

## Chapter Seven

# Market Centres and Small Towns in the Hindu Kush-Himalayas: Emerging Themes and Issues

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The preceding chapters reflect upon the state of market centres and small towns in the Hindu Kush-Himalayas. The diversity of contexts notwithstanding, there are a number of issues that emerge as common. The fact that market centres and small towns remain neglected as the focus of policy and programme attention in most cases highlights a number of conceptual, strategic, policy, and operational issues that deserve attention in attempts to promote the development of these places.

### CONCEPTUAL AND RESEARCH ISSUES

At the conceptual level, there are a number of issues that emerge as priorities that need to be addressed. The first is related to the definitional aspect of what constitutes a market centre, small town, or rural town. It was observed that, in most cases, market centres and small towns were recognised, insofar as such recognition was possible, not so much in terms of diversity of occupational characteristics of the population but in terms of functions and linkages of such settlements. The functional relationship with the immediate hinterland was of significance because market centres and small towns emerged primarily to serve the economic and service needs of the rural hinterland. A generalised set of criteria might then be suggested that defines a market centre or small town in terms of the size, function, and linkages of the settlement in question. Setting up such criteria is, however, a far from simple exercise.

The varying contexts of mountain areas make it difficult to ascertain a minimum population size, although in most cases a market centre may be expected to have a population of a few hundred. Although population size, in general, is found to correlate well with the number and variety of functions, this may not always be true in remote mountain areas with dispersed patterns of settlements and dependence on agro-pastoral activities. Population size by itself may not indicate the functional centrality of a place

because most central places in the mountains are seen to become viable because of non-local demand.

The marketing function of market centres and small towns is often considered the most important. Studies from the Hindu Kush–Himalayan region show that it is not merely the marketing function but the multi-functional nature of market centres and small towns that makes them functionally significant in most cases. The most relevant functional criterion may then be to consider the array of commercial as well as institutional service functions alongside their magnitude existing in a place. The linkages of the functions performed by market centres and small towns in relation to the area around them, in terms of the flow of people, services, produce, and knowledge and information, may then be another set of criteria for recognising and defining market centres and small towns.

The studies make it clear that our present knowledge base on these aspects remains extremely limited. The definitional issue can be meaningfully addressed only with the help of a larger number of regional comparative case studies. Such studies would provide an empirical basis for the identification, and even some typological classification, of market centres and small towns. On a more practical level, there is also a need to look at how different agencies, in both the governmental and non-governmental sectors, look at the system of functional settlements and urban places in the context of discharging their own functions and implementing their own plans and programmes.

Conceptually, it may also be necessary to look at the whole range of functional settlements and market activities at the lower end of the urban–rural continuum from periodic markets to market centres and small towns. It has been observed in the case of north-east India, the Chittagong Hill Tracts of Bangladesh, and the eastern region of Nepal that periodic markets often provide the basis for permanent settlements. Indeed, under favourable conditions periodic markets can perform a variety of functions which include extension and commercial and banking activities. In the Chinese Hindu Kush–Himalayan region, for example, many centrally located periodic markets with strong functional linkages with the hinterland have been planned as permanent market centres and small towns by the state (Zhang 1998).

A related issue is the lack of a database on market centres and small towns. In most Hindu Kush–Himalayan countries, the lowest administrative unit is the unit for the collection of data pertaining to physical and socioeconomic attributes. These units are conveniently classified as rural or urban. The latter is based on the municipal or similar status of a settlement or group of settlements displaying certain characteristics. In India, Pakistan, and Bangladesh, these characteristics relate to population size, contiguity of built-up area, and a perception of urban characteristics. In India, such criteria also include a population density of 1,000 per square mile and an occupational structure that has 75% of working male population engaged in activities other than agriculture.

In some cases, such as Nepal, the granting of municipal status has acquired the nature of a political decision and the criteria of population size is often manipulated to incorporate large tracts of rural areas to award municipal status. The country-specific studies elucidate that in most cases, data and census mapping on a settlement basis are lacking. As a consequence, the rural region for the most part remains undifferentiated from the point of view of settlement characteristics. The order of settlements below the municipal/cantonment or board status, therefore, fails to be recognised as a spatio-economic unit worthy of consideration for planning and related purposes. This effectively means not only that the definition of urban areas remains truncated, but also that the whole purpose of looking at the rural region from a functional perspective is de-

feated at the outset. Since market centres and small towns fall into the generalised rural region, this calls for a comprehensive approach to generating data on the basis of settlements and their functions. Clearly, market centres and small towns can constitute a legitimate agenda for development intervention only when they can be identified as spatio-economic entities performing developmental functions. Creation of a better database consistent with the criteria and functions considered important in evaluating market centres and small towns appears a priority concern in most countries and regions of the Hindu Kush-Himalayas. Such a database may consist of information pertaining to population size, number and range of services and functional units, occupational structure, infrastructure, and characteristics and potential of the hinterland. Also, census information needs to be periodically supplemented by information related to functions so that the dynamics of market centres and small towns in terms of their growth and decline can be better appreciated.

On the research side, one important concern is related to methodologies and tools for identifying and assessing market centres and small towns. There are some methodologies used in assessments such as Garnett et al. (1989), Sharma and Khanal (1996), and LGED (1993) but these need to be developed and standardised. The need for comparative studies in various mountain contexts cannot be overemphasised. If market centres and small towns are to be a serious part of the development agenda of the Hindu Kush-Himalayan countries, more comprehensive methodological tools need to be used for their assessment than those presently used. This is essential because such assessments form the basis for programme interventions that can be planned for facilitating the growth of potential market centres and small towns. Also the usefulness and efficacy of the use of participatory tools, such as participatory rural appraisal and rapid rural appraisal, for such assessments need to be examined.

More interdisciplinary research on market centres and small towns is warranted. Such research should incorporate not only physical, economic, and sociocultural aspects but also aspects of political economy. Under certain circumstances, such as those in the Chittagong Hill Tracts of Bangladesh or in the remote mountain regions of the mid-western and far-western regions of Nepal, market centres can become the spatial manifestations of a far more entrenched process of alienation and subjugation than is generally recognised in the regional planning or area development literature. Such market centres could further marginalise the disadvantaged population and may play overtly exploitative functions rather than generative ones. The politico-military imperatives and the 'developmental' activities of the state superimposed over the traditional tribal systems of community organisation and land tenure, in many ways, determine the contours of urban growth, and, indeed, the development and function of market and small towns. As such, conditions for the development of market centres and small towns appear to be created by forces extraneous to the local production regime. Such processes need to be better understood and appreciated through appropriate modes and strategies of research.

An important but neglected aspect of research into market centres and small towns is the paucity of case studies that elucidate what may be termed 'success' stories of 'good' market towns, and the factors that contribute to making these market towns successful. Such case studies can be used to test the concepts, criteria, and functions of market centres in terms of their contribution to the development of rural areas.

A final conceptual concern that emerges is the need to take a regional perspective in looking at market centres and small towns. This is essential because a region- or area-based approach is relevant in assessing market towns in terms of regional infrastructure and in tailoring interlinked programmes consistent with regional resource endowments.

## STRATEGIES AND APPROACHES FOR THE DEVELOPMENT OF MARKET CENTRES AND SMALL TOWNS

The preceding chapters identify the need for pursuing specific strategies and approaches for the promotion of market centres and small towns in the mountains. These relate to the perception of market centres and small towns in the agenda of mountain development, in the development of urbanisation and regional infrastructural development strategies and policies, and the role of various agencies in facilitating the growth and development of market centres and small towns.

There seems to be a general consensus that, in the development agenda of mountain areas, market centres and small towns need to be appreciated in the following terms.

- Market centres and small towns as multi-function, multi-service centres. In all mountain areas, the multi-function and multi-service nature of market centres and small towns needs to be promoted to ensure that economic and social/equity functions go hand in hand.
- Market centres and small towns as instruments for poverty alleviation in the rural hinterlands. The development of opportunities for off-farm employment and the provision of essential inputs and services as well as marketing of produce from rural areas must facilitate poverty alleviation.
- Market centres and small towns as links between isolated, small villages and larger regional settlements. Market centres and small towns, in this sense, serve as channels of economic, social, and political communication and interaction.
- Market centres and small towns as elements of integrated area planning. It is being realised that integrated area planning considerations have a much greater relevance in mountain areas than elsewhere. The need to juxtapose investments with a view to establishing better linkages is, therefore, great in mountain areas.
- Market centres and small towns as part of a strategy for deliberate urbanisation of mountain areas.
- Market centres and small towns as buffers between villages and large towns and cities.

Market centres and small towns have to be seen as part of any comprehensive strategy for mountain development. Experience, so far, makes it clear that, given the internal (population growth, limited productive land resource base) and external (globalisation) constraints and/or imperatives, the livelihoods of mountain people cannot be improved without inducing changes in the economic and spatio-demographic context. Two arguments are often advanced for pursuing a deliberate urbanisation strategy in the mountains. The first relates to the provision of services and channels of marketing that would facilitate specialisation in production. The second relates to agglomeration of settlements for the provision of basic facilities. Since such a desired process of settlement agglomeration cannot be forced, market centres and small towns can become part of a strategy to facilitate agglomeration. Another reason for the promotion of market centres and small towns is the non-feasibility as well as non-desirability of large towns in mountain areas for reasons of natural and environmental hazards. Market centres and small towns need to be conceived as part of a strategy of scale-sensitive urbanisation. The major purpose of such a strategy would be to promote the development of a graduated hierarchy of settlements that facilitate and strengthen highland-lowland and urban-rural linkages. Such a strategy should lay the basis for promoting desirable urban nodes around transportation spines, and create a framework for augmenting basic infrastruc-

ture and services so that location-specific, niche-based, economic growth potentials can be realised. An urbanisation strategy of this nature should help internalise the varying spatial implications of economic policies—an element that is often missing in the policy and practice of spatio-economic development in Hindu Kush–Himalayan countries.

The promotion of market centres and small towns would involve investment in physical and related infrastructure that, in the mountain context, tends to be costly. Market centres and small towns have to be seen as part of a strategy for regional infrastructural development—mainly the regional network of roads. Experience in mountain development in Hindu Kush–Himalayan countries suggests that while the nature, mode, and quality of access may differ from one context to the other, roads are perhaps the single most important element in influencing the spatial incidence of growth. Road alignments often determine the centrality of settlements in terms of access, levels of the provision of goods and services, and the nature of economic activities that can be induced or planned. In certain cases, the growth of new settlements is induced as the result of a road. There is an essential complementarity between the urbanisation strategy and the approach to the development of access and regional road infrastructure. This involves appreciation of the linkage between demand and supply in the context of infrastructural development. An approach that balances potential demand and existing and likely needs of the area is required. The Nepalese experience in infrastructural planning under a regional development approach manifested in the form of north-south and east-west roads and conceived as part of a deliberate urbanisation strategy that was proposed during the Fourth Five-Year Plan (1970-75) is instructive. It suggests that supply-driven efforts (in the form of roads and bureaucratic infrastructure and provision of higher order services) for the development of market centres and small towns have to be complemented by programme initiatives to mobilise demand (i.e., agricultural diversification of the hinterland or some other niche-based advantage) through a series of well coordinated sectoral activities. There has to be a match between the supply of infrastructure and the realisation of the productive potential of the locality and the hinterland. The lack of complementary policies and their coordinated implementation means that the efficacy of infrastructural development strategies for the promotion of market centres and small towns remains doubtful.

In countries of the Hindu Kush–Himalayas, it is often the government that is expected to play the major role in the promotion of the market centres and small towns. While it is true that strategic questions such as a regional urbanisation strategy or a regional infrastructure or road development strategy are the domain of the government, there appears to be a need for better appreciation and facilitation of the role of other agencies such as non-governmental organisations, community-based organisations, and the private sector. Experience in the Chinese Hindu Kush–Himalayan region suggests that while the scale of the market centres and small towns remains largely determined by the evolution of the marketing function and the demand factors, the role of the state remains critical. This is particularly true in (a) providing basic services, such as in education, health, and other social services that create the basic preconditions for the private sector to appear, (b) creating the marketing support infrastructure including market facilities, storage facilities as well as credit and technical assistance, and in setting in place a management framework; and (c) creating and maintaining an environment of 'fairness' where the terms of trade for the rural farmers do not remain biased and, in the process, conducive for the attainment of the equity objective in the promotion of market centres and small towns (Zhang 1998). In many mountain areas, where the investments

required for the creation of conditions for supporting the development of market centres and small towns can be quite substantive, the state has to play the role of a catalyst. The role of the state should be to set the ground rules and facilitate the conditions under which the non-governmental sector and the private sector can operate.

In most Hindu Kush–Himalayan countries, the role of non-governmental organisations does not emerge as a particularly important one in the context of the market centres and small towns. Non-governmental organisations can play a major role in institutional capacity-building. Their function can be critical in facilitating the diffusion of ideas, knowledge, and technology with respect to diversification and market-oriented specialisation of agricultural production and value addition. In the organisation of communities for cooperative production and marketing, non-governmental agencies can be catalytic agents. In certain conditions, they can be cost effective in arranging for essential inputs and services, such as credit and extension, and in cooperative marketing. Non-governmental organisations can also help nurture and strengthen local-level institutions and organisations.

The role of the private sector, considering their motivation, lies less in creating the marketing infrastructure and more in the actual marketing of produce, providing services on a competitive basis, and creating conditions for the generation of off-farm employment. Efforts, however, need to be made to encourage local-level private entrepreneurship in trade, service provision, and small-scale production. Both government and non-governmental agencies can play a facilitating role in this process. Lack of involvement by local population groups can result in market centres being conduits of exploitation rather than enhanced production that would contribute to better livelihoods as the case of the Chittagong Hill Tracts demonstrates.

## **POLICIES, PROGRAMMES AND INSTITUTIONS**

There are few or no specific policies concerning market centres and small towns, in general, and market centres and small towns in mountain areas, in particular, in Hindu Kush–Himalayan countries. However, a number of other policies have an impact on the promotion and development of market centres and small towns. Broadly speaking, such policies relate to four major areas: diversification and intensification of agriculture and agricultural marketing; infrastructural development, particularly of rural roads; off-farm opportunities induced by new activities such as tourism; and institutional development and decentralisation.

Policies that facilitate the intensification of agriculture, particularly in terms of a shift from subsistence crops to high-value crops, may hasten the spatial incidence of growth, particularly of settlements that are centrally located and linked to higher order settlements through a transport network. Such settlements may act as marketing centres and bulking and distribution centres for the goods produced by the hinterland. They may gradually attract middlemen who make these settlements their bases of operation. The marketing function in favourably located settlements may attract other ancillary trade and service functions, thus allowing the growth of potential market centres and small towns. Often the spatial implications of such policies do not find expression, in area or settlement-specific plans and programmes. However, if policies were given such expression, that would play an important role in the identification and promotion of potential market centres and small towns.

The importance of infrastructural development policy, particularly the development of a road network, has been mentioned. There are, however, few examples in the

mountains in which the planning of road networks has been complemented by an exploration of their potential linkages and impacts on the functional status and role of settlements. In recent years, attempts have been made, in some cases, to address this consideration. The District Transport Master Plans that are being developed in Nepal have begun to take account of the implications of the roads for the growth of settlements (DDC Achham 1998; Shrestha 1997).

It has been observed that certain types of activity have implications for the functional characteristics and growth of settlements. In Nepal, for example, the growth of tourism, particularly trekking, in certain mountain regions, has had a considerable impact on the settlement characteristics. In the Sagarmatha (Mount Everest) region, Rogers (1997) reports that at least 11 of the 38 settlements on the Everest trail showed significant impacts of tourism while 12 other settlements were moderately adapted. In Namche Bazaar, at the base of Everest, which was a tiny trading post only a few decades ago, the first hotel was opened in 1971. By 1978, there were 17 operating hotels. In 1991, there were 83 operating hotels and another eight under construction (Stevens 1993). The rural village with a tiny trading post is now a major tourist hub despite the lack of a road link. The growth process in settlements like Namche has been spontaneous and has not benefited from any plans or programmes. With respect to activities with wide linkages, such as tourism, there is a need for appreciating their implications for the growth and development of settlements as many such activities provide scope for the promotion of market centres and small towns. Only rarely have such implications been internalised in introducing new development activities in Hindu Kush–Himalayan countries.

Institution-building at sub-national and sub-regional levels and decentralisation of administrative and development decision-making are mentioned in development documents in most countries of the Hindu Kush–Himalayas. Both these complementary processes have significant implications for the growth of settlements, particularly in the context of the promotion of potential market centres and small towns. The desirability and viability of multi-functional market centres and small towns in the mountains are derived mainly from the fact that market centres and small towns can be the focal points for the building of local and sub-regional institutions for the provision of essential services and the delivery of inputs to the hinterland. In many countries, sub-district units form the spatial basis for decentralisation of decision-making and service delivery as well as the building of institutions. The identification of centres of such spatial units, from the point of view of their potentials to grow as market centres and small towns, has been an aspect that is lacking in many instances.

There is also the issue of the institutional support and capacity-building for the planning/ development of urbanisation, in general, and market and small towns, in particular. In most countries of the Hindu Kush–Himalayas, the focus on such institution-building has been on municipal areas. The institution-building issue is critical to market centres and small towns that do not have a legal basis as entities to claim or request the kind of support they may require. In Nepal, India, and Pakistan, most market towns exist in an institutional vacuum as they do not have notified or municipal status. Even where institutions exist at the district level for supporting institution-building activities in market centres and small towns, such as in India, there is often a lack of coordination of activities.

In most cases, there is no established process of identifying market centres and small towns, assessing their potentials for growth in light of various other development

processes, and providing the modes and mechanisms for financing the development, management, or maintenance of market centres and small towns in both local and regional settings. In Nepal, for example, it is only recently that efforts have been made to look at this issue of identification and assessment. Under an initiative of the National Planning Commission, studies are being conducted at the district level to identify and assess market centres and small towns. In the hill districts of Uttar Pradesh in India, under an initiative of the Uttar Pradesh Academy of Administration, a detailed inventory is being created to help the process of administrative reorganisation (Sharma 1998).

There are institutional funding mechanisms, such as the Town Development Fund Board in Nepal, that finance development projects of the municipalities. In India, centrally sponsored programmes, such as Integrated Development of Small and Medium Towns, provide funds for urban areas in the development of infrastructure. An initiative was made in Nepal to develop a market town fund but the lack of political commitment led to its demise. However, the creation of such mechanisms to address the issues of infrastructural investments and the creation and strengthening of the resource base of market centres and small towns in mountain areas of the Hindu Kush–Himalayas is long overdue.

There have been both government- and donor-funded programmes to address the concerns of urbanisation and rural–urban complementarities. The initiative 'Integrated Development of Small and Medium Towns' in India has already been mentioned. In Nepal, the Rural Urban Partnership Programme, which has been implemented since 1997, is intended to promote local governance, community mobilisation, cooperative marketing, and entrepreneurship through the development of a strong network of municipalities, market centres, and villages. The idea is to pursue a market centre and rural–urban linkage approach to local development. While there are donor-funded, project-based initiatives for strengthening rural–urban complementarities, there are no sustainable financing mechanisms (including grants and loans from central government institutions and taxes and other rates to generate revenue at the local level) created specifically with market centres and small towns in mind. The bearing of decentralisation efforts for the financing of market centres and small towns is also much less understood.

The conclusion emerging from the review of the state of market centres and small towns is that there has not been enough advocacy of the role of market centres and small towns in the articulation of the space economy of the mountains. In looking at the organisation of the space economy, the focus has to be on the development of a viable and desirable system of settlements that addresses the question of equity (in terms of the distribution of services and facilities) and, at the same time, the concern for the realisation of the economic potentials of areas deriving by virtue of their location and linkages with the hinterland. At the policy level, awareness regarding the implications of particular sectoral activities on the spatial incidence of growth is lacking and there is no meaningful effort underway to redress this gap. Even market-oriented development strategies and approaches ignore this aspect. An explicit consideration of economic and non-economic activities in the realisation of the functional potential of settlements in a regional and sub-regional context is required. In the mountain areas of the Hindu Kush–Himalayas, the government is by far the most important agency that can make such a consideration imperative.

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