

# Development must start at the grass-roots level



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Many of us who were versed in traditional western theories of economics believed that an increase in economic growth at the desired rate would achieve all the development a country needs and that the results of this growth would be widely distributed.

Using acceptable rates of economic growth, we derived investment targets based on historical capital output ratios adjusted for known changes. From that, we went on to examine the investment possibilities in the different sectors and came up with projects necessary to fill these investment targets, in other words, to put meat to the framework that we had set up. Once we got a package of projects that could adequately meet these investment targets, we next determined what financial resources, both domestic and foreign, were required to finance these

investment targets. From there, we went on to estimate what tax revenues were required to meet the target for domestic resources and in the case of foreign exchange, policies and programs were designed to generate additional foreign exchange earnings through exports or an attempt was made to fill the gap in foreign exchange through enhanced levels of foreign assistance.

This is a rather simplified way of describing the process, which unfortunately led to a concentration of our energies in filling the "gap", either of domestic resources or foreign exchange resources. We approached donor agencies with an overall gap without going into the details of the makeup of the gap or the full impact of the various investments that were being planned. An alternative approach was not considered as we were planning to increase the overall rate of economic growth, in the expectation that these increases would seep down to the grass-roots level. This was the thinking in the 1950s and it led to the targets that were laid down by the United Nations for the first Development Decade in the 1960s, when it was stated that an acceptable rate of growth for developing countries would on the average be around five percent. As events turned out, many developing countries exceeded this growth rate, but in spite of this, at the end of the decade many of the basic problems remain unsolved.

For instance, malnutrition was prevalent. Estimates at the end of 1970 showed that at least one-third to one-half of the world's people suffered from hunger or nutritional deficiencies. Infant mortality remained high. Infant deaths per thousand live births were four times higher in developing countries than in the developed countries. Life expectancy remained low. A man in the west could expect to live about 40 percent longer than an average man in a developing country and certainly twice as long as a man in Africa. Illiteracy remained widespread. There were 100 million more illiterates at the end of 1970 than there were 20 years ago, bringing the total to something like 800 million. More important, we found that unemployment was endemic and growing. On the average 20 percent of the male labour force remained unemployed and the population in urban areas was growing at least twice as fast as the number of jobs. Further, the distribution of income was severely skewed. From statistics available for 40 developing countries, it was found that on the average, the upper 20 percent of income earners received 55 percent of the national income, the upper 40 percent received 75 percent, while the lowest 20 percent received only 5 percent.

These problems all remained after a decade of economic growth of over five percent achieved by many of the developing countries.

It was really at this stage that people began to talk of social justice and the quality of life, and began looking at social indicators like malnutrition, infant mortality rates, life expectancy, illiteracy, unemployment level, distribution of income, number of physicians per thousand head of population and so on. There began a shift in the planning process towards a consideration of these social factors.

Before we adopt redistribution as a primary objective of planning, however, I would like to introduce a note of caution: we should not go completely to the other extreme. In doing so, I would like to quote an example from Sri Lanka, where the government adopted liberal social welfare policies at the end of the Second World War. Extensive free health care services, free education from the primary level to university, subsidized public transportation and the issue of subsidized food formed part of the package of welfare measures. As a result of these policies Sri Lanka was able to reduce inequalities in income.

To illustrate the improvements, in 1953 the top 10 percent income group received 42.5 percent of total national income. Twenty years later this was reduced to 29 percent, while the lowest 10 percent increased their share of total income from 1.5 percent to 4.7 percent. However, these welfare policies were really carried out in a period of slow growth and were financed by sacrificing development expenditures. Sri Lanka was rather fortunate that in the immediate post-war years, the export sector was very buoyant, which enabled the government to siphon off tax revenues to finance welfare measures. In the same way, foreign exchange was available to finance imports too. These measures of redistribution were implemented in a period of sluggish growth and it finally led to a social upheaval of the type we had in 1971.

Therefore when we look at the two patterns, one which concentrates merely on economic growth and the other on redistribution through welfare policies, it is seen that both are inadequate. Thus we should adopt policies that would enable the two objectives to complement each other — policies that would achieve redistribution against a background of a satisfactory rate of economic growth.

How do we map out a suitable strategy? In many countries of Asia, one should look at the agricultural sector and plan to achieve the maximum growth in output from this sector. Seventy percent of the people in developing countries live in rural areas and in many countries of Asia 30-40 percent or more of gross domestic product is contributed by the agricultural sector. For the foreseeable future, this sector will provide avenues of employment to the large number of young people reaching the labour market.

In planning for the agricultural sector, one is faced immediately with many problems. For instance, farm holdings are fragmented and a few people own large areas of land. Tenancy agreements are enforced that make it necessary for farmers to hand over more than half of their crop to absentee landlords. In this type of situation, unless we introduce land reforms, any type of planning to increase the growth of the agricultural sector, will not benefit the poor farmers. Although high-yielding varieties have been introduced, farmers are often unable to obtain adequate credit or other inputs that are required to maximize the benefits from these varieties. Unsatisfactory foreign exchange rates sometimes make it more attractive for the large-scale farmer to import machinery than get the same work done by employing rural people. There is a whole range of policies which have to be implemented to maximize the potential output in the agricultural sector.

Many countries in Asia have realized the value of concentrating on the agricultural sector, particularly through the integrated approach to rural development that is much talked about these days. Attempts are being made to mobilize the support of the people at the grass-roots level for the entire planning process. For instance, an example from Sri Lanka once again, where the government set up Divisional Development Councils in the rural

areas to mobilize resources that are available within each area to increase production of food and other items. It is in this area that I feel the mass media could make a contribution in mobilizing the popular participation of the people.

In the earlier stages, where we concentrated on economic growth, the people benefitted from the results of this growth indirectly, and in some cases may not even have been aware of the benefits. Looking at it from the other end, we are now trying to build up the planning process from the grass-roots level, starting from the villages, on to the districts and then leading up to the centre. To achieve the objective of employment creation, one needs to get the involvement of the people in setting this process in motion.

It is true that the rates of economic growth one would achieve through this approach may not be as great as those that would have been achieved by massive investments, based on the traditional theories of growth. Nevertheless, one has to look at the well-being of the rural people, after all it is their welfare by and large we are trying to improve, as they make up over 70 percent of the population in our countries. I feel that by making the people aware of development problems and the need for them to participate in the development process, the mass media has a constructive role to play in accelerating the process. □



Photo: Neill McKee

*Agriculture must remain a priority for developing countries, where 70 percent of the people live in rural areas.*