

# THE SIGNIFICANCE OF TOWNS IN RURAL DEVELOPMENT: A CASE STUDY FROM WESTERN NEPAL

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This paper analyses the role of Pokhara and its satellite urban/market centers in the development of rural areas located in their hinterlands. From this analysis, the paper aims to complicate the present assumption in development discourse that towns promote rural/regional development. The emphasis in the paper is on 'economic linkages'<sup>1</sup> between urban centers and rural areas, especially the role of towns in spurring agricultural and industrial production (and their marketing) in rural areas. The empirical facts gathered for this study reveal that Pokhara and its satellite towns/market centers have not significantly helped in spurring the generation of economic activities in rural areas, though they have helped in the distribution of goods obtained from external markets.

According to the policy of regional growth, the government of Nepal has been developing Pokhara as a center for economic growth for the west central region since the early 1970s. It was declared an industrial center after the establishment of an 'industrial estate' in 1972. Similarly, to boost industrial growth, the government established there a major branch of the Nepal Industrial Development Corporation (and other financial institutions) whose role is to provide financial and technical expertise to entrepreneurs.

Even before the implementation of a regional development policy under which Pokhara was declared one of the regional growth centers, there were plans to develop it as a regional town and central place for trade in the region between the Kali Gandaki and Marsyangdi rivers, Tibet in the north, Vikha Thori in the east and Taulihawa in the west. In a

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1 Rondenelli (1985) identifies seven types of rural-urban linkages: physical, economic, population movement, technological, service delivery, social interaction, and political and administrative. Only the first five types of linkages have immediate impact on the periphery of the town. Physical linkage is based on traveling time distance, which gives an indication as to the accessibility of the towns. Economic linkage is measured by the flow of goods and commodities to and from the market town. Technological linkage means change in subsistence to modern farming and industries—use of chemicals, improved seeds, etc., or change in land use system. Service delivery linkage is related to types of services delivered.

study by Harka Gurung (1969: 1-3) in 1968 on industrial development in the Pokhara valley, he emphasized existing economic structures like industries and trade, traffic ways, and human resources (ex-servicemen and their income). He wrote that the Pokhara valley had a population of 10,000 and a bazaar with 3,000 shops, all of them retail businesses except for 10 wholesalers. Goods were supplied from Butwal and some from Narayanghat. Pokhara supplied goods to 1 million people and had the role of a 'transit-trade-center.' At that time the valley had the following industries: production of utensils (pots and pans), handloom (woollen blankets), production of gold and silver jewelry, small rice and flour mills (6 in number), carpentry, saw mills, a bread factory (in Lamachaur), a match factory, pottery production, a printing shop, and a distillery. Most of these were household enterprises. These industries were profitable. The raw materials available and considered important were paddy, wheat, *lokta* (for handmade paper), and wood pulp. There were 20,000 ex-servicemen settled in Kaski district. About Rs. 6 million was distributed through an Indian Pension Camp each year to 18,000 ex-servicemen. A similar amount was distributed through a British Pension Camp. The road had just started. At that time there was a plan for using these ex-servicemen in industrial development and transportation.

The opening of roads linking Pokhara to Bhairahawa (the Indian border) and to Kathmandu in the early 1970s led to the growth of various towns along the roads. These towns in western Nepal act as satellite towns of Pokhara. Depending upon their distance from Pokhara, their influence, and their transportation and communication facilities, these towns are at various stages of development or urbanization. The nature of these towns is very much linked to the nature of their immediate periphery, i.e., the hinterlands. Accordingly, they have different influences on their hinterlands. Pokhara was linked with Baglung by a road in the early 1990s, and this has also resulted in the recent development of towns at the nodal sections. The agrarian systems in the influence zone of the road have also been changing. These towns, which are at different stages, may also have varying impacts on their hinterlands, as argued by Start (2001).

Pokhara is now the fourth largest town<sup>2</sup> (out of 58) in Nepal in terms of population size but its political and cultural influence may be next only

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2 After Kathmandu, Biratnagar, and Lalitpur. Population in these cities in 2001 was 671,846, 166,674, and 162,991 respectively. Pokhara had a population of 156,312 in 1991 (CBS 2003).

to the capital city, Kathmandu. Therefore, by studying the economic linkages between Pokhara, its satellite market centers, and their hinterlands one can test the assumption that an urban/market center can spur the development of a region.

### **Research Questions**

This discussion of government policy and the changing nature of rural-urban interaction clearly leads to many questions. The main interest here concerns 'economic interaction' between Pokhara, its satellite towns and rural areas, and economic growth in rural areas brought about by the increase in Pokhara's capacity to supply more goods and commodities to the market. By 'economic interaction or linkages' is meant the flow of goods and commodities between rural areas and urban or market centers. Here both inflow and outflow have been examined. In this context the following research questions were asked:

- What are the products that the rural areas supply to the towns or market centers? Who are able to supply these products?
- What are the products that rural people bring from the towns or market centers? Is this dependency the result of urbanization?
- What is the impact of urbanization and growth in market centers on production in rural areas or rural development in general?

### **Methodology**

In order to answer the above questions, the author carried out detailed field research in Pokhara (the main town in the Western Development Region) and its hinterlands in 2000-2001. In the study rural towns, or the satellite towns or market centers of Pokhara, were also studied. The supply of goods and commodities to these towns and the supply or outflow of these goods and commodities from these towns were studied through rapid market assessment, which means visiting a few shops of different types and getting responses as to from where they got those products (i.e., from Pokhara or rural hinterlands of these towns) and to where they were supplied. A previous study (DoG 1989) mentioned that Pokhara had 46 satellite market centers. This must have increased by now. But in this study market centers to be studied were randomly selected from among those that get products from Pokhara or supply products to Pokhara or its satellite market centers. They included Syanjya, Gagangauda-Begnas, Naudanda, and Baglung. Baglung is one of the

ancient market centers in the northern part of west-central Nepal, but the nature and influence of this town changed once it was linked with Pokhara by a motorable road in 1990. Syanjya was also a small market center, but its influence grew because of its location on the Siddhartha Highway, which was completed in 1969. Gagangauda is an emerging town located east of Pokhara (15 km) on the highway that goes to Kathmandu. Begnas is located near Gagangauda, but slightly inward from the Pokhara-Kathmandu highway. Naudanda is a small market center (about 10 kms from Pokhara) located on the highway to Baglung. Once this highway became operational, the nature of the market center and its relationships with Pokhara changed significantly. All these towns are linked with Pokhara in one way or other but they also have their own influence zones. The changes in these influence zones were examined. The basic characteristics of the towns studied are presented in Table 1.

**Table 1: Town and Market Centers studied in 2000-01.**

Towns/ Market Center	Distance from Pokhara	Population in 2001	Nature of the town	Nature of the hinterlands
Pokhara	-	156,312	Break-of-the-bulk point, industries, service, tourism, education	Food deficit, high incidence of remittances, growth in dairy, vegetables for the town, high migration to town
Baglung (Kalika municipality)	60 km	20,852	Break-of-the-bulk point, traditional industry of metalwares	Food deficit, high incidence of remittances and subsistence farming and animal husbandry.
Syanjya (Putali Bazaar municipality)	30 km	29,667	Supply center, government offices	Food deficit, cash crops like oranges and dairy, high remittances.
Naudanda	8 km	5,000	Supply center, tourist center	Slight food deficit, vegetables and dairy, remittances
Begnas	12 km	9,000	Supply center	Food deficit, coffee, vegetables and dairy
Gagangauda	15 km	6,000	Supply center	Food largely sufficient, vegetables and dairy

The methods utilized in the study are mainly those that help enhance our understandings of longitudinal changes in the study areas. The methods used included various 'rapid appraisal' techniques namely 'key-informant' surveys, oral history interviews with elderly citizens, focus group discussions, and 'time-line' surveys. One week was spent in the hinterlands of each of the study sites.

### **Towns/Market Centers and Rural Development**

The relationship between larger and smaller market centers and their rural hinterlands has been an important policy issue in Nepal. Since the fourth plan period (1970-75) the government has paid attention to urban development (Gurung 1989: 14). When the concept of regional planning was taken seriously, urban centers were considered to be growth poles<sup>3</sup> for integration of the hill and Tarai economies. During this period four economic corridors<sup>4</sup> were identified and these were called 'development regions.' Later, one more development region was created to reduce regional disparities between the eastern and western regions. But since the eighth plan period (1992-1997) urban problems themselves have received government attention (NPC 1992). In addition, the basic assumption that urban centers provide facilities for surrounding villages and create employment opportunities in farm and non-farm sectors has been maintained. In line with the concept of growth centers and economic corridors linking Tarai (plain) and hill economies, emphasis was given to the development of a main growth center in each corridor, and the establishment of industrial estates and promotion of business in these centers. The idea behind the creation of these centers was to increase the linkage between urban and rural economies so that they could become complementary. The establishment of industrial estates in these centers was assumed to boost agricultural production by way of backward linkages<sup>5</sup> and to provide employment opportunities in non-farm sector in

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3 These are generally larger urban centers of industry, commerce, and administration that (together with their immediate regions of influence) possess high potential for economic expansion.

4 Economic corridors essentially mean elongated aerial units where economic growth and development are possible because of inter-linkages in economic and social activities, trade, and commerce due to the existence of a road network or movement of goods and commodities.

5 Backward linkages here mean demands of various raw materials, products, and services that an industry needs from the primary (agriculture, forestry, mining etc) sector.

urban areas. To these ends, the government invested a total of Rs 134.4 million on a loan basis and Rs 96 million in direct grants through the Town Development Fund in the eighth plan period (NPC 1998: 259). This fund was mainly used for the development of urban infrastructure and services for poor and marginal households. The concept of small towns and markets acting as catalysts for rural development and poverty alleviation has received even more emphasis in the Ninth (1997-2002) and Tenth (2002-2007) Plans. The Tenth Plan states:

The urban development framework should be considered as a precondition for the development of rural areas. For this, the policy of regional balance should be followed in the development of the urban areas. A strengthened linkage of urban areas with the rural areas is essential (NPC 2003: 410).

According to the above principle, the objective of the Tenth Plan with regard to urban development is to 'develop the cities and strengthen the rural-urban linkages by providing with the modern physical facilities and by protecting and promoting the cultural, touristic and historical areas in their present form' (p. 414).

Despite that assumption, it is not clear whether the process of urbanization in Nepal has improved the quality of rural people's lives. The proponents of small town and market center development emphasize the role of urban areas in improving the conditions of the rural poor in developing countries. They argue that these centers can provide markets for agricultural goods from rural areas (Rondinelli and Evans 1983; Gaile 1992). It is assumed that urban population growth and agglomeration in these centers create increased demand for agricultural products from the rural areas. These centers can also provide non-farm employment for the growing rural populace in hinterlands (Gaile 1992). Start (2001) argues that the impact that a town can have on its hinterlands depends upon how various linkages between these two spatial units are formed and weakened. He captures this in his concept of 'linkages and leakages.' Linkages generally closely interrelate towns and their hinterlands providing opportunities in rural areas. But various leakages reduce these beneficiary impacts. Infrastructural development is a case in point. Even though roads may help create close links between a town and its hinterlands, the development of efficient transportation with distant markets may also lead to leakages of beneficiary impacts.

In contrast to the government of Nepal's emphasis on rural development through the promotion of towns and market centers, various studies conducted in Nepal have concluded that these centers have not

been helpful in spurring rural development. For example, a New Era study (1986) found that hill towns acted merely as distribution points for agricultural and industrial products from the Tarai and India. Other studies conclude that, compared with similar towns in the Tarai, small towns in the resource-poor hills are not growing but provide mainly administrative functions (Sharma 1989 and 2001; CEDA 1989; Sharma and Khanal 1996). On the other hand, ICIMOD's report (1986) suggests the need for developing market towns to generate off-farm employment in the hills because farm-based activities in hinterlands have not been able to absorb a growing labor force.

Effective rural-urban linkage is also considered important to contain the rapid exodus of rural people to urban areas. As agriculture alone is not able to support a growing rural population, internal rural-urban migration is increasing at a rapid rate in Nepal. For example, 'life-time internal migrants to urban areas constituted 16.3% of the urban population in 1981 and 17.2% in 1991' (KC 1998: 26). In 2001, this increased to 24.2% (KC 2003: 144). The contribution of net migration during 1981-1991 was 17.9% of the urban population in 1991. In 2001, of the total internal migrants, 25.5% were rural urban migrants (KC 2003: 144). Nepal's urban areas have also become a source of remittances to rural areas. The Nepal Living Standard Survey (conducted in 1995/96) revealed that Kathmandu contributed 12.4%, and other urban areas 11.6%, to the total remittances in the country. In a 2003-04 survey, 'urban areas' were reported to contribute 12.4% of total remittances in the country (Graner and Seddon 2005: 39, Table 1). The decline is mainly because of increased remittances from foreign countries. But in absolute amounts, in 1995/96 Rs. 3.7 billion was estimated to go from urban to rural areas as remittances. This increased to 5.7 billion in 2003-04 (KC 2003: 144).

Urbanization and migration (rural-urban) has also been changing the nature of the poverty. Increased urbanization and access to non-farm income is considered to be one of the main reasons for the decline of poverty in Nepal. Poverty in Nepal declined from 42% to 31% of the population from 1995/96 to 2003/04, as revealed by the Nepal Living Standard Surveys (CBS 2005: 2). Even though remittances are considered to be a main reason, urbanization and an increase in wage rates are other reasons for this decline. Accordingly, in this period poverty declined much faster in urban areas (12% points); rural areas experienced a drop of only 8%. Poverty incidence in urban areas is only 12% (CBS 2005: 3). Despite the decline in poverty in urban areas, the condition of poor people in urban areas is rather dismal, or more severe than in rural areas. For

example, 7.3% of the urban population still live in small, temporary huts in public spaces, and are generally referred to as *sukumbāsīs* (NPC 1998: 258).

The late development of urban areas and market centers in Nepal has consequences for the evolution of rural-urban relationships. The pace of urbanization in Nepal increased only after the country was opened up to the outside world in 1950 when the dictatorial rule of the Rana hereditary Prime Ministers, who tried to keep the country isolated from the world, ended. Fifty years ago there were few towns outside the Kathmandu valley and even these were developed primarily for military and administrative reasons (Caplan 1975). Now there are 58 towns<sup>6</sup> and these are considered generally as urban areas. Accordingly people living in these towns are considered urban people. About 16.2% of the population of the country is considered to live in urban areas (Sharma 2003: 382). Even though the urban population is still small in Nepal, the rate of urbanization<sup>7</sup> is growing rapidly. Urban population constituted 3.6% of the total population in 1961, grew to 4.0% by 1971, and touched 6.4% in 1981 and 9.2% in 1991 (Sharma 2003: 383).

The urbanization process in Nepal is characterized by the rapid growth of small and medium-sized urban centers as there is only one Metropolitan city and most are only considered as municipalities or towns. One of the main reasons for this is that Nepal—ever since the unification of the country in 1776—has been following centralizing

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6 Here a town means a municipal area defined by the government. The latest municipality act (Municipality Act, 1992) has defined and categorized towns of Nepal. According to this Act, towns with a minimum population of 300,000, Rs. 70 million annual revenue, and urban facilities are considered to be Metropolitan cities. Towns with a minimum population of 100,000, Rs 20 million annual revenue, and urban facilities are considered to be Sub-metropolitan cities. Towns with a minimum population of 20,000, Rs. 1 million annual revenue, and with minimum urban facilities are considered to be 'Municipalities.' Some political manipulations are also done in defining urban areas. For example, two of these 58 towns have a population of less than 20,000, and were declared to be towns purely on political and administrative grounds. Similarly, the criteria for defining urban (town) areas have also been changing. The Municipality Act 1961 and 1976 had adopted different criteria for defining towns.

7 By urbanization is meant the changes in economic structure (from farm-based to non-farm based activities) in a settlement brought about by population growth (demographic changes), infrastructural development, and people's behavioral changes (from loosening of community or social bonds).

policies that attract the country's resources and economic activities to the capital, Kathmandu. A few other towns that the government chose as administrative and military centers eventually developed as urban areas with bazaars attracting economic activities (Caplan 1975). The administrative centers located in trade routes eventually developed faster. Pokhara, Butwal, Bhairahawa, Narayangarh, Tansen, and Syanjya (Putli bazaar) are main towns in west-central Nepal that have developed faster because trade-routes passed through them. This study examines the role of Pokhara in the development of its hinterlands or in bringing about positive socio-economic changes through economic linkages.

### **Socio-economic Changes in the Study Areas (Region)**

The urban areas and their hinterlands chosen for the study are meant to cover the general situation of west central region of Nepal, of which Pokhara is the main center. Pokhara lies within Kaski District, the rural areas of which clearly constitute the closest areas of its hinterland. But the town has a real influence all over the wider Western Development Region—up to Lamjung and possibly even Gorkha in the east, as far as Mustang and Myagdi to the north, to Parbat, Baglung and Beni to the northwest and west, to Tanahun to the southeast and to Syangja and maybe even Palpa to the south. The different parts of the rural region (with the exception of Mustang and maybe Myagdi) share broadly similar socio-economic characteristics. Apart from the pervasive presence of Brahmins, Chetris, and various *dalit* (Occupational Caste) groups, and the smaller numbers of other social groups, these areas are still effectively the heartlands of the Gurungs and the Magars. The economic position of these caste/ethnic groups varies according to their general level of socio-political achievements and access to land, jobs (government and semi-government), and foreign employment. Generally members of lower caste groups occupy the lowest economic position. They also lack access to land and other non-farm employment opportunities away from the villages. They depend for their survival on farm labor and the village non-farm economy in which they work as carpenters, masons, and the like. They also find employment as porters. Because of untouchability they are effectively barred from owning restaurants or teashops, or from engaging in trade. Brahmins and Chetris generally have higher educational levels compared to other groups and tend to find employment in government/civil service and teaching. Even though there is also a wide disparity within these groups, they tend to have high access to land. Other groups like Gurungs and Magars also have high access to land even

though their educational levels also seem to be lower than that of Brahmins and Chetris. But they have high access to foreign labor employment. Because of differences in occupational patterns and access to resources, there is a complex relationship among different caste/ethnic groups with regards to interdependencies and exploitation (Adhikari 1996).

Mustang is a trans-Himalayan mountain district dominated by Thakalis and Lo-bas. Long tied to Pokhara by the ancient Himalayan salt trade, in recent times trade has centered on the import of food items and other essentials from Pokhara, the export of apples and vegetables, wool, herbs and sheep and goats to Pokhara. Thakalis in Pokhara and elsewhere have focused on non-farming investments and business activities (such as hotels, restaurants, construction, transportation of goods from Pokhara to and from Mustang) that also have the effect of integrating the far north with Pokhara. Otherwise, the 'rural economy' in the hill districts is still mainly centered on subsistence farming with paddy, maize, and millet as the main crops. Mixed and integrated farming with a strong contribution from animal husbandry and forestry is a common characteristic of the higher elevations. In the valley bottoms, farming is usually more intensive, based on paddy production and irrigated fields, and produces a greater output per unit of land, ensuring more substantial levels of production and thus of food self-sufficiency to households which have access to such irrigated fields. There is not much marketable surplus of these food grains. In general this is a food deficit region and most households produce food for only 6 months. For the rest of the year they depend on local markets. The transportation facilities have helped in supplying cheap rice produced in the Tarai and India. One of the main functions of the towns and markets is to supply these food materials to the villages. However, it does not mean that villagers do not sell their products to the market. Even some producers who are not food sufficient are found to sell their rice. Because rice produced in the river basins in the middle hills is of higher quality (it tastes better), farmers sell it at high prices, purchase cheap rice from the market, thus increasing their food security. They can sell their rice at the rate of Rs 64 per kg, and buy cheap rice at the rate of Rs 28 per kg. This is done particularly by farmers close to towns like Pokhara where there are people who have high purchasing power.

The 'modernization' of farming has not taken place to any great extent anywhere in the hill regions, even though the use of chemical fertilizers and pesticides has somewhat increased. Cropping intensity has certainly

grown, as has the variety of crops, as the declining farm size obliges rural households to increase their efforts on the land to provide for their basic subsistence requirements. Despite this, most households and most villages in west-central Nepal are far from self-sufficient in food. They try to meet the pervasive and often substantial deficit in production through the purchase of food grains in markets. The food grains bought (mainly rice, but to a small extent, wheat and wheat flour) are imported mainly from India and the Tarai. The construction of highways linking Pokhara with the Tarai and India has made it possible to bring food grains relatively cheaply to local markets. This has benefited many rural people, particularly the poor, who are now able to buy cheap rice in most market centers in the region. But because of the largely subsistence-orientation of farming, not many changes are seen in the creation of non-farm opportunities within the villages. The small craft-based production of agricultural implements by local artisans has also been disappearing as readymade tools (from India) are available in the market. Even ropes, which were produced locally, are now imported and purchased in the market, as they are cheaper.

This growing market dependency also extends to upland/highland villages where, unable to fulfill their food and other requirements from agriculture alone, people increasingly depend on lower villages nearer market centers to survive. Highland villagers depend on the markets in these lower villages to trade for their mainly forest based products. The livelihood strategies of these villagers tends to be heavily based on forest and pasture resources, rather than on crop production. Accordingly they tend to earn their income or food from the sale of firewood, timber, bamboo and bamboo products, livestock and livestock products, herbs, wild fruits and other non-timber forest products, and vegetables. Because of the growth of trekking tourism in certain parts of the region, a few households, particularly those located along the trekking routes, are also involved in tourism on a seasonal basis. Sharma (2000) shows that the trekking tourism in the Annapurna area has helped rural households to earn some income, but a large part of it has not gone to the poor households. Poorer households, who may find some portering in trekking tourism and manual work in hotels, also end up being cheated by agents of various types. But it is increasingly realized that proper linkages between agriculture and tourism have not been developed. Tourist hotels meet a large part of food, vegetables and fruits requirements by importing them from the town, i.e., Pokhara where Tarai/Indian products are available. With the armed conflict, tourism has reached its lowest level.

Until 1997 slightly more than one hundred thousand tourists used to come to Pokhara in a year. In that year, about 80,000 tourists had gone trekking in the Annapurna region. But in 2004 only about 35,000 tourists went trekking in this region.<sup>8</sup>

Adhikari and Bohle (1999) conducted a detailed study of patterns of interaction between villages in the region, and between villages and urban centers, and their significance for the livelihoods of rural households in Nepal's Kaski district. Their study showed the scale and complexity of these forms of transactions—including market transaction, barter and other forms of exchange. Despite the growth of forms of exchange and interaction, including market transactions, farming systems have remained largely subsistence-oriented in the middle hills. In a longitudinal study of a village in Kaski district, Adhikari (1996 and 2000) demonstrates that farm households consciously try to keep their farming subsistence-oriented and endeavor to earn cash income if possible on a routine basis from other non-farming activities. They have done this essentially to avoid several types of risk in dealing with the market (fluctuating product prices, insecure markets, increasing prices of the imported inputs) and nature (low returns, natural hazards like drought, excessive rain, hailstorm, erosion and landslides, increasing incidence of insects, pest and diseases).

The growth of the rural non-farm sector is one of the main long-term changes that have taken place in the western region under study. This sector is characterized by increased reliance on off-farm and non-farm income sources, located away from the villages. The income so earned is mainly used to purchase imported goods and services, including a large part of local food requirements. The local non-farm activities are very limited. Local non-farm activities mainly include: making and repairing tools and utensils; housing; fencing; transport and sale of village products to the town; portering of products to the village; selling of forest non-timber products like wild vegetables and fruits to towns people, and making and selling of other rural products like bamboo mats, baskets, and the like. These rural non-farm activities provide employment to only a few households, and are mostly taken up by low caste households (dalits). Adhikari (1996) reports that about 73% of wage employment opportunities within the villages he studied were taken up by dalits. As described above, the lack of dynamism in agriculture in general has not

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8 Personal communication, Annapurna conservation area project officers, Pokhara.

provided impetus for the creation and growth of non-farm work opportunities within the villages.

Different strategies to find reliable sources of off-farm income include seasonal or temporary migration within or outside Nepal, to other rural areas for mainly agricultural employment, or to the towns of Nepal or other countries for employment in other sectors, or for business opportunities. Many rural households, seeking food and income security, have come to rely not on a single livelihood strategy but on multiple sources of income from employment or from enterprise. This almost certainly is a characteristic of virtually all of rural Nepal today, although it is recognized that different regions depend to different extents on 'external' resources (Seddon, Adhikari, and Gurung 1998, 2001). The dependence of rural households and village communities of the west-central region on outside employment is well documented and relatively high. For example, a recent study reveals that well over a quarter (28.7%) of rural households in the Western Development Region are characterized as 'female-headed' (that is, the husband is away from home, or has died), even though about a quarter (19.6%) of families are headed by women nationally (CBS 2004: 20). Most of these households are headed not by widows or divorcees, but by wives whose husbands are working away from home, mainly in India. Foreign labor migration has undoubtedly grown in importance in the last decades (Seddon, Adhikari, and Gurung 1998, 2001) and rural-urban migration has increased along with rapid urban growth (Acharya 1998). Practices of migration and multiple income sources for rural households have been amply documented in village ethnographic studies conducted in the past (Pignede 2003 [1966]; Hitchcock 1966; Macfarlane 1976).

Seasonal non-farm work outside the village (less than 2 months consecutively) is another type of employment for village households. In west-central Nepal these jobs are available mainly in Pokhara, and to a lesser extent in the other towns of the region. Construction work in Pokhara itself and infrastructure associated with development projects, *ghee* (butter oil) selling from village to town, and portering (sometimes for tourists) provide employment opportunities on a seasonal basis. Four carpet factories in Pokhara also provide employment to a few female rural commuters.

The study of other urban market centers and their hinterlands broadly show similar socio-economic conditions as described above in the case of Pokhara. For example, the study of Syanjya reveals that previously the businesspersons or the residents of the market centers were Newars who

were the traditional merchants. The surrounding villages were settled mainly by Magars, Gurungs, and other Hindu groups like Brahmins, Chetris and members of 'Occupational Castes.' But after the construction of a road in 1969 more prosperous village households (with access to remittance income) settled in Syanjya market, especially if they were not wealthy enough to move to Pokhara. They now are involved in different business activities. The income they derive is not invested in agriculture or other productive sectors, but is used for educating their children in higher quality schools in Pokhara, Kathmandu, and in some cases, even overseas countries. These wealthier households pay less attention to investing their savings in rural areas. They depend on Tarai and Indian food grains, vegetables and fruits. It was surprising to find that vegetables and fruit shops in Syanjya sell the products brought from Pokhara, which are originally supplied from India and the Tarai. As the market in Syanjya is small, goods are supplied in bulk in Pokhara, and then it is distributed to these smaller market centers.

### **'Economic' Linkages between Pokhara, its Satellite Market Centers, and Hinterlands**

#### ***1. Product Flow***

At present, Pokhara is supplying more goods and commodities (including food grains, mainly rice) to rural areas directly or through its satellite towns/market centers than it receives from these areas. But in the late 1960s, the region was self-sufficient in food. For example, Gurung's study (1969) of Pokhara suggests that the Pokhara valley's population required 73,600 muri<sup>9</sup> of paddy while it produced 77,900 muri. Apart from that there was surplus production of millet, maize, upland paddy (*ghaiya*), and buckwheat. Pokhara used to receive rock salt and wool from the north, to which it supplied foodgrains. From other places in the rural areas it used to get cereal grains such as rice, wheat and maize, ghee, and seasonal fruits. Surplus cereal grains were supplied to the northern regions. From India came only manufactured products like cigarettes, matches, biscuits, tea, sugar, canvas, shoes, electric torches and batteries, kerosene, mirrors, glass beads, lipsticks, cotton print clothes, and the like. But even at that time with more imports from, than exports to, India, there was an estimated trade deficit of about Rs 4.5 million. (See Table 2).

This situation had totally changed with regard to food grain by 1997. A study conducted in that year in a rural area outside of Pokhara (Lachok

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9 One muri of paddy equals 52.5 kg.

and Ghachok villages) revealed that the main commodity supplied to villages was rice (mainly Indian rice, but on a smaller scale Tarai rice), whereas in the past, it used to flow towards Pokhara (Adhikari and Bohle 1999). Other commodities supplied to Pokhara's hinterlands were cooking oil, salt, sugar, and kerosene. Books, stationary, clothes, instant noodles, biscuits, construction materials (cement and iron rods), metal utensils, tea, cigarettes, and shoes were other commodities supplied to the villages. Most of these commodities originated in India. Even instant noodles, of which Pokhara has become a production center, have backward linkages to India from where raw materials are imported.

**Trade 2: Trade movement in Pokhara in 1968 (Source: Gurung (1969: 92). Subtotals and Totals are computed by the author).**

Direction	Place	Imports (1000 Rs)	Exports (1000 Rs)	Balance (1000 Rs)
North and West	Thakola	1044	1560	518
	Baglung	333	1336	1000
	Kaski	694	924	227
	North valley	389	445	56
	Sub-total	2480	4285	1801
East	Lamjung	101	99	-3
	Gorkha-Rising	619	313	-305
	Arba-Sikles	671	432	-239
	Deorali- Rupakot	384	210	-174
	North-east valley	64	57	-7
	East valley	750	192	-558
	Sub-total	2,589	1,303	-1,286
South	Syanjya	48	1430	1382
	Ramdi	1024	863	-161
	South valley	114	78	-34
	Sub-total	1186	2371	1185
India	Narayanghar	78	0	-78
	Sunauli	7,098	0	- 7098
	Sub-total	7,176	0	- 7,176
Total		13,431	8,986	- 4,455

Village products that are sold in the market or taken to the market included bamboo products, straw mats, hide, stone slate, maize, firewood, leafy vegetables, potatoes, millet, high quality rice, alcohol, timber, eggs, and milk. A study by Gurung, et. al. (2000) reveals that it is mainly Brahmin and Chetri farmers from villages who supply the bulk of these products, mainly milk, to Pokhara. But the amount and value of these products is significantly lower than those of the commodities purchased at the market and supplied to the rural areas.

Gurung et al. (2000) attempted to estimate the monetary value of the goods and services provided by Pokhara to its hinterland, but this proved to be extremely difficult. However, based on data from a sample survey of businesses, the authors estimated that some Rs 2 billion worth of goods (and services) were supplied by businesses in Pokhara to the inhabitants of the town and its hinterland, the majority of which were in fact imported from outside, mainly from towns in the Tarai (which also import heavily from India). Considering that the survey covered about 25-35% of the major businesses in Pokhara, it seems possible that, in total, some Rs. 6 billion worth of goods are supplied by Pokhara to its residents and to the residents of its hinterlands (west central Nepal). This may also be considered as a trade deficit of the region. Comparing this with the situation in 1968, at which point the trade deficit was Rs 4.5 million (see above), the trade deficit has grown by more than a thousand times. This increase in supply from Pokhara to its hinterland could be due to several factors like population growth, increase in living standards, and demand for new goods and commodities. But we must also acknowledge that the size of the region which Pokhara supplies has shrunk considerably because several areas that were previously dependent on Pokhara are now supplied directly from the Tarai and India by new roads.

The increased net flow of goods from urban/market centers to rural areas as described above has caused an outflow of funds from villages to Pokhara and to external markets in the Tarai and India. This has led to a decline in investment in rural areas. Macfarlane, who has been studying one predominantly Gurung village near Pokhara for thirty years, remarked recently that the village has suffered a major decline over the last ten years or so (Macfarlane 2001).

The smaller satellite towns that have developed around Pokhara are also dependent on Pokhara for various services. They have grown essentially because of transportation facilities and nodal locations. Instead of helping to collect and add value to rural products, these towns serve as gateways for imported commodities (already imported to Pokhara). For

example, the growth of the Syanjya market center has taken place to supply retail facilities for small or minor purchases of commodities supplied from Pokhara. People from here go to Pokhara for major purchases. In the past, they would go to Pokhara in such a way that they would purchase goods at a large amount, thus avoiding frequent travel. But now with the transportation facilities, travel to Pokhara has also become regular. Similar conditions were also observed in other market centers like Baglung, Begnas, Gangaugauda, and Naudanda. Naudanda has been affected in a different way in that it used to be one of the destinations for trekking tourism. But with the opening of a road in 1990, tourists now can travel further into the mountains, bypassing the village and depriving local hotels of business. At the same time the village's proximity to Pokhara (facilitated by the road) has helped people sell milk and other village products such as bamboo mats, baskets, straw mats, and goats. Yet as Pokhara slowly loses its rural characteristics, the demand for village products like bamboo mats and baskets is declining. This is clearly seen in the nature of goods sold in various religious and other fairs in Pokhara. Local products are seen less and less. They are replaced by modern goods, often produced in India, China, and other countries.

A study conducted on inflow and outflow of goods and commodities in Pokhara and various satellite market centers reveals the same pattern discussed above (DoG 1989). The study concluded that the magnitude of outflow from Pokhara is very high as compared to inflow, mainly because of the poor economy and poorly developed physical linkages. The major outflows were rice and edible oil along with manufactured goods—sugar, washing soap, noodles, and tea. The inflow included green vegetables, ginger, milk, bananas, bamboo, goods, firewood, country liquor, potatoes, and guavas. All the market centers studied were found to be totally dependent on Pokhara for the supply of these goods. Regarding the flow of goods from the periphery to small market centers, the study found a very low interaction. Only 13 out of 23 centers were found to supply goods and commodities to their market centers. Ginger and milk were the two main commodities supplied from villages to centers.

## ***2. Specialized farming pockets in rural areas***

One of the main developments that has taken place in Pokhara's hinterlands is that various specialized farming activities have been developed in areas where there are suitable natural resource conditions, traditional institutions, and networks with marketing. For example, when Syanjya began to develop as a market center because of its access to roads

and the establishment of government offices, some locales developed as orange producing areas, some as vegetable producing areas, and some as dairy centers. But as a whole these hinterlands still depend on tradition-based and subsistence-oriented farming systems even though local people argued that most households produce food that can only meet requirements for six months. In some areas these households added or started giving emphasis to certain products for which their soil and climate is favorable and some basic infrastructure is available. To take an example, Triyasi (located close to Syanjya) has developed as a vegetable production center, Karendanda, Jaisidanda and Sungure Kholā are orange producing areas, and Bhandari Thar is a milk producing area. Residents of the latter village were traditionally involved in milk production, but they capitalized on new demand and facilities available from the government. In other pockets also, the government was partly responsible for the development of these enterprises. Brahmins and Chetris, who have some access to land, as well as traditional skills, have taken up commercial vegetable and fruit production enterprises in these pockets. But in these areas 'low caste' households have not benefited, as they do not have access to land. The commercial production of vegetables requires more inputs like pesticides, fertilizers, and hybrid seeds. These are brought from Pokhara itself. An average farmer in this area obtains nearly Rs 30,000 in a normal year. But they are adversely affected by price fluctuations. In some years, Tarai markets have dumped vegetables in Pokhara, forcing farmers to plough vegetables into the soil or feed them to animals.

In places where orange farming has developed, the hill slopes are generally north sloping, which helps in keeping the soil moist. Commercial orange production started mainly seven to eight years ago. Farmers earn Rs 20,000 to Rs. 80,000 in a year, but most earn around Rs 30,000 a year. After it became difficult to reverse the 'decline of orange production' in Pokhara due to a disease, suitable hill localities took the initiative to grow oranges. The locations where orange production takes place are not very close to markets or even roads. This means that oranges are carried in baskets to the nearest road. The wholesalers also visit the villages and auction the whole orchard. This is a seasonal production (winter), and there is no guarantee of price and marketing. Therefore, prices fluctuate depending upon the production in the villages and in India. But customers in the Pokhara region, the main market, prefer local produce because of its taste and freshness. Once the local season is over, Pokhara's markets are flooded with high-priced Indian oranges.

Sometimes, because of over production, local oranges prices go so low that harvest and transport costs exceed their market value. Farmers complain about the lack of cold storage facilities while businesspersons complain that local orange production is not large enough to make cold storage facilities profitable.

Similar development has taken place in the hinterlands of other towns and market centers. For example, Baumara and Hyanjya specialize in vegetable production for the Pokhara market. Farmers of Pumdi-Bhumdi, Sarangkot, Kaski and Raylachaur produce milk that they sell themselves in Pokhara. It is common to see these farmers in the Pokhara market at 5:00 in the morning. The Naudanda market is a collection center for the milk produced in villages around it. It supplies an average of 1200 liters of milk per day to Pokhara. Farmers engaged in dairy are again high caste Brahmins and Chetris, as they have land and other resources to support animals (like fodder, grass, and feed).

In the Satmuhane area (near Gagangauda), vegetable production has increased because of the availability of irrigation facilities and the proximity to markets. The Begnas area also developed as vegetable and dairy production center after irrigation facilities improved. Oranges and ginger are produced for market in a few pockets in the hinterlands of Baglung. In all these cases, only those with access to land and other facilities have benefited from this development; but these beneficiaries are few in number.

These specialized pockets are few in number and small in scale. Accordingly, they have not been able to significantly meet the demand for agricultural commodities in Pokhara and other market centers. Pokhara totally depends on the Tarai and Indian markets for foodstuffs like rice and wheat flour, and heavily depends on them for fruits and vegetables (Adhikari 2000). Only a large proportion of milk demand is met locally, thanks to dairy co-operatives and government efforts in purchasing the milk. The benefits of this new linkage (with specialized farming pockets) have gone to landed farmers located in suitable niches.

### ***3. Process of de-industrialization***

Industrial development in Pokhara and other growing markets has gone through different phases. But the recent trend shows that even though the number of industries may have increased, their backward linkages are not rooted in the hinterlands. The traditional industries based on local raw materials and human resources have been almost wiped out. For example, in Pokhara and Baglung, weaving and metal ware industries were

thriving. Initiated mainly by Newars, the traditional entrepreneurs of Kathmandu valley who migrated there about 200 years ago, these industries grew on a large scale. Because of these industries, the local occupational castes and others were also employed locally in mining ores at different locations, which were usually brought to Pokhara after purification by local artisans. These local artisans used a part of these ores to produce metals, which they also used themselves in producing various agricultural implements and household tools and others artifacts required within the villages. The refined metal that was brought to Pokhara and Baglung was used for producing various artistic utensils and metal wares which were sold in various towns as well as in villages. In this process, local people were employed. Similarly, weaving industries were also thriving in the town. Local women as well as men used to be involved in the weaving process. Producing thread, weaving cloth manually and the dyeing and drying of cloth were labor intensive jobs. As a result employment opportunities were created. Marketing was done in Pokhara and Baglung markets and other marketing centers. Mobile trading was also common in the past. Mobile traders could carry these goods with the help of porters. They would visit different villages, where they used to sell the products with cash or exchange them with other rural products like grains and *ghee*. Most of the goods required in farming were available in local markets—agricultural implements, ropes, bamboo baskets, mats, and the like—all of which were produced in rural areas. As a result, there were strong linkages in the urban and rural economies.

After this period of growth in indigenous industries, infrastructural linkages to distant (especially Indian) markets led to the decline in the traditional industrial sector. This coincides with the development of transportation facilities in the early 1970s linking Pokhara with Indian markets, where modern industrial development had taken place a long time ago. Baglung also experienced the same fate even though it was not linked with a road. Goods imported from India were increasingly available in Baglung as the road network came closer. Mules and porters transported goods from the nearest road head—like Pokhara and Naudanda (close to Syanjya). With the import of mass-produced goods and commodities, traditional industries were almost wiped out. Government support, on the other hand, encouraged the establishment of modern industries like textiles, stationary products, and confectionary. Easy availability of raw materials from Indian markets led to the development of these industries. Protective government policies including various incentives like credit and tax subsidies were also instrumental in

the growth of these industries in Pokhara. But since the mid-1980s, these industries have been facing tough competition from imported items. As a result they are not able to thrive. But still Pokhara has developed its capacity in producing confectionary products and instant noodles, which are supplied to hinterlands. There is demand for these products in hinterlands where they are consumed not necessarily due to their nutritional value, but due to ease of preparation, and more significantly, as symbols of modernization, i.e., as products of development (*bikās*). But these industries have more of their backward linkages in Tarai and Indian markets as they derive their raw materials and skilled human resource from there.

Because of increased competition from goods and products that come from distant markets, Pokhara's industries are now on the verge of collapse. From 1967 to 2003/04, 5614 industries were registered with the government in Kaski district, and about 70% of them are located in the municipality area or its immediate periphery. Of them, 45% (2,512 industries) were cancelled because they did not renew their registration (Dulal 2005: 37). Similarly, a large number of industries have maintained registration with the government even while operating at a scale far below their capacity.

In line with the changing business environment of Pokhara city, the municipality, the local business community (Pokhara Chamber of Commerce and Industry—PCCI), and government planners have now begun to see the city more as a service center. They have begun to feel that Pokhara cannot be an industrial city as was proposed in the past. They now want to develop the town as a center for services in 'health, education and tourism.' This has been the slogan of PCCI and the municipality. The recent shift in investment toward enterprises providing these services can be taken as testimony to the shift from 'industry to service.' The main development in recent times is the private sector growth in educational, health and tourism enterprises. The investment in tourism remains despite the recent decline in tourist numbers due to the political conflict. The increased rate of migration of people with substantial savings (from villages to Pokhara), and the development of transportation networks have made Pokhara an attractive location for the development of health services and educational facilities.

The other market centers, which have recently developed as a result of favorable location along the roadside, also do not have any industrial base. This is the case in Syanjya, Begnas, Gagangauda and Naudanda.

They act instead as supply centers of the products brought from main market centers like Pokhara.

### **Conclusion**

The growth of urban systems in the Western Development Region also has implications for planners and policy makers. Contrary to the expectation of planners that growth of towns help in rural development, this study shows that urban-rural economic linkages are still too weak to spur rural development. Pokhara and its satellite market towns have acted as channels to supply goods and commodities from Tarai and Indian markets. On the other hand, the supply of products from rural areas to market centers and to Pokhara is very minimal. Only a few market centers received milk, vegetables, seasonal fruits, and some products of household enterprises like bamboo baskets, mats, and the like from rural areas. The supply of vegetables and fruits was too low to meet the demand in Pokhara. Food grains were supplied from Pokhara to rural areas, whereas in the late 1960s, the reverse was the case even though the volume was small.

This pattern of development is also not a new or recent feature. A study conducted in the late 1970s also clearly showed that the growth of Pokhara spurred only minimal production in rural areas (as quoted in Gurung et al. 1977: 17). The rural-urban linkages in the late 1990s seem to have become weaker as there has been an increased net inflow of goods and commodities to rural areas from the market centers. Similarly, there is a decline in the supply of farm and industrial products from rural areas to market centers, except for a commodity like milk. For this commodity, there has been some institutional support in terms of minimum market price guarantees through 'co-operatives.' For other products there is no institutional support to consolidate the fragmented supply (production) of commodities from hinterlands to the towns, thereby making it easier to have sustained supplies from the Indian towns.

The finding of this study also concurs with that of Bajracharya (1995) who had studied two villages near Banepa. He writes:

The industries in the small town have limited backward and forward linkages with the villages. Currently there is very little processing of local products in Banepa. Except for small rice mills, most larger rice mills in the small town obtain their grain directly from the *Terai*, thus eliminating backward linkages with the surrounding villages. The dairy industry, which is still in its nascent stage in the small town, is probably one of the few industries which have backward linkages with the surrounding

villages. Most industrial and commercial firms have few downward linkages, but they have more linkages with the larger towns in Kathmandu and the *Terai* for the supply of raw materials and destination of their finished products. (1995: 37)

In a study further west of Pokhara, Raithelhuber (2001) found institutional support lacking for farmers or producers in rural areas to develop linkages with market centers for the supply of their products. Fluctuating and low prices, lack of price support, and lack of marketing support were seen as hindrances for farm production. The same was the case in this study. For example, some institutional support for milk production was responsible for its supply to market centers through co-operatives. We can conclude therefore that unless institutional support mechanisms are developed, towns and market centers alone cannot make rural-urban linkage strong enough to bring about rural development.

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