization and could accelerate much-needed replication to other villages. NGOs as well would also have to strengthen their networking to play their role effectively.

It must also be emphasized that cooperation between NGOs and the government has a huge potential for promoting village-centered development. This cooperation is currently weak and unorganized. In the Indian context, there is a need for multi-level, multi-part joint NGO-government mechanisms to pursue systematic dialogue on development policies

INDONESIA

based on the paper presented by Mr. Su Handoko and Mr. Emmanuel Haryadi in behalf of Sekretariat Bina Desa

For two decades after the proclamation of independence in 1945, Indonesia experienced many difficulties. Inflation rates soared to as high as 650 percent and food grew scarce, causing widespread poverty. Indonesian national policy-makers tried to solve the problem in 1968 by adopting three principles of development: stability, growth, and equality. These were implemented through Five Year Development Plans (Repelita), also known as the New Order.

Official name: Republic of Indonesia
Area: 735,268 sq. mi. (1,904,344 sq. km.)
Population (est. mid-1994): 199,700,000 (average annual rate of natural increase: 1.6%; birth rate: 25/1000; infant mortality rate: 68/1000; density per sq. mi.: 271.6)

Capital and largest city (1990): Jakarta, 8,259,266
Other large cities (1990): Surabaya, 2,421,000; Medan, 1,685,972; Bandung, 2,026,893; Semarang, 1,005,316; **Monetary unit:** Rupiah; **Languages:** Bahasa Indonesia (official), Dutch, English, and more than 583 languages and dialects; **Religions:** Islam, 87%; Christian, 9%; Hindu, 2%; others, 2%; **National name:** Republik Indonesia; **Literacy rate:** 86.3%

Economic Summary: Gross Domestic Product (1992 est.): \$133 billion; per capita income: \$680; real growth rate: 6%; inflation: 8%; unemployment (1991 est.): 3%; arable land: 8%; principal agricultural products: rice, cassava, peanuts, rubber, coffee; labor force: 67,000,000; 10% in manufacturing; major industrial products: petroleum, timber, textiles, cement, fertilizer, rubber; natural resources: oil, timber, nickel, natural gas, tin, bauxite, copper; exports: \$29.4 billion (f.o.b., 1991); petroleum and liquid natural gas, timber, rubber, coffee, textiles; imports: \$24.6 billion (f.o.b., 1991); chemicals, machinery, manufactured goods; major trading partners: Japan, U.S., Singapore, E.C.

The New Order has already gone through five Repelita covering (1968-1993) as the First Long Period of Development (PJP I).

Much economic progress was achieved during this period. The industrial sector rapidly grew at 12 percent annually. Massive investments were poured into infrastructure. The processing industry — including oil and gas — contributed 20.7 percent to the Gross Domestic Product (GDP) in 1992, up from only 9.6 percent in 1972. The number of industry categories, which at the beginning of Repelita I was 28, surged to 399 categories under Repelita V.

However, the rapid development of the economy relegated rural communities to the background, causing an unbalanced development which can still be felt today.

The centers of growth (industry) under PJP I were concentrated in the cities, particularly on Java island,

where infrastructure as well as marketing and production systems were long established. The development of Indonesian villages, on the other hand, was left far behind.

Impact on the rural sector

The impact of rapid economic growth has changed the character of the Indonesian village. Official figures claim that poverty was gradually reduced from 44.2 million in 1976 to only 17.8 million in 1990.

Agriculture is still the primary means of livelihood with an annual growth rate of 3.6 percent. From Repelita I to III, the agriculture sector was the most important sector in the Indonesian economy.

However, the parallel development of the industrial and service sectors has since decreased the role of agriculture in national development. From 1960 to 1987, the share of the agricultural sector to GDP decreased to 46 percent, while the industrial and service sectors grew by 39 percent and 57 percent, respectively.

The agricultural sector in 1993 contributed 30 percent of the total GNP and absorbed 54 percent of

“[S]ocio-economic equality is far more difficult to achieve compared with stability and economic growth targets.”

the labor force. The industrial sector contributed 27 percent to the GNP but absorbed only 14 percent. The service sector accounted for 43 percent of GNP and took in 32 percent of the labor force.

On the other hand, the agricultural modernization program was proven to have adversely affected the rural sector despite the fact that production has increased. The agriculture sector was forced to sell its products at a low set base price to fulfill the consumption needs of workers in the cities. Yet, it was compelled to buy industrial products such as fertilizer, pesticide, and engines at market prices.

The use of modern machinery has also displaced much of the labor force, since agricultural production has now shifted from a labor-intensive to a capital-intensive industry. The displaced workers have moved to the non-agricultural sector as they could no longer derive adequate income from agriculture.

These facts show that rapid economic growth does not automatically translate into an improvement in the quality of life for the rural masses.

The government and the economic development facility

Survey on the government policy

The country's experience prior to the New Order period taught a valuable lesson to the Indonesian nation, when the deficit spending policies skyrocketed inflation rates to 650 percent. This high inflation level caused the Indonesian economy to stagnate and even collapse, bringing with it continuous social and political disorder.

Government policy then centered on the trilogy development concept with each concept being highlighted at different periods in economic history, depending on the government's needs.

In Repelita I, the policy was more focused on national stability. This shifted to high economic growth under Repelita II, where the economy indeed grew at a five to seven percent rate.

The development that took place over the last 25 years has been considered capable of reaching stability and growth. But equality has yet to be realized. This is one real obstacle that has long been debated among experts of development economic theory. The question is how to accentuate equality.

For instance, high development priority has been given to the western part of Indonesia (particularly Java) compared to the eastern region. The result is that social gaps have become sharper, and natural resources have been largely drained. Cases of ecological deterioration and societal dependence on the government are becoming more pronounced.

The government tried to remedy the situation by giving more stress on equality under Repelita III and IV. Among others, there was a conspicuous effort to increase non-oil and gas exports to stimulate the use of locally-manufactured products; and to eliminate fiscal concessions towards foreign capital

investment.

Further, the sixth Five-Year Development policy contained in GBHN 1993-1998 aims to increase the quality of life in order to advance development and to make it more self-supporting. The policy remains based on *Trilogy* development: development equality and its results toward the creation of prosperity with social justice for all Indonesian people, sufficient economic growth, and healthy and dynamic national stability.

Allocation of government funds for development

The Indonesian government allocates a large portion of its national budget to the sectors that contribute to increasing economic growth for the majority of the population. Whether consistent or not, available data show that until the end of PJP I, the Indonesian population considered as *poor* was only 27 million people (15 percent of the total population).

The report also noted that 20,633 poor villages were allocated large funds by the government through the program Inpres Dera Tertinggal No. 5 of 1993.

The government's priority was understandably on the industrial sector, as it contributed 20.5 percent of GDP in 1992 from only 9.6 percent in 1968. The growth of the industrial sector itself reached an average of about 12 percent annually. Besides the increase of production and the added value, more and more types of products are also being manufactured.

The government program on village development

Indonesia has indeed experienced much progress in the economic field. On the average, prosperity has increased five to eight times over the last 25 years. Yet in the aspect of wealth distribution, Indonesia has failed.

Urban-rural imbalances in the Indonesian economy increased rapidly in the

first seven years of Repelita, then slowed down in the next 11 years. The disparity was apparent in Java, although the rest of the country was stable. Very serious imbalances occurred in 1990 when the average income in Jakarta again registered almost double the amount received by the village population.

Indeed, socio-economic equalities is far more difficult to achieve, compared with stability and economic growth targets. Government planners say that an even income distribution should be implemented through a strategy or economic policy that directly involves the marginalized groups in several development activities.

Hence, the government undertook a program called Inpres Dera Tertinggal. The program was implemented directly by the village population, aided by the regional government apparatus. It also created an opportunity for the poor population to raise their standards of living through self-help. The indicators of success were: decreasing number of poor; sustained efforts in augmenting income of the poor; growing prosperity of poor families in their environment; and the enhanced ability of the local groups for progressive productivity. Yet there were still many gaps that need to be overcome through a sustained government focus on the plight of the poor.

Regulation and influence of international development institutions

Foreign aid is integral to Indonesia's development. It is estimated that \$34.9 billion (56



percent) of the \$62.2 billion funding necessary for the implementation of the government's fifth Five-Year Plan (Repelita V) would be sourced from foreign aid.

Much of the foreign aid to Indonesia is channeled by the Consultative Group on Indonesia (CGI) which provided some \$5.2 billion in funding aid from 1994 to 1995. The CGI is chaired by the World Bank (WB) and consists of 19 donor countries and 13 international financial agencies. The group's purpose is to enhance the effective use of development assistance and to blend development priorities and policies of the government.

A large portion of funds channeled through the CGI comes in the form of loans. The WB provided \$867.6 million in project loans in 1993 while the Asian Development Bank (ADB) approved \$1.21 billion worth of project loans in 1992.

Indonesia received \$2.75 billion in Official Development Assistance (ODA) funds in 1992, of which the economic management sector absorbed the biggest share of 24 percent. The transport sector received 22 percent; the energy sector, 9.5 percent; while only 11 percent went to agriculture, forestry, and fisheries.

The Ford Foundation and Catholic Relief Services are two of the largest NGO contributors to ODA in Indonesia. In contrast to the WB and other financial institutions, NGO contributors tend to provide funds to local foundations aimed at developing rural livelihoods. A significant portion of funds is provided to local NGOs to organize communities and recently, to promote gender awareness and environmental protection.

Impact of private sector on the village society economics

Since the beginning of PJP I, the private sector experienced a rise in investments, as government prioritized the development of the domestic industrial sector.

Yet although private businesses developed, the multiplier effect of business expansion upon opportunities and added value was very minimal. Industrialization efforts were more capital-intensive, thus narrowing down work opportunities in the agricultural field with the introduction of the modern agricultural machinery and production systems. These factors caused rural societies to lose

opportunities in developing their own local economies.

A study of agricultural intensification efforts in Central Java showed that the Green Revolution caused economic polarization in the villages. Land ownership was transferred from peasants and smallholders to large farmers. In addition, many private enterprises began to develop their businesses in the plantation sector due to the decline of oil prices in the world market. They often took over peasants' lands and plundered protected forest areas. There were similar cases with the expansion of the tourism industry.

The growing gap between the industrialized and non-industrialized sectors also had an impact on the general culture of the Indonesian population, as increased importance was given to luxury goods and consumer lifestyles.

Voluntary sector experiences in rural development

NGOs in Indonesia (Lembaga Swadaya Masyarakat) began as a reaction against the government's focus on economic growth and stability at the expense of equality. The activities of all NGOs in general are usually focused on meeting the needs and problems faced by local communities.

NGO activities can, more or less, be divided into seven sectors: health, law, environment, cooperatives, education and training, research, and small industry.

NGOs have a number of advantages compared to the government. NGOs, for example, are capable of reaching the poor in the most isolated regions and are able to operate more efficiently because of their small-scale operations. In certain cases, NGOs made innovations and changes that were more suitable to the target communities. Finally, NGOs operate largely with a voluntary spirit and high social commitment.

The number of NGOs in Indonesia has been increasing every year. In 1983, the number of NGOs was only 277. By the end of 1989, the number reached 1,051, including those in East Timor.

NGOs in Indonesia emerged from the 1980s from the reaction of the middle class against the government's neglect of human and civil rights. NGOs believe that development must be based on the consciousness of society to develop itself and its institutions through social justice. Working towards this goal has attracted pressures from the government

that had difficulty accepting the NGOs' ideals.

In program implementation, most NGOs use the *participatory* method. Many use an economic or developmental approach while a few use a political (liberative) approach or a cultural (transformative) approach.

The following are examples of several types of Indonesian NGOs:

1. PAKERTI, established in 1975, promotes rural economic programs involving the manufacture and marketing of handicrafts. Employing 20 field staffers, it encourages the formation of self-sufficient district associations. The said associations operate shops that sell community handicrafts to the public through a national network. Field staffers of Pakerti help district associations and community groups by providing them training courses in organizational management, production, marketing, and technical skills on handicrafts. Field staffers also employ a group education program which encourages people to work together for mutual benefit. One of Pakerti's success stories is the district association of Tasik Malaya that now operates without direct assistance from Pakerti. (The association was founded a decade ago as part of a pilot program.) Tasik Malaya now employs its own staff, boasts of its own marketing program, and has over 500 members.

2. BK3-I (BADAN KOORDINARI KORPERARI KREDIT INDONESIA), an Indonesian credit union, was established in 1970 to promote, plan, and prepare credit union programs. It has 1,450 member credit unions; 20 regional chapters; and 200,227 participants, 60 percent of whom reside in rural areas.

BK3-I provides management training, information and advice to member credit unions. BK3-I operates as a network through which surplus funds can be lent from one credit union to another. BK3-I is also very active in

promoting the establishment of local credit unions. It guides and trains potential community groups that want to establish their own credit unions.

Besides being an economic unit for promoting savings and providing credit, a credit union is also an instrument through which people can work together to meet

“The growing gap between the industrialized and non-industrialized sectors... had an impact on the general culture of the Indonesian population...”

their needs. It also provides a forum for cooperation and empowerment.

3. BINA SWADAYA started in 1958 as the Pancasila Farmers Association. Supported by 600 employees, it is now involved in agribusiness, publications, forestry, tourism, research, and consultations. At the village level, Bina Swadaya runs various pilot projects in building small-scale business and capital-development programs. The said projects are geared to heighten entrepreneurship among low-income groups through funds management and mobilization. Bina Swadaya operates an agribusiness development program that assists communities in growing and distributing plant seeds, supported by technical training and marketing. Bina Swadaya also supports broad-based rural development and community self-reliance through an education and training program designed to improve management skills of community organizations. Similar training courses

are also conducted among field workers and staff of other NGOs and government institutions.

An interesting facet of NGO work in Indonesia is their linking and networking. Linkages encompass information sharing, research, field staff training, and advocacy. An example of such linkage is the network built around Wahana Lingkungan Hidup Indonesia (WALHI), an environmental NGO founded in 1980. Today it has 351 NGOs in its network from 26 of Indonesia's 27 provinces. WALHI's key activities are advocacy and research on environmental issues.

Recommendations

The history of economic development in Indonesia during the first 25-year period (1969-1994) yielded valuable lessons for Indonesian society. The government, despite the rewards brought about by industrialization, has yet to solve the widening gap between rich and poor.

The claimed *trickle down effect* of industrialization's benefits to the greater population has turned out to be an unsuitable basis for national development policy. The rapid economic growth experienced during PJP I came at the expense of a widening gap between the rich and poor, and between urban and rural sectors. Economic growth thus cannot be measured solely by GNP.

The agricultural sector, thus, should be given due importance if equality is to be achieved. It has been shown during PJP I that agriculture contributes greatly to the economy. Agriculture not only fulfills the food requirements of the people, but also provides employment. In contrast, the private sector has not provided as much opportunities for work because their emphasis tends towards the development of capital-intensive heavy industries.

Economic development that sets aside the concept of equality will become exploitative, and excessive. This phenomenon can already be seen in the damage to Indonesia's ecosystem and vast natural resources. The resulting problem of rapid environmental damage during PJP I should not be repeated during PJP II. Economic development cannot be sustained without adequate protection of natural resources.

The continuous development of society can only happen if majority of the population actively participate in all aspects of economic programs.

The current condition of village communities in Indonesia requires that the trickle-down concept should be discarded in determining if over-all economic growth has reached the people. The upliftment of lives of people in the rural areas must be made the new basis for determining if development really does occur. The measurement of true economic growth should be the reduction of poverty. Based on the development experience during PJP I, Indonesia today faces many choices. But no matter what choices are made, the ultimate objective should be to improve the welfare of the population. This, after all, is the real purpose of development.

There should also be an effort to decrease the country's dependence on development funds from abroad, not only to increase the prestige of Indonesia in the international community, but also to free the country from the tight obligations imposed by loan conditionalities.

Agro-industrial development must be promoted in a systematic manner to curb further migration from the villages to the cities. Villages should also be encouraged, therefore, to participate in all government activities that promote self-reliance.

Private businesses, meanwhile, should be urged to develop small industries that push for development in the countryside with the objective of employing a larger workforce from both rural and urban areas. □

“NGOs made innovations and changes that were more suitable to the target communities.”

MALAYSIA

*based on the paper presented by Mr. Eugene Arokiasamy
in behalf of the Management Institute for Social Change (MINSOC)*

It is difficult to describe a “typical” village in Malaysia. Each village is different due to its ethnic composition, as well as historical and cultural evolution. It would be both misleading and inaccurate to set the parameters by which a “typical” village in Malaysia can be defined.

Generally, there are three types of villages based on ethnicity and administrative creation before and after independence.

Area: 128,328 sq. mi. (332,370 sq. km.)
Population (est. mid-1994): 19,500,000 (average annual rate of natural increase: 2.3%; birth rate: 28/1000; infant; mortality rate: 14/1000; density per sq. mi.: 152)
Capital (1991): Kuala Lumpur; **Largest cities (1988):** Kuala Lumpur, 1,181,490 (1980); George Town (Pinang), 248,241; Ipoh, 293,849; **Monetary unit:** Ringgit
Languages: Malay (official), Chinese, Tamil, English
Ethnic divisions: 59% Malay and other indigenous; 32% Chinese; 9% Indian; **Religions:** Malays all Muslim, Chinese predominantly; Buddhists, Indians predominantly Hindu; **Literacy rate:** 78%;
Member of Commonwealth of Nations
Economic Summary: Gross Domestic Product (1992 est.): \$54.5 billion; per capita income: \$2,960; real growth rate: 8%; Inflation: 4.7%; unemployment (1991 est.): 4.1%; arable land: 3%; principal agricultural products: rice, rubber, palm products; labor force (1990): 7,258,000; major industrial products: processed rubber, timber, palm oil, tin, petroleum, light manufactures, electronics equipment; natural resources: tin, oil, copper, timber; exports: \$39.8 billion (f.o.b., 1992); natural rubber, palm oil, tin, timber, petroleum, electronics, textiles Imports: \$39.1 billion (f.o.b., 1992); food, crude oil, capital equipment, chemicals, consumer goods; major trading partners: Japan, Singapore, U.S., Western European countries, Taiwan

Traditional Malay village

In Malaysia, the traditional village is known as a *kampung*. It basically means a natural settlement, but the term is also used for the smallest administrative unit and for a group of houses occupying a single residential compound. These villages developed when nomadic indigenous hunter-gatherers began to settle down in clusters to till the land. These villages were generally found along lakes and waterways.

The New Village

In 1948, as part of its counter-insurgency plan, the British administration established 600 new settlements. The aim was to prevent the communists from obtaining the support of villages in remote areas. These were called the “new villages.”

Some of these new villages were appended to urban centers. The expansion of urban centers later embraced

are also conducted among field workers and staff of other NGOs and government institutions.

An interesting facet of NGO work in Indonesia is their linking and networking. Linkages encompass information sharing, research, field staff training, and advocacy. An example of such linkage is the network built around Wahana Lingkungan Hidup Indonesia (WALHI), an environmental NGO founded in 1980. Today it has 351 NGOs in its network from 26 of Indonesia's 27 provinces. WALHI's key activities are advocacy and research on environmental issues.

Recommendations

The history of economic development in Indonesia during the first 25-year period (1969-1994) yielded valuable lessons for Indonesian society. The government, despite the rewards brought about by industrialization, has yet to solve the widening gap between rich and poor.

The claimed *trickle down effect* of industrialization's benefits to the greater population has turned out to be an unsuitable basis for national development policy. The rapid economic growth experienced during PJP I came at the expense of a widening gap between the rich and poor, and between urban and rural sectors. Economic growth thus cannot be measured solely by GNP.

The agricultural sector, thus, should be given due importance if equality is to be achieved. It has been shown during PJP I that agriculture contributes greatly to the economy. Agriculture not only fulfills the food requirements of the people, but also provides employment. In contrast, the private sector has not provided as much opportunities for work because their emphasis tends towards the development of capital-intensive heavy industries.

Economic development that sets aside the concept of equality will become exploitative, and excessive. This phenomenon can already be seen in the damage to Indonesia's ecosystem and vast natural resources. The resulting problem of rapid environmental damage during PJP I should not be repeated during PJP II. Economic development cannot be sustained without adequate protection of natural resources.

The continuous development of society can only happen if majority of the population actively participate in all aspects of economic programs.

The current condition of village communities in Indonesia requires that the trickle-down concept should be discarded in determining if over-all economic growth has reached the people. The upliftment of lives of people in the rural areas must be made the new basis for determining if development really does occur. The measurement of true economic growth should be the reduction of poverty. Based on the development experience during PJP I, Indonesia today faces many choices. But no matter what choices are made, the ultimate objective should be to improve the welfare of the population. This, after all, is the real purpose of development.

There should also be an effort to decrease the country's dependence on development funds from abroad, not only to increase the prestige of Indonesia in the international community, but also to free the country from the tight obligations imposed by loan conditionalities.

Agro-industrial development must be promoted in a systematic manner to curb further migration from the villages to the cities. Villages should also be encouraged, therefore, to participate in all government activities that promote self-reliance.

Private businesses, meanwhile, should be urged to develop small industries that push for development in the countryside with the objective of employing a larger workforce from both rural and urban areas. □

“NGOs made innovations and changes that were more suitable to the target communities.”

the new villages, as these villages provided workers and food produce.

There was no ownership of land in these villages since these were established as a temporary measure. The new villages also lacked adequate education, health, and recreational facilities. These brought about increased migration to the urban centers.

In-Situ village

In-situ villages are artificially created settlements modelled after the traditional villages. These were created as part of the National Rural Development Plan.

The main objective of the in-situ scheme was to give land to the landless. It was also used to correct the colonial bias of placing facilities in the urban areas, and to improve the quality of rural living. The scheme was introduced by the late Tun Razak, the second prime minister of Malaysia, who proposed land distribution as a means for alleviating poverty and curbing communism.

The current situation of rural villages in Malaysia

The rapid growth of the Malaysian economy since independence has completely transformed the character of its villages, making them part of so-called "Malaysia, Inc." Village livelihoods and social values have been changed and adapted to the demands of a growth-led development.

Due to economic development, village households no longer earn their incomes solely through agricultural activities. The constant labor shortage in Malaysia has been instrumental in drawing villagers into the urban workforce, especially those offsprings of farmers and fishermen who have participated in the state education system.

For those who continue to work in the village, subsistence production is no longer the norm. Agricultural production has been largely mechanized and is capital-intensive. The rise of capital-centered economic activities in their own areas have become part and parcel of the villagers' new livelihood.

Government and economic development policy

The Malaysian economy evolved very rapidly after independence in 1957, posting an average annual growth in Gross National Product (GNP) of 6.7 percent over the last 20 years. This rate steadily

increased to 13.5 percent in 1992 and 1993. The economy has been geared largely towards exports, where manufactured goods accounted for 70 percent of the country's exports in 1993 compared to 22.4 percent in 1980. Malaysia is now categorized as a Newly-Industrializing Country (NIC).

The government played a leading role in the overall transformation and growth of the economy. The New Economic Policy (NEP) was introduced in 1971 after the communal riots of 1969. The twin objectives of the NEP were: (1) to accelerate the

"Given the current economic boom in Malaysia...the need for long-term planning for the community and the nation is often undermined."

process of restructuring Malaysian society and to eventually eliminate the identification of race with economic function; and (2) to reduce and eventually eradicate poverty by raising income levels and increasing employment opportunities. An important aspect of this post-independence policy was the development of the villages and the agricultural sector.

By 1990, the NEP was succeeded by the National Development Plan (NDP). The objective of the NDP was to attain balanced development, and NDP emphasized growth with equality. It hoped to enable all Malaysians to participate in mainstream economic activities, thereby ensuring political stability and national unity.

Nearly all village-centered development in Malaysia has taken place through centralized economic plans and programs instituted by the government. Since independence, the government of Malaysia has placed great priority — both financial and political — on the need to alleviate poverty among the agricultural and rural sectors of the economy. The most significant policy initiatives were: the National Rural Development Plan (NRDP); the National Agricultural Plan (NAP); the Sixth Malaysian

Plan; and Vision 2020.

The 1961-1965 NRDP promoted a land settlement scheme, improved agricultural infrastructure, and facilitated the delivery of basic services. Unlike succeeding programs, however, it failed to introduce structural changes in the rural socio-economic system.

The NAP, on the other hand, was launched in 1984 as part of the NEP. This was in direct response to the slowdown in agricultural growth (0.3 percent) in 1983 which caused deep concern within the government. Rural poverty was on the rise from 37 percent in 1980 to 42 percent in 1983. The government felt then an urgent need to reorganize and amend the poverty eradication policy.

One of NAP's objectives was to maximize growth in the agricultural sector through the efficient utilization of national resources. NAP also aimed to maximize the income of the small farmers by improving productivity to ensure reduction in poverty levels.

The Sixth Malaysia plan, covering 1991-1995, was the first phase in the implementation of the Second Outline Perspective Plan. Its objective was to attain balanced development in order to create a more unified and just society.

Lastly, Malaysia's Prime Minister Mahathir presented his Vision 2020 aimed primarily at making Malaysia a fully-industrialized nation by the year 2020. Mahathir said that the "fully-developed" status for Malaysia should be measured not only by economic success but also by the improved provision of basic needs to the population (i.e. housing, health care, education, culture and arts).

Effects on villages of economic policies

Like other villages across Asia, Malaysian villages have been transformed by rapid economic growth. Two examples are given here:

Beserah

Beserah is a coastal town located 10 kilometers from Kuantan, the capital of Pahang. With a population of about 2,000, nearly two-thirds of its labor force are fishermen or are self-employed.

Although traditional fishing still plays an important part of daily life in Beserah, a variety of "outside" factors continue to push small subsistence fishermen deeper into poverty and away from their

livelihood.

Both the government and the middlemen have encouraged capital-intensive fishing methods using large trawler boats. But these have served merely to increase the controls of capitalists and traders over the catch and profits.

Thus, the fishermen have been pushed to seek alternative employment elsewhere -- primarily in the growth of large scale commercial tourism in Beserah. Although careful tourism in itself is not bad, large scale tourist projects have changed the village economy, affecting its employment patterns and ecological system. In Beserah, investors, hotel developers, rich homeowners and restaurant operators have likewise begun to take over large tracts of village land and beaches.

Perwaja Steel Mill

Perwaja steel mill, the country's largest, is located six kilometers from the town of Kemaman in Terengganu which has a population of 65,000. The mill in a way symbolizes the industrial program of Malaysia.

The introduction of the steel mill has adversely affected the price of goods and services in the area. The prices of goods have soared whenever Perwaja workers were given a pay rise. The people of Kemaman are now experiencing the spiralling effects of inflation due to the increased income of some residents. Land values have risen to levels beyond the reach of local residents.

A similar trend is taking place all over Malaysia at a much more rapid rate than in the last decade. These cases show that despite the glowing economic policies that have successfully catapulted Malaysia into the elite circle of NICs, much of the "costs" of economic growth are borne by villages.

A critique of development within the context of Vision 2020

The government's various economic policies have made Malaysia a successful country in terms of the dominant economic model of the world. Whether it is sustainable is another story.

Using centrally-planned development of village economies on a national scale have increased output tremendously. All of these programs and systems have been extremely successful in improving the per capita income and in reducing poverty levels.

Malaysia has also been successful in pursuing its national policy on poverty alleviation and the development of the rural and agriculture sectors.

However, the post-independence industrial development planned by the government has also catalyzed the process of integrating the village economy into the national and the global economy. Industrial development has also critically affected the sustainability of local village economies, the environment, and migratory patterns of its inhabitants. Industrial development has also modified long-standing social and cultural values which have bonded village communities together.

The main motivating factor under the capital-centered economic model is profit. Once the cost of production goes up or the demand for a product drops the model becomes obsolete. The path that Malaysian development has taken could be severely affected by economic recession or sudden changes in consumption factors.

Capital-centered development rarely examines the capability of the natural environment to sustain an ever demanding growth rate. The government's sustained efforts to produce the country's top exports (i.e. palm oil, rubber and tin) were not handed to the villagers but to the private sector which has caused so much environmental damage. It is geared for more profit; and the drive for wealth, not poverty, is the main cause of environmental damage.

Although Malaysia exports so much

agricultural commodities, it also imports food products such as rice. Fertile agricultural land have been allocated to growing cash crops rather than food crops. This trend shows that countries seem more interested in foreign exchange than in ensuring food security in particular for the poorer sectors of their population.

The government, thus needs to examine more closely the relationship between poverty and economic growth. This has been a central point of debate among theoreticians, economists, planners, politicians, NGOs, and others. Different ideologies and approaches have also offered a variety of solutions on how economic growth can be used to effectively reduce the levels of poverty in nations.

In Malaysia, the "trickle down" theory has been the basis for most of the government's calculations. The core tenet of this theory is that poverty alleviation is synonymous with economic growth. This implies that national wealth creation will invariably lead to village wealth and sustainable livelihoods.

This concept has found to be false, as studies show that high rates of growth do not necessarily guarantee better results in poverty eradication. And lower growth rates do not necessarily impede the improvement of the poor.

These findings are based on the observation that six of the 14 states of Malaysia which showed a lower per capita GDP growth actually achieved a reduction in their relative poverty incidence.

Moreover, while the state of Sarawak and the Federal Territory of Kuala Lumpur grew faster than the national average, their poverty incidence also increased.

Thus, creating a larger Gross Domestic Product (GDP) did not mean more for everyone. The means for achieving increased production (as measured by GDP), and the means of distributing the benefits of such growth remain crucial. If the method of production



is unsustainable, then true alleviation of poverty can not be achieved.

The role of NGOs in alternative development

Like the government, most NGOs have been caught within the framework of an integrated economy. Dependency on the current economic

system is manifested by NGOs which actively participate in helping the disadvantaged to become players in the same system. Rarely have NGOs worked towards creating a new economic system where capital is not central to development.

There are 31,985 registered societies in

BESERAH:

A VILLAGE IN TRANSITION

Beserah is located 10 kilometers from Kuantan, the capital of the state of Pahang. It boasts a coastline of fine sandy beaches stretching for nine kilometers. Once a major fishing community using traditional fishing methods, Beserah today is a major international tourist attraction for low budget travelers.

Beserah's transition from a traditional fishing village to a major tourist destination has affected its livelihood and local economy. Although traditional fishing has been an important part of daily life in Beserah, a variety of external factors continues to push small subsistence fishermen further into poverty and away from their livelihood.

For instance, the government and the middlemen encouraged capital-intensive fishing methods using large trawler boats. This meant higher yields for the government and supposedly higher incomes for the fishermen as well as the middlemen. However, fishermen's incomes did not actually increase under this arrangement, as middlemen monopolized trading and dictated the prices of fish, thus capturing as much as 36 percent of the fishermen's income.

Although the government attempted to provide support systems such as loans and fishermen cooperatives, the fishermen were not given immediate access to these. More importantly, these schemes were not designed to create self-reliance or to enhance local self-sufficiency.

These circumstances invariably led fishermen to seek alternative employment; and created negative attitudes and disincentives among those considering fishing as their primary source of income. The youth tended to search for alternative jobs or to remain unemployed.

For the fishermen, an attractive short-term solution was to join large scale commercial tourism. Beserah had long been a tourist spot but previous ventures were small-scale and utilized available resources within the village.

The entry of large-scale commercial tourism put the business in the hands of a few companies having little or no connection at all with the village community. Their main purpose was to generate as much income as quickly as possible from the rising tourist prominence of Beserah. Minimal benefits returned to the community, although some temporary

employment was made available to the villagers.

Basing the village's growth on tourism made Beserah highly susceptible to the economic changes in the national and international level. In addition, companies rushed to build large scale and low-cost holiday resorts with little regard for their effects on the environment. These have adversely affected the spawning grounds, nurseries and fish catch – a far cry from the small scale tourist development formerly done by the villagers that gave high importance to ecological balance.

Beserah symbolizes what is happening to Malaysia's traditional villages. Fishing has been replaced by tourism as the main source of income. The land and coastlines no longer belong to the villagers. Instead, they now belong to outside investors, hotel developers, and restaurant operators.

Similarly, almost all the beaches, hills, forests and lakes in Malaysia are now being turned into tourist attractions. These are transforming and changing not only the economy and livelihood of villages, but also their way of life, worldview, and culture on which community life depends. □

Malaysia with 200,000 members. These societies vary, and include sports, welfare, culture, youth, and religious organizations.

The NGO sector is quite often trapped by financial constraints, and is invariably pushed into dependency on aid from donor agencies. Rather than becoming self-reliant and self-sustaining by using the resources of the community, aid is preferred. NGOs have themselves become victims of dependency on the integrated economic system.

NGOs in Malaysia are unique compared to most other ASEAN countries. Because the government plays a substantial role in the provision of services for the population, the role of the Malaysian NGOs has been reduced to one of advocacy due to historical and legal reasons.

The single most important factor which affects the NGO movement in Malaysia is the Societies Act of 1966 which was enacted primarily to ensure that NGOs operate within the objectives of the government. The fundamental premise is that of suspicion and control.

There is limited democratic space for expressions of the freedom of association. The Societies Act has continuously curbed new and innovative thoughts and beliefs — including legitimate political dissent. This has had a negative impact on the people, for the fundamental principle of a genuine functional democracy is the active participation of the citizens in governance. Government officials are accountable to the people.

Most NGOs have thus limited their activities to become service clubs and mutual assistance organizations, welfare and charitable organizations, professional organizations, trade unions and cooperatives, and government-financed NGOs.

Some NGOs, however, have chosen to go into fulfilling changes in society. In Malaysia, public or social interest groups are better known as developmental NGOs. Included in this category are consumer and environmental groups. They articulate and act in behalf of the public interest which is often muddled by both the government and private sector.

Two significant developments have recently taken place among civil sector organizations.

The first is the formation of a new organization concerned with post-UNCED work. It promotes alternative economic approaches and livelihoods as a means to achieve development. This

new organization is the Sustainable Development Network (SUSDEN) Malaysia.

The second is the formation of a network of NGOs called the Malaysian Development NGOs Forum. About 22 organizations are included in their network.

Given the current economic boom in Malaysia, largely driven by the desire for profit, the need for long term planning for the community and the nation is often undermined. This has put tremendous pressure on the NGO community in Malaysia. The fact that NGOs in Malaysia are composed mainly of advocacy groups makes the promotion of sustainable livelihoods even more of a challenge.

Recommendations for development within Vision 2020

The equation that development is growth is flawed. Proponents of the “trickle down” theory often emphasize economic growth as the only solution to poverty. History, however, has shown that high growth rates do not eradicate mass poverty, and in some cases, merely make it worse.

Malaysia — with all its economic success and “favorable” growth rates — has become engulfed in the dominant economic model through its integration into the global economy. Rural villages are now merely support bases and extensions of the integrated economy. The process has weakened and destroyed the village and the community-centered economic approach.

The reality is that Malaysia’s economy is treading on an unsustainable path. The economy is overheating, and with it, environmental degradation is increasing. Malaysia is facing a construction crisis as buildings and condominiums collapse. There is shortage of water and electricity. And perhaps Malaysia could rank among the countries with the highest number of road accidents in the world.

Given this situation, it is really perplexing to come up with a better development model. What the country needs is a shift towards a mode of production that is based on a people-centered development. The current capital-centered, profit-led system should be discarded.

To achieve a new kind of development, Malaysia must:

1. Minimize dependence on the global

market. This will allow Malaysia to be more flexible in its domestic planning of the economy and in using resources. It will also ensure that less money is transferred out of the country through speculative investment.

2. Re-examine its priorities in the use of natural resources. Use of resources should be based on the needs of the people. Overconsumption and unnecessary consumption as promoted by the growth-led economy will have to be stopped.
3. Reorganize current pricing mechanisms. The present pricing system does not take into account the damage done to the environment and the depletion of non-renewable resources. These intangible costs must be included, so that consumers will realize the true value of products.
4. Incorporate a more equitable means of generating income. Wages should not be exploited and sacrificed to increase profits.
5. Increase its commitment to basic education, to achieve full levels of literacy and numeracy. Education must be made relevant.
6. Move towards ensuring food security for its citizens. This will mean adding value to small farming units. Crop intensification and diversification must become the norm.
7. Increase incentives and assistance for the establishment of small and medium-sized village industries. Although there are such programs in place, the emphasis of these industries should be to serve the needs of the rural people for services, capital goods, agricultural inputs, and processing.
8. Look for alternative energy sources while at the same time examining methods of conserving energy and the use of appropriate technology.
9. Shift priorities towards the expansion of urban industries working within the context of the agricultural sector. There must be strong upstream and downstream linkages for the agricultural sector. Similarly, the social and environmental impacts of urban industrialization must be examined.
10. Enforce environmental assessment studies when developing tourism, industry, agriculture, housing, and city centers. Responsible urban management and rural development must become major considerations for the government. The government should cooperate with local communities and civil sector organizations.

“For those who continue to work in the village, subsistence production is no longer the norm.”

These recommendations, if implemented, could reduce the influx of people to the urban centers and revive the villages. It would also be a positive step in improving the quality of life of inhabitants in both urban and rural areas. □

NEPAL

*based on the paper presented by Mr. Basu Dev Neupane
in behalf of NGO Federation of Nepal (NFN)*

The mountains that cover more than 80 percent of Nepal are both the source of its wealth and extreme poverty. Tourism has brought in much-needed dollars to Nepal but the mountain have been unable to provide enough food for its burgeoning population.

The limits imposed by this unique geography has caused the bulk of the population to concentrate in the Terai region. The Terai is the only large flat land in the country and contains most of the fertile land suitable for agriculture. Approximately 46.6 percent of the population live here.

The mountain and hill regions house the rest of the population who depend largely on cattle grazing, cottage industries, horticulture, and to some degree on agriculture for their livelihood.

About 93 percent of the Nepalese live in the rural areas, and more than 95 percent depend on agriculture for their livelihood. Majority of the populace has had difficulty in producing enough from their meager land resources. This has caused more than 71 percent of Nepalese (13.6 million) to live in absolute poverty.

The steady growth of urbanization in Nepal was brought about, ironically, by the boom in tourism. After centuries of self-imposed isolation, visitors were hungry to see the beauty of the Himalayas as soon as Nepal opened its doors. Tourism now brings in the much-needed dollar resources for the starving economy.

The growth of tourism has created an urban center in Kathmandu Valley where hotels, restaurants, and other services for the numerous visitors

Official name: Kingdom of Nepal
Area: 54,463 sq. mi. (141,059 sq. km.)
Population (est. mid-1994): 22,100,000 (average annual rate of natural increase: 2.4%; birth rate: 39/1000; infant mortality rate: 90/1000; density per sq. mi.: 405.8; **Capital and largest city (1991):** Kathmandu, 14,264; **Monetary unit:** Nepalese rupee; **Languages:** Nepali (official), Newari, Bhutia, Maithali; **Religions:** Hindu, 90%; Buddhist, 5%; Islam, 3%; **Literacy rate:** 36%
Economic Summary: Gross Domestic Product (FY91): \$3.2 billion; per capita income: \$165; real growth rate: 3.5%; inflation (Dec. 91): 15%; unemployment (1987): 5%; arable land: 17%; labor force: 4,100,000; principal products: rice, maize, wheat, millet, jute, sugar cane, oilseed, potatoes. Agriculture is the mainstay of the economy accounting for 60% of the GDP and 90% of the work force; Major products: sugar, textiles, jute, cigarettes, cement; natural resources: water, timber, hydroelectric potential; exports: \$180 billion (f.o.b., FY91); clothing, carpets, leather goods, grain; imports: \$545 billion (c.i.f., FY91 est.); petroleum, products, fertilizer, machinery; major trading partners: India, Japan, U.S., Europe

are concentrated. The tourist season offers seasonal employment for poor Nepalese who work as porters, carrying goods to and from the countryside and villages.

Urbanization in Nepal started only in 1961. By 1981, about 6.5 percent of the country's 15 million people had come down from the hills to live in the urban areas. This migration, however, was still far below the average of Nepal's neighbors -- India, Bangladesh, Pakistan, and Sri Lanka -- where urbanization levels were at over 15 percent.

The next 10 years, however, showed a much faster rate of urban growth in Nepal. This was attributed partly to the continued growth of the tourism industry and the introduction of additional sources of foreign exchange, particularly carpet-making and garments manufacturing. About 40,000 laborers were engaged in the carpet-making industry.

It was estimated that by 1991, close to 10 percent of the population lived in the urban centers and engaged in non-agricultural activities such as manufacturing and production, service, sales, and clerical work.

The growing labor force and the "pull" of the tourism industry have taken a severe toll on the rural economy and the environment. It has caused denudation of the mountains which, in turn, cause landslides and floods. The fertility of agricultural lands has been reduced.

The rural population, thus, has been further relegated to the background. The people in the rural areas are not getting the facilities and services necessary to live decently as human beings. Development of infrastructure, institutions, and employment opportunities are confined to the accessible areas of Terai and the urban centers of Kathmandu and Pokhara. Urban centers bristle with television antennae while over 50 percent of the country is without electricity. This great imbalance has left Nepal's rural areas with the bulk of the population but with the least access to economic resources.

Policy environment on economic development

With a per capita income of \$175 a year, Nepal is one of the world's poorest countries. Income distribution is highly skewed, as in other Third World countries. According to one study, 47 percent of the national income goes to the wealthiest

"It was not long, however, before it became obvious that these poverty alleviation programs would not result in a direct benefit to the target group..."

10 percent of the population, while the poorest 40 percent shared in only nine percent of the national income.

The government hopes to correct this situation by launching its eighth Five-Year plan (1992-1997). It has three objectives: sustainable economic growth, poverty alleviation, and reduction of regional imbalances.

Topmost priority was given to poverty alleviation. The government suggested a two-pronged strategy for poverty alleviation: economic growth and equity. The major programs include safety nets; subsidy and transfer; integrated rural development projects; and food and feeding programs.

The safety nets program was essentially agrarian reform. The tenant farmers and landless poor were the target beneficiaries of this policy on land distribution and recognition of tenant rights. The subsidy and transfer program, on the other hand, involved the distribution of food as well as fertilizer in deficit areas; and of credit subsidies in infrastructure such as irrigation.

It was not long, however, before it became obvious that these poverty alleviation programs would not result in a direct benefit to the target group despite several attempts.

Other elements of the initial economic program also failed to meet their objectives. The integrated rural development project, for example, could not deliver the services required for poverty alleviation despite the pooling of resources in infrastructure and the strengthening of government line agencies.

The nutrition program also failed to meet its objectives because it covered only five of the 75 districts in Nepal. The program's impact on the rural

poor was often questioned and its management periodically criticized.

The dismal failure of said programs was due to the fact that programs were not formulated with the rural communities in mind. The programs have even served to further bloat the bureaucracy, thus stifling attempts to bring economic programs to the rural poor. There was also a severe lack in credit facilities needed by the poor to help themselves.

Government expenditures were also primarily targeted towards non-productive sectors; but the private sector was not provided any incentive to help government work for poverty alleviation.

It was in this context that government changed the priorities in its budget allocation for the eighth Five-Year Plan to focus more on agriculture and infrastructure. The budget showed that 25.8 percent (Rs 438,760) would go to agriculture, irrigation, and forestry; 16.2 percent to electricity and water resources; 19.5 percent to finance and housing;

and 15.3 percent to transport and communication.

The problem, however, was that there was just not enough money to pursue these programs as a consequence of a low Gross Domestic Product (GDP) and the lack of infrastructure to ensure timely use of meager resources.

Recently, the government tried to raise revenues through the privatization of state enterprises. Eight state firms were privatized with the help of the World Bank (WB) and the United Nations Development Program (UNDP).

The government is also actively pursuing the development of the tourism industry and the carpet-making business. The carpet business is currently Nepal's only major export industry, surpassing even tourism as the leading foreign exchange earner with \$70 million brought in to date. In 1990 alone, the carpet-making industry earned \$30 million. Unfortunately, this business is almost wholly-based in Kathmandu valley.

ASSOCIATION OF CRAFT PRODUCERS

The Association of Craft Producers (ACP) of Nepal was established nearly a decade ago with the objectives of providing design, marketing, technical and managerial assistance to Nepal's craft producers – low income workers in general and women in particular.

ACP initially ventured into three areas of operation – weaving, sewing and block printing. Initially, the association dealt in a few handicrafts in which producers and their handiwork had been identified. Raw materials such as wool, yarn and cotton fabrics were provided to the artisans. Block printing was done in the ACP offices.

In 1993 ACP was engaged in 17 categories: weaving, ceramics, dyeing, block printing, carpentry, metal working, sewing, basket

weaving, general labor, embroidery, painting, silk printing, knitting, paper crafts, quilting, spinning and felting.

The producers of ACP came from 15 of Nepal's 75 districts and produced various crafts identified through years of experience working in handicrafts. The identification was done by various channels: ACP management committee members, local and foreign NGOs, traditional craft producers and foreign volunteers. Low-income group producers with whom ACP would normally associate with are determined through verbal interviews and pre-structured questionnaires which estimate the level of poverty via an assessment of their productive assets and employment status.

The production of various crafts was done either at the ACP

offices and workshops (25 percent) or in the producer's own home (75 percent). The raw materials were supplied to the producer who returned the finished product to the ACP. The producers were then paid either on a per piece rate or on a day to day basis, depending on the arrangement or nature of job performed. ACP also provided designs, determined quality and undertook marketing of the products.

Since its early stages, ACP was supported by a host of external donor agencies such as World Neighbor, Private Agency Collaborating Together, and Appropriate Technology International. These NGOs provided both the capital and technical support for buying crafts and for designing and



Role and impact of international development institutions

Foreign aid has contributed a significant amount to Nepal's total national budget. One-third of Nepal's total budget for fiscal year 1984-1985 came from foreign sources: grants paid for 11 percent of expenditures, while loans paid for 21 percent. The proportion of foreign aid has been rising since then. According to the national planning commission, 45 percent of the 1989-1990 budget was sourced from foreign grants and aid.

Donors such as the WB, the Asian Development Bank (ADB), and various United Nations (UN) agencies have always played a major role not only in providing capital for infrastructure projects but also in deciding the development priorities of debtor countries such as Nepal. They even suggest what strategy and procedure the debtor country should take in implementing aid-funded projects.

Studies, however, show that the various poverty alleviation programs backed by these multilateral lending agencies and bilateral donors such as Japan, the United States, Germany, Switzerland, United Kingdom, Netherlands, and India were not able to meet their designed objectives.

Conditions have not improved, as the funds were used mainly to consolidate political power for a few individuals in the bureaucracy, thus barring efforts to bring economic development to the rural poor.

The participation of the beneficiaries were also only in name. It was always the donors and the government who prepared and implemented the development projects for the poor. The target beneficiaries were not involved in any phase of the projects.

One of these major projects was the Integrated Rural Development Program (IRDP). Funded by the ADB and the European Economic

marketing of products. A revolving fund to buy raw materials and handicrafts was also set up with donors' support.

One of the programs undertaken by ACP was the Producers' Benefit Package Program. Implemented since 1984, its first phase was completed in 1990. The program had essentially two activities: bonus payment to regular producers and a regular picnic.

In the second phase, ACP provided producers half of the capital requirements from its own profits and the other half from the Ford Foundation. It aimed to provide the following benefits:

- Ration Shop and Cafeteria Services - to sell consumer goods and necessities to ACP producers and staff and to provide hygienic and moderately-priced food to workers. The profits will be used to finance the education of female children.

- Producers Counseling Services - to assist poor women

producers in dealing with emotional problems emanating from family issues, social customs and labors.

- Educational Allowances and Information Education - for female children of producers associated with ACP for at least five years. A sum of Rs 75 per month is paid as school fee during the first year of enrollment. From the second year onward, the producer must save Rs 25, 50 and 75 so that the ACP contribution can be used for other needy producers.

This system inculcates the habit of savings and helps internalize the need to educate female children. Informal education is done through discussions, street plays and workshops on matters such as health, sanitation, environmental protection, and others.

- Producers Incentives - to encourage producers to come up with better quality handicrafts. For longer partnerships, producers are given bonuses on the sale of

handicrafts and a retirement fund.

In 1994, ACP also implemented a get-together program for all producers and their families, a loan package for the expansion of physical facilities and purchase of equipment, and awards for producers.

ACP is presently constructing a 30,000 square-foot permanent facility. ACP shouldered 41 percent of the total required amount. With the building's completion, ACP will have millions of rupees worth of physical assets and office, storage, and a finishing facility space for more than 1,000 producers.

ACP's promotion of informal producer-groups and linkages with other agencies have helped to build-up its producer base and production volume. ACP has established a trading company to do business in handicrafts pro-



Community (EEC), the program basically involved the delivery of basic goods and services to the people in a pre-selected geographic area. The IRDPs allocated resources for construction of irrigation systems and the delivery agricultural support services.

As majority of the rural population is poor, the inputs and services delivered by the IRDPs would theoretically help alleviate poverty. But even the WB admitted in its 1990 report that few of the IRDPs had achieved any quantifiable effect on poverty alleviation.

The reasons cited included the slow delivery of funds to the countryside due to bureaucratic red-tape and the unsuitability of the program to the target beneficiaries.

Other donor-supported government projects provided training to local women in crafts-making and cottage industries. These programs aimed at building the skills of the rural poor and involving them in income-generating activities. However, the lack of

support systems such as credit and marketing facilities hindered the progress of these programs.

Nepal's non-government organizations (NGOs) yielded better results in providing poverty alleviation services to the countryside compared to the government.

International development institutions (i.e. the bilateral and international NGOs) have provided financial support to local NGOs and community groups for rural development programs.

Assistance was provided through a wide range of activities: literacy programs, agricultural production, and conservation of natural resources. Their contribution to community development activities reached Rs 123 million. Reports show that donor-funded projects through the NGOs have shown some visible impact upon the life of the rural poor. However, the NGOs would have to increase the scope and volume of their work in order to sustain the development of the rural poor.

duced through various enterprises. ACP has been instrumental in bringing scattered producers under an informal organization with 18 producers' groups (one for each craft).

A producer organizations' representative has acted as the coordinator between groups and the ACP. ACP has also established rapport with NGOs and concerned government agencies for the marketing of crafts. This effort has helped in at least informing the crafts producers regarding the availability of sales outlets for authentic and high-quality Nepali handicrafts.

In terms of management, ACP is run by a seven-member board with the executive director as executive member of the board. The board formulates policies and reviews ACP activities. The executive director manages the enterprise, assisted by a management committee composed of eight senior staff. Apart from the seven

board members, also known as general members with voting rights, there are approximately 400 associated members without voting rights – majority of them producers. A general meeting is held annually wherein the audited report is presented, bonus declarations made, and activities discussed.

ACP follows a decentralized system whereby each unit is autonomous from the others in undertaking activities as per the workplan approved by the management committee.

Despite the short supply of raw materials and the lack of support from government agencies and formal financial institutions, ACP has grown tremendously during the first decade of its establishment in terms of number of producers, units of operation, sales, assets, and others.

It has definitely helped in improving the income and status of women. The association has

assisted handicraft producers in sustaining their valued skills and livelihood. The producers' benefit package has created a sense of attachment among small producers who could at least psychologically think of ACP as their own organization.

In terms of management, ACP has developed a system of providing autonomy in harnessing the potential of both staff and members. The establishment of a crafts trading company as a subsidiary has sustained the craft producers' livelihood.

The various groups of crafts workers and informal groups could also be developed as an organization of producers at the grassroots level. These groups could undertake various activities, not only in support of their crafts, but for the benefit of the entire community. □



Some beneficiaries who were able to secure funds from international and local NGOs for a particular project and who were able to sustain these projects, used their revolving funds for new projects such as providing community irrigation systems, savings and credit programs, and forest management. These groups have been managing the community's assets as well as mobilizing its savings for the benefit of all. They have demonstrated that the villagers could manage local resources and sustain development.

These groups, however, constitute a minority in Nepal. The general condition of the poor has not significantly changed despite massive donor assistance.

After the restoration of multiparty democracy in 1991, there seemed to be some form of political commitment for economic enhancement of villages through the increased delivery of social, economic and market services; improved access to drinking water; and the development of alternative sources of energy.

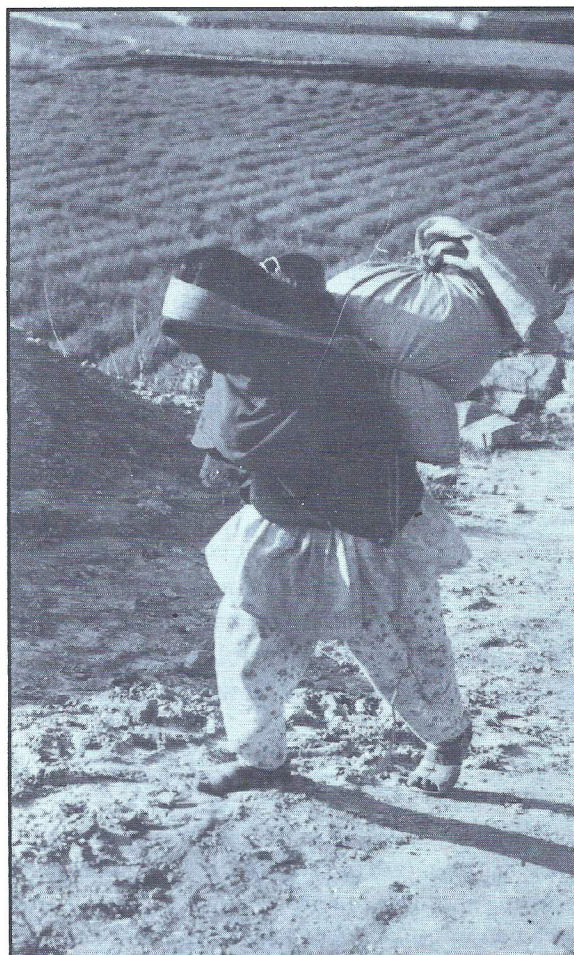
These commitments and priorities, however, have yet to be translated into action by both the government and foreign donors.

The private sector and its impact on the village economy

Most business enterprises in the village communities of Nepal are privately-owned and profit-oriented. Their operations are concentrated in the Kathmandu Valley, catering to the tourism and carpet industries, and importation and exportation of capital goods. These "big" private sector organizations are neither interested nor willing to provide business opportunities to build the skills of the rural poor. Profit is their sole motive.

The primary benefit of the growth in the private sector should have been employment, but the opposite is true in Nepal. Businesses employ laborers, yet their contribution to the upliftment of the socio-economic status of the poor is negligible. Furthermore, the private sector has raised the dependency of the unskilled laborers by providing them only menial and temporary work. The wage-earners, therefore, are not given the opportunity to acquire meaningful skills that can be put to good use in the rural areas.

Some organizations, however, did not turn a



blind eye to the reality that the private sector is not about ready to pursue poverty alleviation projects on its own. It was because of this dire situation that the Agro Enterprises Center and TRUGA project were created by government in a bid to promote private sector participation in the betterment of the Nepalese population.

The AEC is a project initiated in 1991 in response to the pressing need to focus the private sector's role in the development of Nepal's agricultural sector and agro-enterprises. It is funded through a five-year cooperative agreement by the United States Agency for International Development (USAID) and the Nepalese Chamber of Commerce and Industry. The AEC aims to assist small Nepalese entrepreneurs in creating agri-enterprises; improve their competitive market position; and increase exports of high-value processed products. It also plans to link together individual investors, companies, commodity associations and producer

groups who have access to markets, technology, business skills and research institutions.

The contributions of the AEC to the livelihood of the rural poor have yet to be realized and observed, considering that the program has barely started.

The TRUGA program, on the other hand, is a vocational training program developed by the International Labor Organization (ILO) and launched in 1984 to provide additional income-generating opportunities to the underemployed and unemployed, particularly from the non-agricultural sector.

From 1984 to 1992 the TRUGA program made significant progress in employment and income generation in some rural areas. The reported number of beneficiaries exceeded the original target of 2,000. In 1988, the program trained at least 3,500 people spread throughout the country's 75 districts.

The skills developed in the said program include roof tile making, pottery, apple processing, textile weaving and machine weaving. However, the continued success of the program was stalled due to the lack of raw materials, equipment, and markets.

The benefits provided by these alternative private sector activities, however, are overshadowed by the reality that the majority of private sector firms simply do not care about the improvement of the lives of the rural poor.

In addition, the rural populace have to contend with the environmental degradation and rapid exploitation of natural resources brought about by a growing private sector.

Voluntary sector experiences in sustainable livelihood activities

Nepal has a long tradition of mobilizing self-help groups as part of a survival strategy to carry out mutually-beneficial activities such as agricultural labor exchange; construction and repair of irrigation canals and roads; and provision of community welfare and security systems. These welfare and charity-based organizations established the now-familiar image of the NGO as a non-profit, social service-oriented organization with a humanitarian approach.

They acted as intermediaries in delivering assistance to the poor. But they actually contributed little or nothing towards removing the

underlying causes of poverty. During the last two decades, however, NGOs in Nepal have become more attuned to the progressive trend among international NGOs that adopt a more powerful approach, and voice their opinion on national and global issues.

The past three years saw an unprecedented surge in the number and activities of NGOs all over Nepal. Since the formulation of the eighth Five Year Plan, there has been a strong recognition of the comparative advantage of community groups and NGOs in terms of their cost-effectiveness, flexibility, motivation and initiative.

At both the conceptual and operational levels, NGOs showed certain characteristics which enable them to perform functions distinct from those of government and the private sector.

"[T]here seemed to be ... political commitment for economic enhancement of villages through the increased delivery of social, economic, and market services."

The geographic division of Nepal's NGOs, however, showed that there was a large concentration of NGOs in the central region and the hill districts, including Kathmandu. On the other hand, NGOs working in the mid-Western and far-Western regions were very few, largely due to the inaccessibility of said districts caused by inadequate transportation systems and lack of infrastructure facilities.

But if serious NGO commitment to poverty alleviation is to be expected, then this imbalance needs to be addressed, since poverty is more acute in the far-western than in the eastern regions.

In terms of activities, 397 NGOs (38 percent) are directly involved in the community and rural development sector. This is an encouraging trend as NGOs provide services directly to the rural poor.

The potential of NGOs for accelerating rural development and promoting village-level activities through motivation and empowerment is indeed very high.

They have been effective in reaching the poor and in supporting the felt needs of the people because they involve the target beneficiaries in both the planning and implementation of projects. This somehow ensures the commitment of the rural poor to carry the programs through.



An example is the Samaj Kalyan Kendra of Uttar Ganga. This NGO is a local self-help group that was initially engaged in preparing communities against natural calamities. It has since broadened its activities to include mutual savings schemes. It operates an excellent system of loan disbursement, supervision, and repayment. The default rate is almost nil, and an average of 125 members receive credit annually. The success of this self-help NGO has led to the creation of similar organizations in the adjoining villages.

A study by the ADB, however, showed that NGOs in Nepal are still poorly developed. Severe limitations have been observed in three general areas: financial accountability; activity planning and monitoring; and cooperation with local government structures.

Fund constraints have taken their toll on NGOs. More often than not, NGOs have become

opportunistic and tend to accept any project that can be funded, even if the project does not fall within their organization's objectives or competence.

Strategic and long-term program planning are also difficult for NGOs since income and funding sources are uncertain and available only on a short-term basis. Programs are therefore kept within a short timeframe, usually about one year. Some NGOs who are able to secure funding often fall into the "donor's trap." Donors control the organization

and its activities. As a result, the organization's inner strength does not grow. Once the donor's support is withdrawn, the organization collapses.

The weak internal capacity has made it difficult for NGOs to get on an equal footing with government agencies since they are not perceived as competent partners. These weaknesses then should urgently be overcome, as NGOs provide alternative development strategies. In addition,

NGOs have a strong spirit of voluntarism and commitment not found in the government and the private sector.

Lessons and insights

The ongoing rural development programs implemented by the government alone cannot reduce the level of poverty so prevalent in the country's villages. Since the implementation of the First Five-Year Plan up to the current Eighth Five-Year Plan, the widening gap between the rich and the poor remains unresolved.

Even the reorientation of government fund flows towards infrastructure and social services have not reduced high poverty levels. The massive inflow of funds from donor agencies and multilateral lending agencies also did not produce the anticipated benefits.

The main problem is that these development

programs were not formulated together with the rural poor who are in a better position to know what programs would directly benefit them. The involvement of international agencies and government, thus, needs to be reoriented towards the real needs of the local people.

Experience has shown that successful poverty alleviation programs were rather small scale, but were based on the beneficiaries' own wisdom and skills. The capacity of the local institutions and people should not be ignored in the implementation of sustainable development programs. This process will eventually build the confidence of the people and prepare them for bigger projects in the future.

It is also essential to consider available experiences within the country in which the village people are creating and managing resources for sustainable development. These experiences should be analyzed and integrated in defining the priorities for village-centered development to the benefit of the poor.

NGOs should also be strengthened to harness their potentials in fulfilling their roles as intermediaries or catalysts in development programs for the poor.

It is recommended that NGOs should base this capacity-building process on actual projects with the help of professional NGOs, INGOs and

“Strategic and long-term program planning are also difficult for NGOs since funding sources are uncertain...”

commercial firms that have the necessary expertise.

NGOs should also gain access to government resources and legal avenues for the enhancement and promotion of their activities. For instance, foreign assistance should be directly funneled to NGOs to improve their collaborative efforts with the government. This move could remove NGOs' problems with government bureaucracy that delay the disbursement of much-needed funds.

Finally, NGOs should reduce their heavy dependence on donors through the implementation of more cost-effective poverty alleviation programs using local resources, as some projects by donor agencies lead to dependence. NGOs should collaborate with donors and maintain a cohesive relationship while planning and implementing grassroots initiatives. □

PAKISTAN

*based on the paper presented by Mr. Hassan Khusro Mir
in behalf of the Rural Development Foundation of Pakistan (RDF)*

Agriculture is the main occupation of four-fifths of Pakistan's rural population whose life remains a constant struggle for survival. Of the total population, more than 70 percent lives in rural areas spread over 45,000 villages. Several factors are responsible for the limited and distorted rural development in the last

45 years. These are the prevalence of feudalism in the countryside and the establishment of a bureaucracy which continues to function under the old colonial system.

Official name: Islamic Republic of Pakistan
Area: 310,400 sq. mi. (803,936 sq. km.)
Population (est. mid-1994): 126,400,000 (verage annual rate of natural increase: 2.8%); birth rate: 40/1000; infant mortality rate: 109/1000; density per sq. mi.: 407.2

Capital (1981 census): Islamabad, 201,000

Largest cities (1981 census for metropolitan area):

Karachi, 5,208,100; Lahore, 2,952,700; Faisalabad (Lyalpur), 1,920,000; Rawalpindi, 920,000; Hyderabad, 795,000; **Monetary unit:** Pakistan rupee;

Principal languages: Urdu (national), English (official), Punjabi, Sindhi, Pashtu, Baluchi; **Religions:** Islam, 97%, Hindu, Christian, Buddhist, Parsi;

Literacy rate: 35%

Economic Summary: Gross Domestic Product (FY92): \$48.3 billion; per capita income: \$410; real growth rate: 6.4%; inflation (FY91): 12.7%; unemployment (FY91 est.): 10%; arable land: 26%; principal products: wheat, rice, cotton, sugarcane; labor force (1987): 28,900,000; 54% in agriculture, 33% in services; major products: cotton textiles, processed foods, petroleum products, construction materials; natural resources: natural gas, limited petroleum, iron ore; exports: \$6.8 billion (f.o.b., FY92); cotton, rice, textiles, clothing; imports: \$9.1 billion (f.o.b., FY92); edible oil, crude oil, machinery, chemicals, transport, equipment; major trading partners: U.S., E.C., Japan.

Feudal relations are a major obstacle to rural development in Pakistan as they prevent the liberation of creative energies of both landlord and tenant in a master-dependent relation. The system prevents the lower class from access to productive assets as well as the full fruits of its labor. Unproductive use of wealth leads to stagnation of rural economy.

Pakistani reports showed that small farmers owning less than 35 acres (92 percent of the population) get only 15 percent of the state subsidized credit and 10 percent of all subsidies. With such ownership structure and implementation of state policies, rural development, if it did occur, has favored the rich.

The colonial bureaucratic structure and feudalism persisted along limited administrative reforms in 1973.

Policies and programs of rural development have been formulated and implemented within the bureaucratic framework. They preached the doctrine of people's participation but the reality proved otherwise.

As a whole, the rural development programs of the last 45 years have mostly benefitted the bureaucracy, the feudal class, and to a certain extent, middle land owners. These programs failed to deliver an effective transfer of power to the people; create and sustain their organizations; and distribute benefits of development equitably.

This is tragic indeed as the bulk of Pakistan's population is located in the rural areas, over six percent of which is unemployed. Figures also show that from 1963 to 1991, the lowest 20 percent of the population shared in only eight percent of national income while the highest 20 percent got almost half of the income. This inequality in income distribution has been almost constant for the past 30 years.

The poor in the rural areas have remained dependent on the national government as they lacked adequate knowledge, skills, and appropriate attitudes to take better control of the environment. Their socio-economic status has fostered apathy, lethargy and "poor work ethics". Further, the denial of opportunities to improve their lot has made the people dependent. This has minimized the poor's participation in the development process and their commitment to action. The result was a failure in realizing the concept of self-reliance which is central to any rural development.

Rural development programs

To foster socio-economic development of the rural areas, a number of rural development programs were launched. The aim was to eradicate rural poverty through sustained increases in the productivity and income of poor rural workers and households; and not by simply redistributing current income and assets.

One of the first programs was the Village Agriculture and Industrial Development (Village-AID), a technical assistance program between Pakistan and the US. It aimed to increase agricultural production by providing infrastructure for the establishment of small industries on self-help basis.

The Village-AID program coordinated the resources of the government and the people for a

concerted and determined effort to reconstruct village life in Pakistan. Productive output and real income of the villager rapidly rose as modern farming techniques, sanitation and health, cooperative and cottage industries were brought to him.

The program, however, failed to meet its objectives due to weak institutional structures, lack of support facilities, and finally the stoppage of foreign assistance.

The government soon followed the program by the Basic Democracies Order of 1959. It was a law that changed the local government system in a bid to execute development programs at the grassroots. It

"The (People's Work) program was conceived in a way that the projects were to be identified by the local people..."

was envisaged principally as coordination between various organs of local, provincial and national governments so that the entire machinery would work as an integrated whole for the general welfare of the people. The government therefore established a program to develop community-based welfare centers in key districts of the country.

The basic structure, however, was highly political which caused the program to eventually fail. Major donors withdrew their support.

In 1962, the government revived its rural development objective through the Rural Works Program (RWP). RWP was based on the concept that heavy financial investments into local areas would increase the purchasing power of the citizens and the demand for consumer goods. The program failed due to total dependence upon the government for implementation as well as lack of coordination between elected representatives and the bureaucracy. RWP was later revived as the People's Work Program. It envisaged mobilizing local resources and motivating the people so that the process of development would be channeled to underdeveloped areas. People's work councils were created at the

Village Machiana

Machiana Village in Sujrat district, Punjab province, is one of 107 villages under IRDB Markaz Kunjali.

It is an old village, estimated to be some 400 years old and is situated five to six kilometers from Kunjali proper. Its population is composed of mostly small farmers who are community-minded and inclined towards the social and physical development of their village.

The village's main economic activity is agriculture. Almost all of its families own land. Out of the total land area of 2,500 acres, 2,400 are cultivated while the rest are utilized for residential and community purposes. Majority of the residents own land of less than five acres. Only two landowners own 25 acres. Major crops are rice and wheat.

The tenorial system has changed due to the introduction of new technologies and land reform. From the tenant sharing system of 50-50, it is now 2/3-1/3 with the tenant paying for tractor changes. The upper Jehhum canal supplies the village's irrigation requirements, supplemented by a few tubewells which were privately-instituted.

The use of tractors and other agricultural implements is also common. Six tractors and three wheat threshers are rented out on custom hiring service basis.

The need for agricultural diversification has prompted villagers to start social forestry using block forestation on the water-logged land. They have also

established tree plantations on the peripheries of the fields and planted trees as inter-cropping methods. Also, the planned establishment of a paper-pulp mill in the Kunjali area that is estimated to require 400 tons of eucalyptus wood a year is expected to provide additional income to farmers.

An additional 400 acres are used for growing fodder to feed the community's livestock — 400 buffaloes, 250 goats, 30 donkeys, and a few camels.

Although majority of the villagers are farmers, the village has an active non-farming sector composed of carpenters, shoemakers, blacksmiths, masons, shopkeepers, government employees, and overseas contract workers.

The village artisans continue to be paid in kind — one kilogram per ton of grain from every crop in each household. The introduction of mechanized farming has contributed to the growth of the non-farming sector.

Only one private enterprise venture so far exists in the area — a 5,000 head poultry farm owned by the two largest landowners from one of the villages. To reduce costs in the construction of poultry sheds, the poultry owner also established a pre-fabricated facility for the manufacture of ready-made roofing blocks, beams, and pillars.

A decade earlier, the village presented a dismal and gloomy picture. The approach road and the internal streets were all dirt roads, making travel difficult especially when it rains. Three open-dug wells supplied the village's

drinking water requirements. A pond was used by both animals and human beings for bathing. Without side drainages, the streets flooded during rains. Educational facilities were non-existent and village children had to go to other villages for schooling. No health coverage was available within close vicinity. Electricity was also non-existent.

The outlook of the village was completely changed largely due to the efforts of a well-organized community. A village development community was formed and registered under the Societies Act. With this committee, the people were able to establish a strong linkage with the Kunjah Markaz and received all the assistance possible. The community now participates actively in local development activities.

The village donated land and labor for the construction of schools. There are now two schools: a middle school for girls and a primary school for boys where all children of school age attend. For internal streets and drainages, the village also contributed labor while the government provided materials. All the internal streets, thus, are now brick-paved and proper drainage is available.

The community solved its drinking water system problem without external assistance by installing hand pumps in all households. Some even have electric motors to run the pumps.



district and provincial levels for administering the RWP.

The program included restoring initiative among the people; building self-confidence; and making them conscious of improving their standard of living. The program was conceived in a way that the projects were to be identified by the local people and executed through locally-available talent.

The RWP achieved moderate success as it created some political awakening in the countryside and a number of infrastructure works were completed.

The failure of the initial programs led to the development of the Integrated Rural Development Program (IRDP). The IRDP concept was defined as "a joint action by the farmers, nation building departments and the private sector to improve the economic status of the rural population so that they can participate with dignity, along with their colleagues in the cities, in the social, political, and economic life of the nation."

The socio-economic status should have improved through the provision of technical guidance, supervised credit, supply of inputs, machinery for hire, storage and marketing facilities. These

development programs were concentrated on the Markaz (growth center).

The structure of this program was democratic, people-oriented, and free from external interference. Obviously, the unique characteristic of the program was that people were seen as the masters. The bureaucracy, the experts, and the functionaries worked as people's subservient. IRDP was biased towards agricultural development based upon self-reliance.

Although no proper evaluation had been carried out, the IRDP failed to create the desired impact on the target groups due to the following reasons: one, lack of political will of successive governments; two, highly-centralized planning and development systems; three, faulty planning without taking into consideration the people's needs and priorities; four, lack of mobilization of local human and material resources; and five, absence of people's institutions at the grassroots level.

It can be concluded that major constraints remained in implementing a comprehensive rural development program. The technical know-how, investment, and management capabilities that existed across cities were not transferred to the villages. The

Studies revealed that the village has partially been able to benefit from government development efforts — from the provision of basic social and physical infrastructure to the recent social action program. However, the delivery of these benefits have not been according to the real needs of the villages. Other areas that require immediate attention are as follows:

1. environmental concerns;
2. traditional farming;
3. nutrition and food;
4. educational facilities, health, sanitation and draining;
5. migration and farms laborers to other opportunity areas;
6. sustainable income-generating prospects; and

7. infrastructure development.

The study also revealed that it is not possible to achieve village-centered development unless the following requisites are met:

1. Village must be treated as a planning and development unit;
2. Although formed and registered, the Village Development Council must be given management training and seed money for micro-enterprises;
3. It is imperative that the necessary technology for cropping patterns be introduced since village landholdings are small and economical.

Among the constraints

identified are:

1. Poor coordination with government departments;
2. Inadequate credit and marketing facilities; and
3. Lack of food processing technology.

Studies show that the village people are community-minded and have organized to undertake the maximum number of projects on self-help basis to improve their lives. However, it is essential that the constraints stated above be worked on jointly by NDCs, government, donors, and NGOs so that people could use their energies to raise adequate income and live in a village with respect and dignity. □



rural industrial policies of the government did not attract investments in rural areas. The increases registered in the production sectors and development of infrastructure did not adequately help in bringing about desired changes in rural life. Migration from rural areas to urban centers has not been stopped. The nominal income increases have mostly been offset by the uncontrolled growth in population.

Role and impact of international development institutions

The international donor agencies have given liberal aid and assistance for various rural development programs. The International Monetary Fund (IMF) and the World Bank (WB) have the most significant impact on the country's policies on the overall socio-economic set-up of the country, thus, affecting the efforts towards sustainable livelihoods of grassroots communities.

The concern over the impact of the IMF and the WB over Pakistan's affairs was described by a senior economist as virtually passing on to the IMF and the WB the management of national economic affairs. The influence of the IMF and the WB extended to the management of the fiscal deficit, inflation rate, and agriculture production.

Pakistan first entered into a structural adjustment loan (SAL) agreement with the IMF in 1991. It has been presumed that any improvement that has taken place in Pakistan was due to the religious implementation of IMF prescriptions. The SAL was a standard policy program applied in 70 developing and underdeveloped countries. Pakistan's government has since restructured the economy based on guidelines under the SAL.

However, even studies by the IMF and the WB concluded that SALs did not always do what they were supposed to achieve. For example, inflation actually rose and economic growth dropped despite the guidelines of the SAL. The attempt to cut budgetary deficits has often led to a fall in investment and growth resulting in recessionary economies.

This central tenet of cutting the budgetary deficit has often led to a sharp decline in public investment, causing severe bottlenecks in development. And whenever there have been cuts in fiscal deficit, allocations to the social sectors such as health and education have borne the largest brunt. Even the IMF and WB would agree that one of the

most noticeable effects of their structural adjustment programs was a drop in the welfare of the people and an unequal income distribution. This situation was true in Pakistan too. Massive external assistance could not bring any qualitative change in the villages because assistance was erratic and not related to people's needs.

Pakistan, however, has drummed up support from the IMF, WB, and the Asian Development Bank (ADB) as well as bilateral sources such as Germany, the Netherlands, France, and Japan to finance an ambitious five-year Social Action Program (SAP) aimed directly at improving the basic services to the countryside. The program was expected to require \$7.9 billion in funding of which 75 percent will come from foreign sources.

The focus of the SAP from 1993 to 1998 was integrating social sector policies for the improvement in the delivery of social services through a leaner bureaucracy.

SAP featured the involvement of rural communities who were responsible for operation and maintenance of small village schemes such as water supply and sanitation.

The NGOs have also tapped their own funding sources to support their specific projects. The United States Agency for International Development (USAID) was one huge donor with projects concerning family planning and social forestry. The funds were passed on to the NGOs through a government-controlled organization called NGO Coordinating Council (NGOCC). After USAID pulled out, the programs were turned over completely to the respective NGOs.

Another donor was the International Labor Organization (ILO) of the United Nations. It recently launched its strategic approach towards promoting self-employment for rural areas. Emphasis was placed on implementing the program through NGOs. Revolving funds were given to rural communities to promote micro-enterprises.

The project would mainly implement a number of pilot schemes promoting productive employment. The beneficiaries would be assisted in starting their own business or consolidating and expanding their own enterprises. Support services such as training, entrepreneurship, technology transfer, and marketing were provided.

Since the project has barely started, a valid

evaluation of how the program improved the livelihood of grassroots communities has yet to be seen.

The private sector

The business sector in Pakistan has concentrated in the urban areas. There were no worthwhile examples to show business sector initiative towards the promotion of sustainable livelihoods in the rural areas. Making the most profit was often the sole motive.

The private sector has essentially played the role of a middleman that often exploited rural communities. Crafts and goods — prepared by the villagers (especially women) — are purchased at very low prices by businessmen. The products would then be sold at enormous amount, thus, depriving the villagers of just profit. Due to the lack of access to the market, the rural communities have no option but to sell their goods at a nominal price to the middleman.

Furthermore, the business sector has set-up industrial estates adjoining the urban centers which has led to rural migration, thereby adversely affecting rural communities. No positive steps have been taken towards the development of the rural areas by the business community to promote livelihoods in the rural areas.

Voluntary sector initiatives

NGOs have started playing an increasingly significant role since the 1980s. Donors, governments, and multilateral institutions now pay tribute to their capacity to reach the poor through their informal, flexible, innovative, and cost-effective approaches. NGOs have no power under the law but their strength lies in establishing credibility and acceptance within the community. Their basic task is to strengthen the will of the people and to make them discover their own potentials, rights and obligations as members of a free, independent and democratic society.

According to the directory of NGOs, there are 8,380 NGOs in Pakistan. These organizations are currently implementing community welfare and development projects in the areas of health, population planning, education, rural development, women welfare, social welfare, and wildlife preservation.

It is unfortunate, however, that a small number of NGOs are actually working in the rural areas. The portion of 8,000 plus NGOs that are actually engaged in providing social services and training rural communities in development activities, and extending agricultural and rural extension support facilities are very few.

One NGO is the Rural Development Foundation of Pakistan (RDF). RDF provides the community with technology and other support facilities so that the people could maximize their potentials and creative energies, and break the vicious cycle of poverty.

One of the more recently-established NGOs is the Baluhistan Rural Support Program (BRSP). Its objective is to improve the living conditions and

“Their (NGOs) basic task is to strengthen the will of the people and to make them discover their own potentials...”

quality of life of the rural poor. This is done through institutional development, organizing people at grassroots level, human resource development, credit and savings program, income generation, health education, physical infrastructure and prevention of marginalization of women.

BRSP's activities have proved to be successful. Major achievements have been made in the inclusion of women as participants. Rural women now have been assisted in improving savings, production-capability, income-generation activities, training, infrastructure, and health and education.

The government of Pakistan provides support and funding to various NGOs through central and provincial agencies. This support has increased substantially through the establishment of an education and health foundation in the provinces. The Economic Affairs Division of the Government of Pakistan also coordinates foreign and international assistance to NGOs.

However, the performance of the NGOs still leaves a lot to be desired. WB study showed that NGOs in Pakistan lacked a professional approach to their work. This weakness hinders the ability of the NGOs to provide assistance to the rural poor.

The managerial skills of NGOs is especially crucial as the village communities are not organized and ill-equipped to pursue self-help projects on their own. Thus, it is imperative that community-based institutions and NGOs be strengthened to act as facilitators and a bridge between government agencies and the people.

Lessons and recommendations

The concept of a balanced development envisages an inter-related development effort. In the rural setting, agriculture and agro-based industries are considered as the basis of all village-based development. This sector accounts for 25 percent of the country's gross domestic product and includes those companies that provide inputs such as fertilizer, seed, and farm machinery to farmers. Likewise, the said companies process and market the commodities produced by farmers.

The establishment of agricultural enterprises with full participation of villagers is required to transform agriculture from a subsistence to a commercially-viable activity. The villagers should be provided with additional technical skills and credit access to enable the community to achieve sustainable livelihood.

The inhabitants of Pakistan's Village Machiana have already proven that by organizing themselves into an effective development community attuned to their needs, they can participate effectively in development activities such as construction of roads, pavement of streets, building of schools and village drainage systems.

The village continues to get support services from the growth centers, but the bulk of the work is still done by the village community itself.

An analysis of similar examples of grassroots village development and rural development programs of the last 40 years show that no meaningful development in the rural sector is possible without removing some serious constraints and bottlenecks, which have all along hampered the successful implementation of these programs. These may be political, administrative, financial, cultural, social,

economic or technical in nature.

The village's inhabitants have also demonstrated that no government can by itself bring about an appreciable change in the quality of life of the rural poor and other segments of the village society without the active involvement of community organizations as equal partners in the development process.

Sustainable development is indeed possible provided the following conditions are satisfied:

1. Equitable distribution of the production resources;
2. Village as a planning unit for bottom up approach for development;
3. Diversification of agriculture and change in cropping patterns, including off-season vegetable crops for better economic returns;
4. Transfer of technology for intensification of agriculture;
5. Crop insurance to safeguard the farmer against natural calamities and hazards;
6. Processing local agricultural produce so that profit goes to the farmers;
7. Establishment of agro-industries based on local raw materials;
8. Adequate social and physical infrastructure to secure easy and effective delivery of supplies and services, and marketing of local surpluses;
9. Seed money for creation of a revolving fund for financing local micro-enterprises on the collective surety of community organizations;
10. Introduction of small savings to generate funds for community development and welfare; and
11. Legal support to community organizations to empower them to raise local resources through the levy of fees and taxes for local development.

This study has revealed the constraints which if removed through the collective efforts of the government, international agencies, donors, NGOs and local people, a model for sustainable livelihood will emerge for replication throughout the country. □

PHILIPPINES

based on the paper presented by Fr. Antonio Francisco Lucas, Mr. Ramon Flores, and Ms. Alma dela Paz in behalf of Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHRRA)

Long before the Spanish colonization of the Philippines in the 1500s, local societies were already highly developed. The social unit was called the *barangay*, taken from the native term *balangay* (meaning rowboat) on which the early settlers arrived.

Official name: Republic of the Philippines
Area: 115,830 sq. mi. (300,000 sq. km.)
Population (est. mid-1994): 68,700,000 (average annual rate of natural increase: 2.4%); birth rate: 30/1000; infant mortality rate: 40/1000; density per sq. mi.: 593.1;
Capital: Manila; **Largest cities (1990):** Manila, 1,587,000 (Metropolitan area population is 7,832,000); Quezon City, 1,632,000; Cebu, 610,000; **Monetary unit:** Peso; **Languages:** Filipino (based on Tagalog), English; regional languages: Tagalog, Ilocano, Cebuano, others; **Religions:** Roman Catholic, 83%; Protestant, 9%; Islam, 5%; Buddhist and others, 3%; **National name:** Republika ng Pilipinas; **Literacy rate:** 90% (est.)
Economic Summary: Gross Domestic Product (1992 est.): \$54.1 billion; per capita income: \$860; real growth rate: 0.6% Inflation: 8.9%; unemployment: 9.8%; arable land: 9.8%; Principal products: rice, corn, coconuts, sugarcane, bananas, pineapple; **Labor force (1989):** 24,120,000; 46% in agriculture, 18.5% in services, 16% in industry and commerce; Major products: textiles, pharmaceuticals, chemicals, processed food, electronics; natural resources: forests, crude oil, metallic and non-metallic minerals; exports: \$9.8 billion (f.o.b., 1992); electrical equipment, coconut products, chemicals, logs and lumber, copper concentrates, nickel; imports: \$14.5 billion (f.o.b., 1992); petroleum, industrial equipment, raw materials; Major trading partners: U.S., E.C., Japan, Taiwan, Saudi Arabia.

Most of these barangays were comprised of 30 to 100 households and were located near coasts or rivers. Fishing and wet rice agriculture were the primary sources of livelihood.

Spanish colonization, however, disrupted the old political system and replaced the barangays with the Poblacion-Barrio-Sitio structure which prevails to this day. Services, commercial activities and trading were concentrated on the poblacion or the village. The people gravitated towards the village centers not only because of commerce but, more importantly, due to the church located at the center of each settlement complex.

The church at that time not only acted as a religious institution but as an economic and political force as well. The concentration of the population in the poblacion resulted in the uneven development between the poblacion and its subordinate villages or the barrios and sitios. Social classes based on economic status, thus, began to emerge due to this new socio-political structure.

Social classes became even more pronounced when the hacienda system was introduced by the Spaniards. The demand for cash crops prompted many landowners to acquire more lands and increase production. Lands previously owned communally were appropriated as private property by a handful of wealthy



landowners. Many farmers lost their landholdings or became tenants under the new owners.

Often, landlord-tenant relations was marked by exploitation. The landlord acted both as patron and master who controlled the lives of his tenants from cradle to grave.

Spanish rule persisted for more than 300 years. Overtime, population and trading centers metamorphosed into major urban centers we know today such as Metro Manila and Cebu.

Commercial activity and consequently income were concentrated in these urban centers. Rural areas remained largely poor and underdeveloped as barrios and sitios were during the Spanish era. This skewed development can be better illustrated by the fact that around 58 percent of the country's population lived in absolute poverty from 1977 to 1989, and 63 percent of these lived in the rural areas.

The village community

The rural areas constitute a third of the country's total land area and cover more than half of its population. Yet, the countryside is still characterized by a singular geo-political and economic base where small clusters of families share common socio-cultural orientations — the village community.

The village community embraces a structure of relational values: integration of natural resources and society as concretized by socially equitable distribution of resources and opportunities; economics

and ecology expressed by ecologically sound, income-generating activities; a system of governance that optimizes democratic participation; and empowerment among and between its constituents. These same village-communities provided 21.03 percent of the country's total Gross Domestic Product (GDP) in 1991 and accounted for over 51 percent of the population in 1990 or approximately 31 million

people. Most of the rural population (65 percent) live in lowland and coastal areas while 35 percent reside in the uplands.

The Philippines is primarily agricultural, where some 12.3 million hectares (41 percent) of the land are used for farming and other allied activities. The major sources of livelihood are tied to agricultural development. Villagers also get a large portion of their income from livestock raising, fishing and forestry.

“[O]veremphasis on agri-based industries... are not likely to lead to the development of the agricultural sector...”

In 1991, agriculture contributed a total of P 1.25 billion to the Gross National Product (GNP) and accounted for 32.1 percent of the country's total export earnings. But despite the significant contribution of the rural countryside to the country's economy, it is also in these provinces where the highest levels of poverty are found. While the current daily minimum wage for agricultural plantation workers is placed at P 93.69 (\$ 3.47), non-plantation

MALABOG PARISH MULTI-PURPOSE COOPERATIVE, INC.

Malabog, Paquibato district is a small community nestled in the hills of Davao City in Mindanao. It lies 60 kilometers or three hours away from the city proper and has an estimated population of 1,382 spread over 4,000 hectares. Malabog lies in a forested or timberland area.

About 12 percent of the farmers in Malabog have certificates of stewardship contracts on long-term land-use rights. Farming became the main source of livelihood after the end of logging in the 1980s. Crops grown by farmers include coffee, cacao, coconut, yam, and fruit trees. Farmers earn from P500 - P1,200 (\$20 to \$48) per month. The average farmholding is below the five hectare ceiling set by the government's Integrated Social Forestry and Comprehensive Agrarian Reform Program (ISF/CARP).

The problem

Because of poor roads, residents and farmers were bogged down by the high costs of transportation and marketing problems. Farmers often faced no other choice but to postpone delivery of their produce. The produce would then depreciate and rot, leaving the farmers with heavy losses.

The farmers were also abused and exploited by capitalist traders who dictated low prices for their produce. Malabog's farmers practiced monocropping and remained dependent on chemical inputs, with lack of knowledge on sustain-

able farming techniques.

It was against this backdrop that MPMCI was created. With the help of KAPWA Upliftment Foundation, MPMCI was organized in 1987 to respond to the clamor of farmers for:

- lower prices of basic commodities;
- higher buying price of farm products;
- increased income for farmers; and
- access to needed local capital.

In setting-up the cooperative, KAPWA envisioned the creation of a people's organization to serve its members' needs. Its main strategies were: community organization and institution building; promotion of appropriate upland farming techniques and agroforestry; assistance in processing long-term land use rights; providing support services such as marketing; and partnership development.

From an initial 40 members, the cooperative has grown to 425 members. It is organized into three divisions: consumer, marketing and credit.

Projects

Among the more concrete projects of MPMCI were:

- A consumers store which provided residents easy access to basic commodities.
- A marketing system which provided an alternative outlet for farmer's produce a sure market that pays at fair market rates compared to unscrupulous

traders. Limited to buying corn, rice, coffee, cacao, copra and beans, it expanded into livestock trading in 1990. Today, it experiments with market contracts with Nestle (coffee) and Magnolia Corporation (langka and ube).

- A credit division which provided loans for farm inputs, as an alternative to moneylenders, particularly for setting-up agroforestry farms and for raising livestock.

- An agroforestry project which assisted members in setting-up nurseries for timber and fruit trees and other high value crops, thus also helping local efforts at reforestation.

- The construction of 18 solar dryers gave farmers a place to air and dry their produce. Also, the construction of a local water system drew the community together as they jointly reviewed alternatives, assessed operations and eventually jointly managed the use of water as a common community resource.

Generation of funds

Funds for the core operation of the cooperative were generated primarily from the earnings of its enterprises. Funding for new programs came from either additional members' equity or from external sources such as the agroforestry loan from KAPWA. A crisis food loan and a mortuary assistance fund were also generated through members' equity. Other funds



agricultural workers get even lower at P 73.36 (\$ 2.72). This daily wage rate remained the same from 1992 to 1993, while the poverty threshold for a family of six increased to P 233.33 (\$ 8.64) from P 219.17 (\$ 8.12) over the same period.

Some of the most glaring ironies are illustrated as follows:

- *Rich array of natural resources but a heavy dependence on single products*

Despite its fertile agricultural lands, the province of Negros Occidental remains heavily dependent on one main export product – sugar. This condition leaves a large portion of the local population highly vulnerable to economic recession and to fluctuating prices in the world market.

- *Flawed commodity flows*

A number of provinces are forced to export commodities at a low price due to the lack of basic infrastructure or knowledge in processing. These provinces, thus, lose out on potential income derived

from gross value-added if raw materials were shipped out as finished goods.

Biliran, a sub-province exporting rice, corn, fishmeal, and copra and whose local industry could support an integrated poultry operation still has to import dressed chicken. The community's economy has been retarded by insufficient post-harvest, milling and storage facilities.

Tawi-tawi, one of the poorest provinces and the country's largest seaweed producer located in southern Philippines, ships all of its seaweed to Cebu for processing.

- *So close to urban Manila and Cebu, yet so far in development*

Masbate island lies midway between Cebu and Manila and yet 80 percent of its population has no access to electricity and potable water.

- *Savings generated in the countryside is not plowed back*

The higher risks of rural lending and the bias

MPMPCI...

were solicited from suppliers and other benefactors such as politicians and government officials.

Various training programs have developed the capability of farmers to manage their resources, including the cooperative and its projects. In 1992, the cooperative posted a net gain of P105,523. Key leaders who have undergone value education and leadership training transferred their knowledge among other members through re-echo seminars.

Strategies towards self-sufficiency

- *Organizing self-help groups and imbibing interdependence among them.* MPMCI's operation and processes were governed by the principles of coalition and economic development through bottom-up participation vis-à-vis community organizing. Its underlying philosophy has been to en-

gage grassroots participation in project planning and implementation, and to maximize the resources indigenous to the locality through effective management and use of both human and natural resources.

- *Increasing the productivity of farmers.* Farmers were helped to analyze why they were unable to provide for their basic household needs, and were assisted to design more comprehensive farming systems.

- *Developing an alternative marketing system.* KAPWA was able to provide an alternative marketing system for MPMCI by establishing sub-cooperatives or buying stations. These stations provided a sure market and facilitated the transport of the farmers' produce. The cooperative's storage facilities also guaranteed better quality of products and hence, fair prices for farmers.

After seven years since the cooperative's establishment, many changes have taken place in the community. Foremost among these was the establishment of a viable alternative people's organization responsive to the needs of the community. Basic commodities at fair prices have been made available through the consumer's store. Buying stations have provided a practical and organized system of collecting farmer's produce through a credit assistance scheme. MPMCI's success demonstrates that outside financial and technical assistance alone are not enough to help people and communities improve their lives. A holistic approach towards the creation of an alternative, participative and sustainable livelihood is needed to enhance the integrated development of a community. □



of government incentives towards industry encourage the flow of funds to urban areas, and compound the serious problem of lack of credit facilities in the countryside. This contributes to the slow pace of rural economic activity. It has been estimated, for instance, that 90 percent of rural bank savings are invested in money markets or urban-based enterprises due to their more secure returns on capital.

Government and the policy environment on economic development

Existing government policies on economic development are one of the major causes of the high incidence of poverty in the countryside. The government has yet to come up with an integrated program that is suited for the upliftment of the smallest village-community.

The present development framework is embodied in the Balanced Agro-Industrial Development Strategy (BAIDS) and the Countryside Agro-Industrial Development Strategy (CAIDS). The government favors the establishment of regional industrial centers in "growth corridors" in the provinces, as contained in the Medium-Term Philippine Development Program for 1993-1998.

The Philippines is also bent on penetrating the international market by adhering to the principles and policies laid down in the ASEAN Free Trade Agreement (AFTA) which is aimed at promoting tariff-free trade among ASEAN countries. The main vehicle will be the Common Effective Preferential Tariff (CEPT) scheme.

Some government agencies, however, are undertaking specific programs to improve the lot of the rural poor. In 1990, the National Economic and Development Authority (NEDA) launched its countryside agro-industrial program, aimed at providing a macroeconomic policy environment conducive to agricultural development. The Department of Labor and Employment (DOLE), through the Bureau of Rural Workers (BRW), has programs for the promotion of rural entrepreneurship. The government has also established the Presidential Council for Countryside Development and the Presidential Commission to Fight Poverty.

Yet, even with these policies and programs in place, rural areas remain deep in poverty.

The overemphasis on agri-based industries as set forth in the BAIDS and CAIDS are not likely to

"Development programs targetting the rural areas ultimately fail because they don't address the structural inequalities that prevail in the countryside."

lead to the development of the agricultural sector. Infrastructure development primarily favors those who exercise control over resources, capital, technology, and markets -- thus effectively excluding the rural poor.

The poor is also likely to be badly hit once AFTA is in place, as local companies are ill-prepared to compete head-on with other ASEAN countries due to their lack of technology upgrading. The Philippine economy does not promote capital reinvestment for product upgrading and innovation -- two key elements in market competition.

Development programs targetting the rural areas ultimately fail because they don't address the structural inequalities that prevail in the countryside. Growth targets are often set without much attention being given to the "non-economic" costs -- the environment and social equity, among others. Foremost among these problems is the lack of a genuine agrarian reform program. Five years after the enactment of the Comprehensive Agrarian Reform Law (CARL), agrarian reform still has to become a reality in the Philippines.

Role and impact of international development institutions

These drawbacks on the Philippine economy have led policy-makers to increasingly rely on foreign grants and loans for relief. In 1991, the total inflow of external assistance to the Philippines amounted to \$1.4 billion -- \$1.09 billion in loans and \$0.31 billion in grants. Three of the top five donors for the year were bilateral sources, namely, Japan, the United States, and Germany. The remaining two were major multilateral donors -- the World Bank (WB) and the

Asian Development Bank (ADB). These various loans increased the Philippines' external debt in 1993 to an estimated \$33 billion, including \$41.23 million in Official Development Assistance (ODA).

The WB accounted for 49.9 percent of multilateral assistance in 1991 of \$692 million while the ADB provided 28.4 percent. WB investments were directed to industry, energy, natural resources and agriculture, while the ADB supported transport, social and human resources development, forestry and fisheries as well as agriculture, energy and industry.

Badly-needed loans, however, came with strings-attached, and these conditionalities exacerbated the problem of rural poverty. The government, meanwhile, has consistently followed the policy of honoring all debts, regardless of how they were acquired, to the detriment of the already cash-strapped economy.

From 1991 to 1993, allocations for debt servicing reached an astounding 39 percent of the

“NGOs and POs in the Philippines have long been viewed as an alternative channel for the delivery of basic services.”

national budget. In contrast, agriculture, agrarian reform, and natural resources development received only an average share of 5.9 percent of the budget.

There were also non-monetary costs to excessive external borrowings as the approved projects by lending agencies were sometimes inappropriate for the target areas. One example is the country's first coal-fired thermal power plant located in Calaca, Batangas. Residents living in the plant's vicinity complained of an increase in cases of respiratory diseases due to the volume of coal fly ash inhaled by the people. The ashes also adversely affected the water supply and vegetation in the area.

The business sector and its impact on the village community

One immediate tangible result of luring

private business enterprises to a community is employment generation. As the businesses grow, more jobs become available and more people receive regular income.

There is also the entry into the community of the technology and information necessary to manufacture or process products. As production increases and becomes more efficient, profits likewise increase, which can then be reinvested as new capital.

However, there are also social and economic costs to the growth of private enterprises in a community.

For instance, the use of the community's natural resources is never included in the balance-of-account, notwithstanding the fact that environmental stability and food security are often jeopardized as the community's natural resources are depleted. Human resources are also exploited to some degree. Capitalists prefer to keep costs, including wages, down to be able to enjoy more profit.

Moreover, profits generated by private firms tend not to be reinvested in the community for the benefit of the majority, but are instead siphoned off by outsiders.

The operations of transnational corporations (TNCs) best illustrate the effect of private enterprise on the community. Since TNCs often cover a wide area such as plantations, they determine the dominant economic activity in the area. For instance, if a TNC is engaged in the cultivation of only one particular crop for export, the economy of the entire community comes to depend on the export of such crop. The community then falls hostage to price fluctuations that may occur in the export market. Also, the domination of only one major economic activity discourages the development of other village-based enterprises.

NGO experiences in sustainable livelihood activities for the rural poor

Non-governmental organizations (NGOs) and people's organization (POs) in the Philippines have long been viewed as an alternative channel for the delivery of basic services. Where government has been unsuccessful, NGOs have taken over.

More than 20,000 NGOs currently operate in the Philippines. A large number of these are federated into national NGO networks. These networks, in turn, form federations of NGO

networks. Foremost among these is the Caucus of Development NGOs (Code-NGO) which is composed of 10 national NGO networks.

NGOs respond to the problems of countryside underdevelopment in different ways. They engage in community organizing, education and training, primary health care, and agricultural extension. But one important trend is the entry of NGOs into integrated area development (IAD) activities.

The IAD approach is not limited to hastening the growth of village communities; it also addresses equity concerns in the communities. While growth refers to the increase in productive capacity and therefore of community income, equity addresses the question of how the benefits of such an increase are distributed to all members of the community.

With the shift to IAD, NGOs are now moving away from the social fix that has characterized development work in the past. For development work does not stop when people's organizations have been formed.

Among the aspects of community development that are given increased attention are sustainable resource management and improvement of the community's financial status and sustainability.

In Pasacao, Camarines Sur, a trading center was established for the fisherfolk of Ragay Gulf through the Ragay Gulf Fisherfolk Development Program. The Fisherman's Unity in the Entire Ragay Gulf Shoreline Association (FUERSA) — a federation of 14 fisherfolk organizations — is involved in the program spearheaded by the local NGO Caceres Social Action Foundation, Inc. (CASAFI).

FUERSA members sell their catch to the center where the fish are auctioned off to traders who drop by the center. Ten percent of the gross proceeds is deducted to cover the operational expenses of the

center. Another 10 percent is earmarked for the group's capital build-up fund, while the balance is paid to the seller.

The program also provides credit assistance to members of the federation, to enable them to improve or upgrade their fishing units and equipment. Among the program components are community



building, training, resource management and basic services, as well as educational programs on ecological sustainability and protection.

In Davao City, KAPWA Upliftment Foundation worked with residents of Malabog village to form the Malabog Parish Multi-Purpose Cooperative, Inc. (MPMPCI).

Before the establishment of the cooperative, the people of Malabog (particularly the farmers) were burdened by the lack of transportation and marketing facilities in the area. They were exploited by traders who bought their produce at low prices. They were also unaware of the proper farming techniques that could increase their production.

Now, after over seven years of working with the people of Malabog, KAPWA is ready to end its direct involvement in managing the community enterprise and to turn it over to the community. (See related story.)

In Tagum, Davao del Norte, an alternative financing cooperative that rivals commercial banks in the area is operating in full gear. The Tagum Cooperative Bank began in 1965 as the Holy Name

Credit Union. It was established to respond to the need for capital among its members, who could not afford the prohibitive loan terms of banks and loan shops.

The cooperative bank provides its members with a variety of services, primarily credit loans. There are different schemes to suit various types of borrowers: small/micro entrepreneurs, government employees, private employees and regular cooperative members.

Member-depositors are offered higher interest rates for their savings and time deposits compared to those given by commercial banks. Members are also offered incentives which they would not otherwise obtain from commercial banks, including burial assistance and scholarship grants.

The cooperative bank also ventures into community development projects by extending agricultural assistance to its farmer-members in the form of loans for livestock-raising and for corn and vegetable production.

Because of its various incentives and programs to members, the Tagum Cooperative Bank is now preferred over other commercial banks in the area. The success of this cooperative bank proves that rural communities are creditworthy, countering preconceived notions that loans can be extended only to those with money and collateral.

Insights and recommendations

Critical to undertaking economic projects is



the initiation of parallel efforts to provide rural folk access to and ownership of resources such as land, capital and marine resources. Equally important is to develop the capabilities of people in a community to manage economic projects even after the assisting organizations, NGOs or funding partners, have ended their direct involvement in the project.

NGOs and POs may consider the following characteristics in gauging the effectiveness of a community-based enterprise:

- *Natural resource conservation*

The enterprise must take into account both the economic and social value of the community's natural resources, and must provide for the sustainable management of such resources.

- *Technology and skills development*

The technology to be introduced by the enterprise must be appropriate for the community and sensitive to its culture.

- *Recognition of culture and spirituality*

The community enterprise must respect the "ways of doing" of the community, particularly its indigenous knowledge and values.

- *Democratization of decision-making*

The community enterprise must directly involve the people in all aspects of its development, from planning to implementation.

- *Provision for equity*

The entire community must have ownership of the enterprise with the people being considered as stock/shareholders. Benefits derived from the

enterprise must be distributed equitably.

- *Net worth consideration*

The enterprise must be linked with efforts to provide the community with food security. The net worth of both natural and human resource contributions must also be integrated into the enterprise.

- *Needs response priority*

The enterprise must help in securing resources for the community's

A CENTRAL BANK FOR THE POOR: *Can it be done?*

A Central Bank is a very powerful institution. It influences the direction taken by a country's economy, as it determines the amount of money in circulation, level of interest rates, availability of credit, and the country's exchange rate.

But apart from these functions, the central bank is also seen as an agent of development, being a potent instrument for directing the flow of credit to priority areas such as agriculture and rural development.

Like other developing countries, the Philippines experienced implementing a directed credit policy for the agricultural sector. This was seen in the rice self-sufficiency program in the 1970s dubbed as *Masagana 99*. Through the program, government pumped in low-interest, uncollateralized loans for rice production through the rural banks and the Philippine National Bank. In lieu of requirements like collateral and credit worthiness, government provided intensive supervision, technical assistance, and subsidies for operational costs to farmers.

But even as pockets of successes were observed, the directed credit program failed to achieve most of its original objectives and targets.

The quality of loan portfolios deteriorated. The ratio of past due loans to total loan volume in the rural banking system expanded to about 33 percent in the early 1980s from only 11 percent prior to *Masagana 99*. Studies also showed that instead of falling on the lap of

their intended beneficiaries, the fruits of government's directed credit program were reaped either by the formal lenders or by high-income farmers.

As loans to agriculture became unpopular due to higher risk and defaults, credit flows were soon diverted from agriculture to industry. The rural banks' losses and the diversion of loan portfolios away from agriculture resulted in the general decline of formal agricultural credit.

With high regulation seen as compounding the distortions in resource allocation created by directed credit, government decided to implement a financial liberalization program.

For the rural sector, liberalization meant the cutback on special lending programs. The central bank started to focus on macro-economic management and moved away from its role as development agent, passing on the responsibility for rural finance to other government agencies like the Department of Agriculture.

The shift from high regulation to financial liberalization was driven by the flow of events in the economy — crisis in the financial system, failure in the set objectives of the directed credit program, and external pressure.

However, people's organizations believe it is not fair to conclude from the Philippine experience with directed credit that the program is not viable. While the design of the program could have been faulty, the concept could have still worked given alternative

programs. Studies note the design of the directed credit program failed to consider the nuances of rural financial markets. Even the WB — an advocate of financial liberalization — concedes that low interest rates and directed credit play crucial roles in the success of high performing Asian economies. Further, it remains a question whether liberalization has proven successful in achieving its objectives. For instance, liberalization appears to be making little ground in easing the high level of concentration in the banking sector.

It is also unfortunate the shift to liberalization was a high-level decision made without consultation with the public, and through the force of reform programs imposed by multilateral institutions.

Challenging the prevailing consensus on liberalization among policymakers will entail a long process of effective advocacy on the people's part. People's organizations will have to study how to influence the current system to further the needs and interests of the rural sector.

The decision-making process of central banks has traditionally been closed to people's participation due to their need to maintain neutrality in the face of conflicting interests. But the impact of the central bank's policies differs among the various sectors of the society. Equity considerations would therefore require central banks to exercise a certain level of receptiveness to the demands of sectors adversely affected by specific policies. □

“The (integrated area development) approach is not limited to hastening the growth of village communities, it also addresses equity concerns...”

need; and aid in sustained maintenance of such resources, taking into account the other interdependent economic activities in the community.

- *Interdependence*

In planning and implementing a community enterprise, the people must ultimately be aware of the interdependence of all activities. What the community does with respect to an economic enterprise will have an effect on the community's other activities.

Bold steps should be taken to put village enterprises into the mainstream of economic development. The opportunities presented by the new Local Government Code to NGOs and POs must be thoroughly exploited. The Code gives NGOs and POs the right to be represented in local development councils and local special bodies, and thus participate in consultations and dialogues leading to the formulation of area development plans.

The communities should forge strategic partnerships with other area development players: business groups, socio-civic groups, the academe and the church. Intensified policy advocacy at the national level should be pursued.

It is high time that attention is now focused on the rural villages that have long suffered the effects of underdevelopment, of economic policies that only serve to stunt their growth. The establishment of village-centered enterprises is one small step towards the goal of developing the grassroots. Now is the time to take the larger, bolder steps. □

S R I L A N K A

based on the paper presented by Mrs. Indrani Iriyagola, Mr. Olcott Gunasekera, and Mr. L.M. Samarasinghe in behalf of the National NGO Council of Sri Lanka (NNGOC)

The cultivation of rice was traditionally the main economic activity of the rural sector. This activity had a built-in system of give-and-take and the readiness to help each other in the community. The village community was conscious of the needs of its members. No one was allowed to suffer for want of assistance.

Official name: Democratic Socialist Republic of Sri Lanka

Area: 25,332 sq. mi. (65,610 sq. km.)

Population (est. mid-1994): 17,900,000 (average annual rate of natural increase: 1.2%); birth rate: 20/1000; infant mortality rate: 19/1000; density per sq. mi.: 70.7

Capital and largest city (1992 est.): Sri Jayawardenepura Kotte (Colombo), 1,994,000; other large cities (1992 est.): Gampaha, 1,543,000; Kurunegala, 1,445,000; Kandy, 1,257,000; **Monetary unit:** Sri Lanka rupee; **Languages:** Sinhala, Tamil, English; **Religions:** Buddhist, 69%; Hindu, 15%; Islam, 8%; Christian, 8%; **Literacy rate:** 89%

Member of Commonwealth of Nations

Economic Summary: Gross Domestic Product (1992 est.): \$7.75 billion; per capita income: \$440; real growth rate: 4.5%; inflation: 10%; unemployment rate (1991 est.): 15%. Arable land: 16%; Principal products: tea, coconuts, rubber, rice, spices; Labor force: 6,600,000; 13.3% in mining and manufacturing; Major products: processed rubber, tea, coconuts, textiles, cement, refined petroleum; Natural resources: limestone, graphite, gems; Exports: \$2.3 billion (f.o.b., 1991); textiles, tea, rubber, petroleum products, gems and jewelry; Imports: \$14.5 billion (c.i.f., 1991); petroleum, machinery, transport equipment, sugar; Major trading partners: U.S., U.K., Germany, Japan, Singapore, India, Iran, Taiwan, Belgium, Hong Kong, China.

But this traditional pattern of give-and-take suffered a blow when the country came under British colonial rule. Administrative arrangements became the basis for setting-up coffee, tea, and rubber plantations in the hill- and mid- country. The new market centers became busy centers of commerce. In due course, marketing centers were established in these areas to service the needs of the plantations. A road network was subsequently built to link these marketing centers with Colombo the capital city. In 1860, a railroad system was built.

In the coastal belt along the western, south-western, and southern areas, urban centers developed over a longer period and emerged with the coming of European colonial powers: first the Portuguese, followed by the Dutch, and finally the English.

The setting-up of Irrigated Land Settlement schemes in the north central, northern, and eastern provinces, and the migration of people to these areas necessitated the establishment of market centers in this newly-opened region. With agricultural activities in full swing, business operators and service

suppliers opened up shop.

The village community

The traditional village community was mindful of its members' needs. They pooled their resources and offered labor to others. Visitors and wayfarers were accommodated free of charge. It was considered anti-social to accept payment for hospitality. Theft was unheard of. The villagers were in harmony with themselves and with nature.

But traditional village communities broke down in many ways and lost their sense of values with the entry of an alien culture that came with colonial rule.

Agriculture was the village's traditional source of livelihood. Availability of water was a major factor in the village's survival. A great deal of effort and resources were extended to ensure the availability of water for irrigation. The success of rice cultivation in the dry zone owed largely to the effort put in by earlier government administrations in providing necessary inputs, albeit with preferential basis, to farmers. In most cases, the farmers themselves worked hard to ensure their water supply.

To ensure the viability of agriculture — the backbone of Sri Lankan village life — government should provide farmers the necessary infrastructure facilities and inputs. While industrial development is essential, it should not be pursued at the expense of the farmers. The necessary safety nets to protect and subsidize the country's food providers must be in place if the country's economy is to do well in the long-term. Liberalizing the economy, which government has been vigorously doing lately, has been detrimental to the rural sector.

There can be no genuine development if the people in the rural sector are neglected. Decision-makers seem to have taken them for granted. The prevailing arrangements in the rural areas are not conducive to the development of the people in these areas. Food producers do not get the price they deserve for their produce. Thus, their income levels have to forever catch-up to the ever-increasing costs of living. With the prevailing set-up, the people are forced to depend entirely on outside agencies that siphon their already limited resources. Given this situation, it comes as no surprise that there is a high degree of dissatisfaction in these areas.

Sustainable livelihood from the point of view of the rural poor should basically involve:

1. Availability of facilities and inputs for full-time employment of the people;
2. Availability of credit facilities with easy terms to do away with unscrupulous and scheming middle men;
3. Marketing facilities in order to obtain a fair price for farmers' produce;
4. Ability to obtain food and other basic necessities within the range of financial resources available;
5. Access to education and health care.

Government and economic development policy

Like in most Third World countries which are heavily dependent on foreign aid, Sri Lankan government programs and policy initiatives are heavily influenced by international development agencies (IDAs). Among the major development agencies operating in Sri Lanka are the World Bank

“Although strange, some families as well as entire communities... have chosen to remain poor despite efforts made to alleviate poverty.”

(WB), Asian Development Bank (ADB), United Nations Development Programme (UNDP) and other UN agencies, International Fund for Agricultural Development (IFAD), Canadian International Development Agency (CIDA), Swedish International Development Agency (SIDA), United States Agency for International Development (USAID), European Economic Community (EEC), Norwegian Agency for Development Cooperation (NORAD), and Japanese International Cooperation Agency (JICA).

Under the aegis of the IDAs, several structural adjustment programs were initiated to bring about economic development:

- *Liberalization of the economy, including trade liberalization*

All government restrictions on trade such as licensing, import control, and foreign exchange control were removed. An environment was created to enable market forces to determine prices. The

importation of rice, wheat flour, sugar, and other essentials was opened up to the private sector.

- *Privatization of government holdings*

Government has been gradually giving up its economic undertakings, by initially converting public corporations into private firms. The government holds the majority shares then eventually sells these shares to private investors.

- *Opening the economy to foreign investments and developing Colombo as a financial service center*

Restrictions on the outward flow of foreign currency are gradually being removed. Foreign banks are being lured to establish local branches. Foreigners now own 60 percent of shares in the country's publicly listed companies, with the share market now open to foreign investors.

- *NIChood by 2010*

Strategies are being worked out towards attaining newly-industrialized country (NIC) status by the year 2010. Special free trade zones are being established and the Greater Colombo Economic Commission has been given additional powers, having been redesignated as the Board of Investment of Sri Lanka (BOI) — a "one-stop investment promotion center."

- *Liberalization of the banking system*

At present, six domestic banks and 17 foreign banks operate in the country. Sixteen regional rural development banks, created with Central Bank sponsorship, provide services to the rural sector.

Some of the programs undertaken by the government to improve the lot of Sri Lankans are:

- *Accelerated Mahaweli development scheme*

A major investment program with six large irrigation headworks and over 3,000 kilometers of canals and hydroelectric production capacity of 1,500 gigawatt hours (gwh), this project is slated to benefit one-third of the country's population.

- *1.5 million houses program*

Based on the underlying philosophy that a person with a permanent home is more keen on development because he is more secure, this program is Sri Lanka's contribution to the world's effort in providing shelter to all by the turn of the century.

- *Health to All by the year 2000 program*

A major component of this program is the community water supply and sanitation project,

funded by the WB and initially implemented in 23 districts. One innovative feature of the project is the involvement of NGOs in its *community sensitizing* component.

- *Small Farmers and Landless Credit project*

Patterned after Bangladesh's Grameen Bank and funded by IFAD and CIDA, this project motivates the poorest of the poor to form groups of six to 10 members. The group members are then provided loans based on their savings and viability of their proposed micro-enterprises. Ongoing for nearly four years, the scheme has so far shown a downward trend in terms of both loan portfolio and recovery.

- *Integrated rural development program*

Launched in 12 of the country's 23 districts, this program aims to widen economic opportunities, enhance general living standards in the rural areas, and reduce intra-district and inter-district disparities thereby promoting balanced growth. Development priorities are determined according to district requirements.

Impacts of economic policy

All these programs have made a noticeable impact on the country's economy despite the ongoing armed conflict in the country's northern and eastern parts due to the Tamil people's desire for a separate homeland.

Sri Lanka's per capita income now exceeds US \$ 500 a year. Consumer goods are readily available. The country is in the midst of a construction boom. Tourism has expanded as major tourist resorts are being developed.

But behind this rosy picture are a number of drawbacks.

Firstly, there is skepticism regarding the real objectives of the programs and their viability. The institutions created by government to implement these projects also take time to get their bearing. The existing machinery needs to reorient itself to the new demands. The recipients are not ready for the programs. With perceptions gained from experiences with earlier projects, the general attitude is to get the highest personal benefit from the program as quickly as possible. As the programs are mainly political pledges, politicians are desirous of results — and even legitimate delays are unacceptable. Aside from *quick results*, the programs' implementors are also after

correct results or results that are advantageous to them. Hence, programs or projects have to be success stories even before they are implemented.

Conflicts in policy initiatives also arise when a benign effect of one policy is negated by ill effects of another. For instance, the Janasaviya Program, initiated by the former president to reach out to the country's poorest citizens, had many positive points conceptually. The whole approach was designed to be from bottom to top. The responsibility of selecting the beneficiaries was left to the community. The lists of beneficiaries had been prominently displayed before the endorsement of the community was obtained. The system appeared to be foolproof as far as community involvement in the project was concerned.

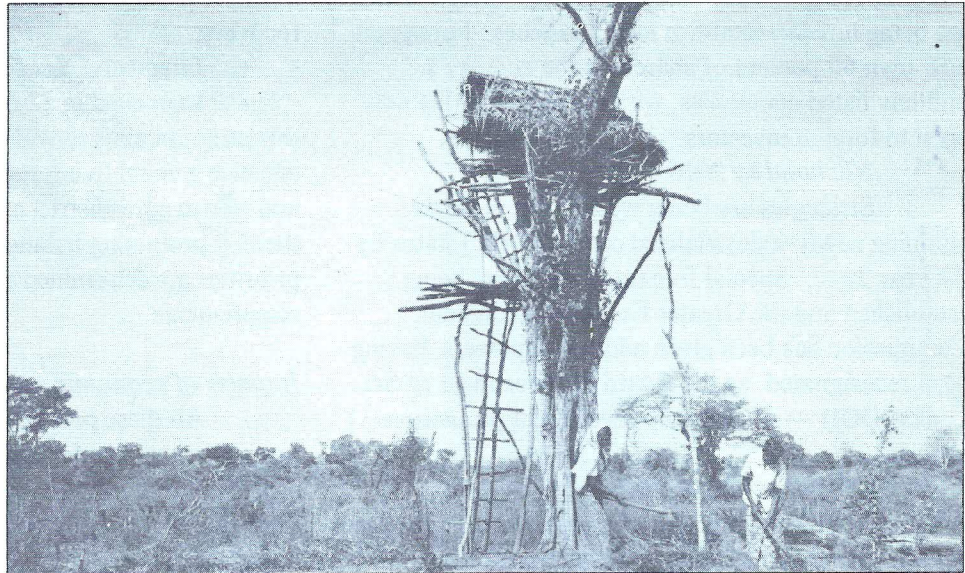
Aside from the participatory selection process, another innovative feature of the program is that its implementation was to be in several rounds. Priorities were determined based on poverty surveys — the poorest were to be the first recipients. This staggered implementation scheme made it possible to rectify mistakes made in the previous rounds.

However, it is evident that the desired results have not been achieved. Those who own tractors were selected, even though the cut-off for eligibility was Rs700. Undeniably, connivance with corrupt officials has resulted in the selection of non-eligible families.

Furthermore, families that have benefited most from the program were those who have already made investments prior to its implementation and needed just additional financial assistance.

One of the reasons behind the apparent non-sustainability of government programs aimed at alleviating rural poverty was the divergence between the implementors' and beneficiaries' views on development.

Although strange, some families as well as entire communities seemed to value poverty so much that they have chosen to remain poor despite efforts made to alleviate poverty. With their priorities different from those of the projects' planners, they appeared to be continuously resisting development. With this divergence of views, it is virtually impossible to attain development within a few years. Planners — both government's and IADs' — who adhere to unrealistic theoretical models of development and are bound by political expediency, fail to recognize this



glaring fact.

Most poverty-alleviation programs, however, have managed to penetrate the socio-cultural community system and made the poor more dependent on external forces. Values of mutuality and voluntary community participation based on reciprocity are being replaced by individualism, competition, and a value system based on money.

For instance, the fixed Rs1,458 monthly allowance under the Janasaviya Program has made its recipients less productive and even lazy. Their lifestyles, too, have changed. Their only commitment now is to participate in community development projects like the construction of roads and public wells. The *non-recipients*, the *haves* according to project classification who earlier supported the *have-nots*, do not see a need to support them any longer. This leads to alienation between the two classes.

The liberalization of the economy, designed to solve unemployment via the encouragement of capital flow into the country, has apparently done more harm than good.

The unrestricted flow of competitively-priced imported goods has resulted in the closure of many small industrial ventures. It has all but killed the handloom industry. Traditional and environment-friendly materials such as reed ware, coir bags, and bamboo baskets have been replaced by plastic products.

Liberalized trade policies have also been detrimental to rural organizations like the village cooperative societies which in the past greatly supported the farmer in marketing his produce. The erosion of community spirit and the growth of individualism have led to the breakdown of the village cooperative as the private sector intermediary entered into the picture. Working primarily on the profit motive, the intermediary was considered more efficient in reducing waste. The argument is that the cooperative societies were corrupt and producers would benefit more if these societies compete with the private sector. But it is well established that there could be no competition between the cooperative sector and the private sector. Unless the producer-members are technically trained, the chances of cooperative societies surviving in a liberalized economy are remote.

Liberalization has also brought a breakdown in the society's moral fiber due to the proliferation of vices such as smoking and alcohol use. An increase in the consumption of liquor and cigarettes has been observed with their liberalized entry into the country. The country now spends from Rs30 to 40 per capita a day on cigarettes and liquor, or Rs900 to 1,200 a month, which is 50 percent of the Rs2,000 average monthly income. The increase in the consumption of these items is one of the main reasons behind the non-improvement of the quality of life of the average Sri Lankan.

The private sector and its impact on the village economy

The government that came into power in 1977 provided a range of facilities to attract private sector business operators to set-up shop in Sri Lanka. Private business, it was hoped, would create avenues for employment and facilitate the transfer of

technology and the inflow of foreign exchange.

Aside from providing the necessary infrastructure, government also adopted measures to exempt these companies from the range of laws, some of them enacted decades ago, that ensure the rights of the private sector. Free Trade Zones (FTZs) were established. Recently, private firms were also encouraged to set up garment factories all over the country. Approximately 130,000 people were employed in the FTZs and garment factories, 90 percent of whom were women. They were paid Rs1,500 to 2,000 a month, barely enough to meet the cost of living.

The government also facilitated the provision of credit to private individuals to enable them to import fleets of reconditioned vehicles for the country's growing transport needs. But rather than improve the plight of the commuters and producers, these private transport providers seemed to make matters worse. There was no consideration or courtesy shown for the comfort of the passengers. Fares have increased more than 20 times the 1977 rates. Agricultural producers were at the mercy of the vehicle owners — some did not even recover their cost of production after the sale of their produce.

The rural poor were the hardest hit by the privatization of health services. While those who could not afford to pay for the high cost of services in the private hospitals could still go to government hospitals, they still have to purchase their medicines from private chemists and pharmacies since services of government doctors were channeled to private medical centers. Before privatization, medicines were provided free of charge.

Education was yet another area entered into by the private sector. Prior to the *opening up* of the economy, educational services in Sri Lanka — from primary to tertiary level — were free. Under the government's privatization program came the establishment of International Schools. Mostly owned by foreigners, these schools used to cater only to the foreign community but have now been opened to local children.

Another money-making venture directly related to education was the proliferation of tutorial services to ensure passing in public examinations. The fees for these tutorials were quite high and beyond the capacity of the average wage earner, much less the poor.

Hardest hit by the privatization scheme was the agricultural sector.

In 1978 the Central Bank withdrew the guarantee on loans to rice producers. Thereafter, rural banks became less considerate to the farmers, and credit was no longer easy to obtain. Moreover, safety nets provided for the farmers were completely withdrawn. Gone were the subsidies on inputs, guaranteed prices, and purchasing agreements. Agricultural extension services were discontinued. In addition, a water tax for irrigation facilities was introduced for the maintenance of irrigation systems. Along with these drawbacks came the steady influx of wheat flour imports.

With government giving up its direct hand in rice production, middlemen entered into the picture. Instead of providing agricultural extension service, these middlemen now advise farmers on the use of pesticides, herbicides, and other inputs, pushing the sale of these inputs for more profits.

Another danger facing the rice farmer is the inducement by outside forces to give up rice cultivation in favor of gherkin and melon for export, and tobacco for cigarette production.

But perhaps the area wherein government's abrupt cutting of ties really hurts is in marketing of produce. In the past, middlemen and private agents faced stiff competition with the government's marketing department in the purchase of farmers' produce. Now, they completely run the show.

In the past, multi-purpose cooperative societies also played an active role in the marketing of farm products. Vegetables, grains, and fruits were purchased from farmers and then sold in urban centers through cooperative sales points. At the height of their efficiency, cooperatives ensured that rural producers were not exploited. Now they appear to have surrendered to private business. They are simply no longer visible in the areas they used to dominate.

Voluntary experiences in sustainable livelihood activities for the rural poor

The last two decades have seen a significant growth in the number of NGOs and NGO activity in Sri Lanka. The most noticeable manifestation of this trend was the entry on a large scale of international NGOs and donor agencies into the country, bringing with them new concepts, objectives, and attitudinal

changes to the rural sector.

With the adoption of liberalized and open economic policies, the state has gradually veered away from directly intervening with village affairs. NGOs have been quick to seize this opportunity to get more involved now in village affairs.

Today's NGOs are formal structures — strengthened by a constitution, managed by formal governing bodies, adhering strictly to the procedures of accountability, and very much objective-driven. Although many of these organizations were set up precisely to help alleviate the plight of the rural poor, quite a number owe their existence to donor agencies. NGO projects, systems, and procedures were tailor-made to suit donor requirements so as to obtain funds.

Prior to 1994, NGOs in Sri Lanka worked under a very liberal atmosphere. Unlike their counterparts in other countries with a fairly large NGO movement, Sri Lanka's NGOs were not required to register. They were also not stipulated to reveal their membership base, capital usage, and areas of operation.

This situation, however, changed abruptly in January 1994 following a report submitted by the Presidential Commission on NGOs. The Commission was created in 1992 to look into NGOs' activities (i.e. use of funds, subversive involvement) and to recommend guidelines for their operations. The Commission's report became the basis for amendments to Section 5 of the Public Security Ordinance Act — which for the first time in decades regulated NGO activities. For starters, it mandated registration with the Office of the Director for Social Services of NGOs which receive over Rs50,000 a year from donors. Furthermore, it required NGOs to submit audited statements of accounts on an annual basis. A complete disclosure of assets and liabilities was required, as well as the names and addresses of donors.

The ordinance also defined, for the first time, the NGO, to wit:

- Non-government in nature;
- Dependent on public contributions, grants from government, and foreign donations; and
- Activities include relief of the people's suffering; assistance to orphans, the sick, unwanted, disabled, deprived, disadvantaged or poor; development and upliftment of the

Vavuniya District

Vavuniya district in northern Sri Lanka has been caught right in the middle of the war that started in 1983 between the Sri Lankan army and the Liberation Tigers of Tamil Eelam (LTTE) who resorted to armed struggle in their desire for a separate homeland for the country's Tamil minority.

Vavuniya villagers could be categorized as *refugees* or *displaced persons*. While over 3,000 families have relocated to Social Rehabilitation Centers, about 35,000 families continue to stay and eke out a living in the strife-torn villages.

The transformation of Vavuniya district from a war-ravaged area to a thriving community was widely-acclaimed as an example of a successful participatory development planning for rural sustainable development. The project, involving 62 women and 11 men, including their families (over 100 individuals), aimed to render Vavuniya district *livable* anew. It called for the over-all strengthening of the village community through the rehabilitation of the district's natural resources and social structures and the provision of income-generating activities.

Initially, the crucial problem encountered was how to achieve the project's objectives in a situation where the ongoing armed conflict drove villagers in from their homes to safer areas in the south. The best approach adopted was to generate information and discussions and to provide the required assistance in the form of

Population	:	95,428 (1981)
Land Area	:	2,645.2 sq. km
Economic Activity	:	Predominantly agricultural (96.5 percent participation in 40-44 age group)
Problems	:	Severe water scarcity. Since war broke out between Tamil separatists and the military in 1983, about 40 percent of the population sought temporary employment in surrounding villages — cleaning jungles, harvesting, and doing construction work, among others.

training and resources.

Eight months after the project was completed, there stood a mini model-village transformed beyond recognition. New houses beside the Vavuniya-Jaffna railroad stood picturesque against the skyline. The agro-entrepreneurs who owned the houses had stocks of subsidiary crops up to their roofs. It was the commencement of an enterprise that sought to develop capital resources and alternative marketing systems for the villagers' produce.

A Tool Bank established by trained masons and carpenters provided the villagers access to construction know-how and equipment and allowed them to further enhance their skills and gain more experience as well as earn extra income.

Women organized themselves into credit groups — not only for saving among themselves but also as a credit facility in the village. Moreso, primary health care and nutrition clinics were established by women's groups.

The scope of the capacity-building of the trained members and other beneficiaries also went beyond the village boundaries.

Several women visited other villages and religious sites and pursued work as masons and carpenters. For the first time women masons, breaking with tradition, were seen on temple scaffoldings contributing their labor to the national restoration effort.

The project as a whole had a profound impact at the village, district, and national NGO movement. Leading the village community to develop a dynamic problem-solving capacity in a situation of insecurity was a creditable achievement never before attempted in the country. It also opened the door to gender sensitization and a deeper understanding of the centrality of community involvement leading to rural initiatives and success of women's endeavors in a man's world.

In spite of several setbacks caused by the still raging war, the project is one of the most inspiring in the country's efforts at village-centered development. Not only were the existing villages improved and objectives achieved, it also created a new village built primarily by women and aptly named *Wijayagama*, the victorious village. □

community; and research and training for environmental protection.

Not included in this definition were the Cooperative Societies and the Death Donations Society, the latter being an organization formed exclusively for the provision of funeral expenses to its members or their beneficiaries.

The question revived by many quarters is: why after over half a century of NGO activity is there now a need to clarify, classify, and specify its role?

The answer: There has been great concern especially in recent times about the abuse of opportunities by NGOs — misappropriation of funds and use of funds for subversive activities in the Northern and Eastern parts of the country. Large sums of development funds have been used for “questionable” purposes. Allegations have been made regarding dubious organizations which were set up by foreigners who entered the country on Guest Resident Visas, travelling the length and breadth of the country and engaging in activities inimical to national security. The new law is expected to inhibit the movements of such organizations. Government has also pointed an accusing finger to some human rights organizations that monitor the use and abuse of state power. (The NGO Commission report has not yet been released and a Gazette notification revealed limited information).

It is difficult to ascertain the exact number of NGOs operating in Sri Lanka, although the estimated figure is close to 30,000.

A striking feature of existing NGOs is their non-conformity to indigenous and socio-cultural practices and their lack of commonality with the people in their areas of operation. No guidelines or safety precautions to prevent overstepping of cultural boundaries or aspirations have been set up. There is no common resource fund either for the equitable distribution of funds or sharing of expertise. While some affluent NGOs use funds without conscience for administration and infrastructure, small NGOs with no expertise and commitment languish in villages without guidance and resources. Some NGOs, particularly those with foreign funding, only visit villages or live in close proximity but never really set up base. Once the project is completed, the said NGOs simply pack their bags and move on to another project site. Phases of project implementation are not

made clear to the community. Sustainability of projects is practically nil. Some NGOs exist only for a few months. Many NGOs draft proposals merely to source funds and not for the alleviation of the plight of the people in the proposed project site. Some organizations are run by a single person who is the president, secretary, treasurer, and member all in one.

The modern NGO is a novel concept in Sri

“Some NGOs have veered away from the objectives upon which they were founded.”

Lanka. It stands in direct contrast to the charitable, welfare-oriented, volunteer efforts of non-governmental entities in the early 20th century. Some of these organizations — the Ceylon School for the Deaf and Blind (established in 1912), the Ceylon Social Service League (established in 1915), and the Prison Welfare Association (established in 1920), were established by philanthropists for purely welfare concerns.

Others, like the Boy Scouts and the Girl Guides movement (established in 1912), the St. Johns Ambulance Brigade (established in 1905), and the Sri Lankan Red Cross (established in 1936) provided relief services and supplies to drought and flood stricken areas.

Organizations established by women for women sprouted between 1909-1930. The Mallika Niwasa Samithiya, Sri Lanka Tamil Women’s Union, Sri Lankadhara Society, and the Lanka Mahila Samithiya provided lodging and training facilities for poor and delinquent women and girls. They also provided training in crafts for young girls in several villages.

At present, there are several types of NGOs operating in Sri Lanka:

- *Grassroots level NGOs* - Deeply steeped in local customs and the traditional value system, these grassroots-level NGOs are self-effusive, small in numbers, keenly participatory, engaging in self-help and village-centered group activity, understand the environment, and seek the welfare of the village

community as a whole. The Death Donation Society, a mutual aid organization providing assistance to its members in time of death, is a remarkable example of this type. Other organizations falling under this type are those that help the monks maintain the temples and those that manage irrigation facilities.

- *National NGOs* - Also known as island-wide NGOs, over 90 percent of these organizations obtain foreign funding. Quite a substantial number of national NGOs is at the forefront of economic development and poverty-alleviation programs. The work of the Sinhala Women's Organization among villagers in the war-torn Northern and Eastern parts of the country is highly-acclaimed. The same is true with the Sri Lanka Red Cross and the Saukyadana Movement. These organizations have incorporated sustainable livelihood programs in their efforts at rehabilitation which consist of providing of skills training, awareness on malnutrition, literacy program, personal hygiene, environmental awareness and protection, and entrepreneurship.

Other NGOs, however, did not seem so keen on sustainable development. To obtain funds, some NGOs would design a poverty-alleviation program for a certain village even without setting foot on that village. The result was a program that the village did not need. After the program has run its course, the NGO would simply leave the village and the program. The funds were exhausted, and the program was forgotten.

Some NGOs have veered away from the objectives upon which they were founded. It is not surprising, therefore, to see religious organizations — established to promote religious activities — provide training in computer operations, cooking, or sewing all in the name of poverty-alleviation and economic development. Donor agencies have not questioned the relevance of these projects in relation to the objectives and vision of the NGOs concerned. Apparently, disposing of funds allocated for the country is all that matters to them.

Still, some quarters have expressed concern over the activities of some Christian groups. Based on the promise of employment, admission to reputable schools, and provision of food and other necessities, some Christian groups have converted poor villagers from Buddhism to Christianity.

- *International NGOs* - With the country adopting a liberalized and open economy,

International NGOs found in Sri Lanka a new dumping ground for their concepts of development. These concepts proved contrary to sustainable development traditionally practiced in the country's villages.

In a discussion on the impact of foreign-funded projects in the country's Central Province — one of Sri Lanka's most fertile areas — delegates severely criticized these projects, blaming them for the destruction of the area's environment. An NGO project, which promoted the terracing method, has resulted in the drying up of the springs in the region.

Increased funding from major international development agencies which in 1988 totaled Rs6.5 billion, mostly poured into the country's Integrated Rural Development Program (IRDP) initiated by the WB in 1976. An assessment of the program, however, revealed that despite its scope and focus, it did not bring in the expected results.

Despite enormous sums given by NORAD and IFAD, its chief funders, an evaluation of the program revealed that the poor did not really benefit from it. The supposed benefits did not trickle down to them. Policy planners and program implementors apparently took for granted the program's anti-poverty thrust. Policy guidelines gleaned from the program's implementation were never issued. Sustainability was not built-in.

In contrast, communities in which the IRDP was implemented through small- to medium-scale NGOs using a village centered model of implementation proved more successful as far as sustainability of livelihood programs was concerned.

Also, credit schemes handled by large NGOs did not provide sufficient opportunities to small farmers and the very poor. High-risk farmers, those who were seen as having no capacity to pay, were excluded. The funds instead went to the *wealthier* farmers who obviously were not the program's targeted beneficiaries.

The big NGOs with their preoccupation for growth-oriented production, proved to be prejudicial to the small farmers. These NGOs ignored the views of farmers concerning the environment, climate, water utilization, and soil preservation — areas where farmers obviously have the experience.

Interestingly, women-specific NGOs proved generally successful in the implementation of projects aimed at alleviating the conditions of the poor,

particularly in funds management. This is perhaps attributable to the inherent frugality of women who are trained to manage meager resources to meet the household's needs.

Sri Lanka's experience with NGOs has shown that for development to truly occur, these organizations should work with the beneficiaries and not just use them to obtain funds for their sustainability. As in other countries, many NGOs and POs in Sri Lanka, sad to say, are primarily motivated by profit. Sustainable development projects are still a long way off. NGO orientation, perspective, and management must be refined to obtain the best results for the future of the country's marginalized sectors. A return to traditional value systems and organizational methods has been urged in a number of fora convened to assess development work in the country. A proposal to make villages manage development projects for greater sustainability is indeed a worthy proposition. This would eliminate the current practice of evaluating NGO activities and village development from the materialistic parameters adopted by developed countries. The concept of development adopted by and applicable to the First World simply does not match with Sri Lanka's socio-cultural attributes, and the philosophies and practices in its rural communities. Materialism, consumerism, and *social colonization* by foreign development organizations pose more problems for the country.

Insights and recommendations

1. A cooperative system with an effective grassroots to national level linkage is essential to village-centered sustainable development. It is therefore necessary for government to create such environment, along with a package of incentives, for the growth of a strong cooperative system.
2. Without the necessary support systems for the rural economy which is readily available to the people, all projects for poverty-alleviation are bound to fail.
3. Experience in developed countries has shown that a strong agricultural base is a pre-requisite to industrialization. Government programs should not in any way weaken the country's farming economy.
4. There should be greater people's participation in policy formulation. Programs with far-

reaching impact like NICHood by 2010 should be discussed with the people especially those in the rural areas. Rural-based NGOs should be involved in these consultations.

5. An effective ongoing dialogue between government and the people should be established. Awareness-building programs using NGO networks should be effected.
6. Programs aimed at strengthening rural communities grounded on the existing value system should be encouraged and further developed.

“Materialism, consumerism, and social colonization by foreign development organizations pose more problems for the country.”

7. NGO programs should be village-centered and sustainable.
8. NGOs require further training in development and financial and organizational management. The recently-established Sri Lanka Management Development Training Program is a welcome measure.
9. NGO proliferation and the increasing availability of foreign funds have given rise to an aid-dependent mentality. Village sustainability is compromised in the process.
10. Women-specific NGOs have been highly successful in project implementation. Their homogeneity as a group, commitment to improve the family's, and village's welfare, work ethic, thrift habits, and eagerness to succeed are factors behind the success.
11. Human rights groups must be monitored as certain quarters view them to be creating dissent by their continuous criticism of government policies and institutions working for the country's welfare.
12. A uniform salary scale for NGO workers is

needed.

13. More training programs on sustainable development should be given to both NGO workers and the general public.
14. All foreign NGOs should be required to work through local NGOs.
15. New ventures particularly in tourism and industrial development should be viewed in terms of benefit they will bring, and not just because these are being done elsewhere.

Action agenda

1. Register all NGOs and classify them according to specialization. Compile a comprehensive directory of NGOs.
2. Design a tracking program for NGOs that incorporates indigenous features of Sri Lankan society.
3. Government must come to terms with the indispensable role that NGOs play in rural development.
4. Exchange programs/workshops among Asian NGOs must be held at least annually for sharing of experiences and knowledge.
5. Strengthen NGO networking systems, specifically between international/national NGOs and local NGOs.
6. Set-up a mechanism for consultation on major policy initiatives using the NGO networks.
7. Set-up regular consultations between NGOs and government.
8. Set-up a computerized Asian NGO information network for research, documentation of experiences, and other related issues.
9. Government must delegate some of its development programs to the NGO sector to help build mutual trust between government and NGOs.
10. NGOs should develop a common fund within the country to be used for "people's programs".
11. NGOs should use their influence to prevent rural communities from being divided into different power cliques for short-term benefits. □

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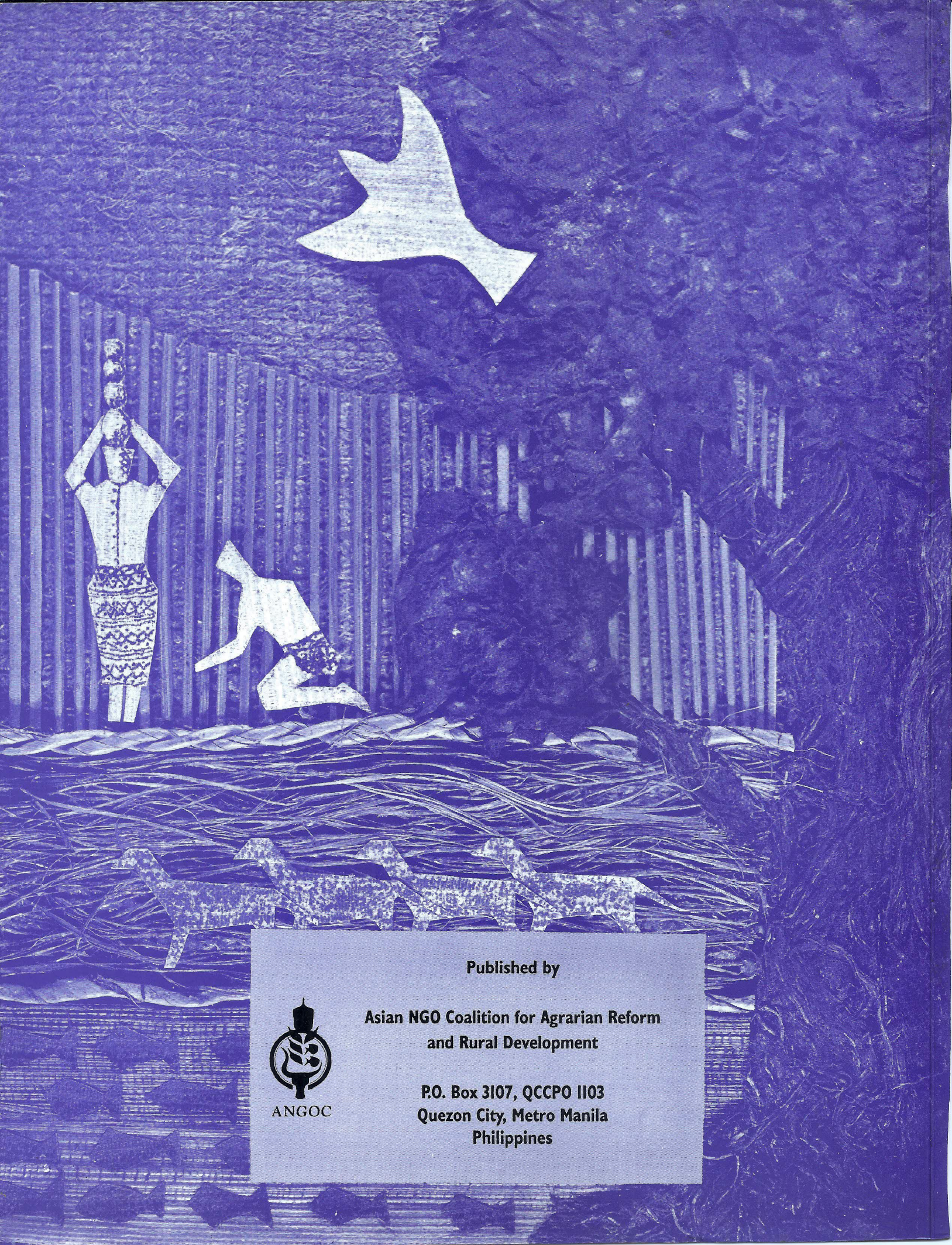
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