

# Outcomes of Rural Development

One basic fact of sustained economic growth is the dramatic change that occurs in the sectoral composition of an economy.<sup>12</sup> This change leads to a drastic decline in the relative importance of agriculture in the gross domestic product (GDP), and increase in the share of manufacturing and services and associated structural transformation of the economies from rural to urban. The history of the economic development of OECD countries including Japan and the ROK—as well as middle-income countries in East Asia, such as Malaysia, Thailand, and Indonesia; and South Asian economies such as India, among others—provides ample empirical evidence of this. However, there is one difference between developed Asian economies and developed economies outside the Asia and Pacific region. In Asia and the Pacific, the transformation of less developed to developed economies has taken place more rapidly.

In general, this transformation has been slow. For example, it took Britain 117 years and the United States 92 years for agriculture's share to decline from 40% of GDP to 7%. Similarly, it took 113 years for Britain and 165 years for the Netherlands for the agriculture sector's employment share in total employment to decline from 16% to 4%. Some countries, such as the ROK and Malaysia, have taken much less time for this transformation. The share of agricultural production and employment in the ROK, for example, declined from 40% to 7% and 16% to 4% respectively in only 26 years.<sup>13</sup> In Malaysia, the share of agriculture in GDP declined from 21% in 1985 to 8% in 2006. Although the transformation involves a marked decline of relative shares of the agricultural sector, agricultural employment and the rural economy, paradoxically, agriculture and the rural economy have an important role to play

---

<sup>12</sup> Warr. 1991; Mundlak. 2005.

<sup>13</sup> Yong-Taek. 2004, 24.

The pattern of the transformation and the speed with which it occurs has significant socioeconomic implications for the rural population.

in the process of their relative decline.<sup>14</sup> The pattern of the transformation and the speed with which it occurs has significant socioeconomic implications for the rural population. In addition, policy measures taken during the transformation period have profound implications for the development issues in both rural and urban sectors in the post-transformation period.

Economic transformation also involves significant adjustment costs. If the process is not managed efficiently and effectively, major socioeconomic problems may occur, particularly in rural areas. Sound rural development may be interpreted as a process of managing this structural transformation in such a way as to minimize the adjustment costs, potential for

urban–rural dualism in standards of living and intra-rural sector inequalities by turning the economic growth process into one of shared growth through systematically providing the rural population with opportunities and capacity to reap long-term benefits from economic growth and participate in social development. The growth and development shared in this manner with the wider population is considered inclusive and sustainable because it embraces all strata of the society and leads to greater social stability. The international experience of rural development thus differs widely across countries depending on how each has understood and managed, or is managing, the process over time, in addition to the initial conditions of each country, and the global environment within which each country operated or is operating. However, the country experience in general offers important insights for policy makers.

In the region, Japan; Taipei,China; and the ROK achieved a significantly high level of rural development primarily through their structural transformation process during the 1950s to the late 1970s. Agricultural development played a critical role in rural development in these economies. In Taipei,China, agricultural development contributed capital, labor, and

<sup>14</sup> In Indonesia, the share of agriculture of the country's non-petroleum GDP declined from 53.3% in 1960 to 29.4% in 1987, and the share of agricultural employment in total employment declined at a slower rate from 73.2% in 1960 to 54.1% in 1987 (Warr 1991, 2). A similar pattern between decline in the share of agricultural output in GDP and agricultural employment in total employment may be observed in countries such as Viet Nam, Pakistan, and the PRC. For example, in Pakistan agriculture/GDP ratio is about 23% while agricultural employment accounts for about 50% of total employment. The wide gap between these two ratios indicates a significantly low productivity in agriculture and the lack of more productive employment opportunities for those in agricultural employment and, hence, a serious rural development problem.

government revenue for the development of other sectors. In addition, it enabled rapid development of rural nonfarm economy with the assistance of appropriate government policies. The growth of the rural nonfarm economy contributed in particular to reduce potential for sharp income disparities between rural and urban households. In the ROK, improvement of agricultural productivity enabled farmers to increase their incomes. As agriculture's share in total employment declined from 80% to 34% between 1960 and 1980, the agricultural sector was able to provide much needed labor for sustained growth in the urban manufacturing sector. Unlike in the case of Taipei, China, the ROK failed to create necessary conditions for developing rural nonfarm economic activities significantly to enable the emergence of pluriactive rural households. Despite large-scale rural-to-urban migration, this failure contributed to significant rural–urban income disparities in the 1970s. These disparities have increased in recent years. Farmers' income as a percentage of urban workers' income declined from 97% in 1990 to 73% in 2002. While this inter-sectoral disparity constitutes an important problem, economic growth and development have freed rural areas from absolute poverty. Rural people continue to enjoy a very high standard of living.

These three economies... also seem to have adopted a development policy that emphasized adequate investments in basic services for the rural population and promote social development of the rural population.

These three economies—Japan; ROK; and Taipei, China—also seem to have adopted a development policy that emphasized adequate investments in basic services for the rural population and promote social development of the rural population. They ensured adequate facilities for both primary health care and primary education for rural population at the early stages of their growth, preventing a situation in which circumstances and opportunities for significant inequalities could emerge in rural areas. Egalitarian land distribution pattern resulted from land reform initiatives also fundamentally contributed to reduce sharp rural–urban inequalities in income and social indicators.

Malaysia, classified as a middle-income country in the region, was also remarkably successful in rural development through its structural transformation in the 1980s and 1990s. The relative share of agriculture in GDP in Malaysia declined in the 1990s and amounted to 8% in 2006. Thailand and Indonesia significantly transformed their economies in the 1990s.

As a result of economic reforms that led to continued high annual economic growth rates averaging around 9% during the post-1978 period, PRC's economy experienced a spectacular transformation.

Viet Nam has also made a remarkable progress in economic transformation in recent years. Viet Nam's agriculture/GDP ratio declined from 40.6% in 1990 to 22% in 2004. In 2004, agriculture's share in Thailand's GDP was only 10% while agriculture in Indonesia accounted for a somewhat higher share of 17%. In all four countries, high overall economic growth, reasonably high growth rates in agriculture, rural nonfarm employment and rural-to-urban migration contributed to rural development and millions of rural households, largely farm households, were able to improve their socioeconomic well-being and escape poverty.

The economic transformation that occurred and continues to occur in the PRC adds a great deal of diversity to the international experience in rural development and has been much bigger than elsewhere in terms of the absolute number of people affected. As a result of economic reforms that led to continued high annual economic growth rates averaging around 9% during the post-1978 period, PRC's economy experienced a spectacular transformation. Agriculture's share in GDP declined from about 35% in 1970 to 15% in 2004, much of this decline occurring after 1984, the initial rapid growth phase in the agricultural sector. The per capita GDP (in purchasing power parity terms) is estimated to have increased from \$1,071 in 1978 to \$4,726 in 2003.<sup>15</sup> During this time, rural household incomes increased significantly. According to official sources, rural poverty fell from 33% in 1978 to 3% in 2001.

India has also begun its economic transformation in recent years, with liberal economic policies and reforms introduced in the early 1990s. However, it has been so far driven largely by the rapid growth in the manufacturing and service sectors while agricultural growth has not played as dynamic and spectacular role as it has in the PRC. The growth rate in agriculture has declined since 1997 and remains low. The share of agriculture in GDP has declined from 43% in 1970 to 22% in 2004. The productivity increase resulted from the Green Revolution in the 1970s and 1980s, however, contributed to reduced rural poverty, although much of the benefits of the Green Revolution accrued to the nonpoor farmers in irrigated areas. The per capita GDP in India increased (in purchasing power parity terms) from

<sup>15</sup> Braun et al. 2005a, 5.

\$1,255 in 1978 to \$2,732 in 2003, largely because of policy and institutional reforms. A recent new set of estimates by Ravallion et al<sup>16</sup> indicate that the incidence of rural poverty in India declined (based on \$1.08-a-day yardstick) only marginally from 49.1% in 1993 to 43.61% in 2002. According to the same source, the absolute number of rural poor people on the same basis slightly increased from 326 million to 329 million while the number based on \$2.15-a-day yardstick increased from 608 million to 672 million in the same period. Unlike in the PRC, rapid population growth appears to have significantly negated the positive impact of economic growth on reduction of the absolute number of rural poor.

Although the region has impressively reduced rural poverty, as noted earlier, rural development record remains mixed across countries and majority of the poor in the region continues to live in rural areas. According to the Food and Agriculture Organization (FAO),<sup>17</sup> 524 million people in Asia and the Pacific was undernourished in 2001–2003. A majority of them are in rural areas. In most countries, poverty levels continue to be much higher in rural than in urban areas (Table 2). In Pakistan, rural poverty was 41.6% in 2001 while urban poverty was 26.4%.<sup>18</sup> The same is true in India and other South

**Table 2: Population in Poverty (%)**  
(National Poverty Line)

Country	Year	Total	Urban	Rural
Bangladesh	2000	49.8	36.6	53.0
Cambodia	1999	35.9	13.9	40.1
India	1999–2000	28.6	24.7	30.2
Indonesia	2002	18.2	14.5	21.1
Kazakhstan	2002	27.9	20.3	36.9
Nepal	2004	30.9	9.6	34.6
Pakistan	2001	37.3	26.4	41.6
Philippines	2000	34.0	20.4	47.4
Sri Lanka	2002	22.7	7.9	24.7
Tajikistan	2003	56.6	47.7	59.9
Thailand	2002	9.8	4.0	12.6
Timor-Leste	2001	41.0	26.0	46.0
Uzbekistan	2000	27.5	22.5	30.5
Viet Nam	2002	28.9	6.6	35.6

Sources: ADB 2005a, 140; World Bank 2005, 278; www.statistics.gov.lk.

<sup>16</sup> Ravallion, et al. 2007, 37–38.

<sup>17</sup> FAO. 2006, 118.

<sup>18</sup> The Government of the Punjab et al. 2005, 4.

Asian countries and in most Central Asian countries. In Kazakhstan, rural poverty was 30.5% in 2003 while the national poverty incidence was only 19.8%.<sup>19</sup> Despite significant progress in rural areas during the last 2 decades, rural poverty in Viet Nam is also much higher. Similarly, a recent study<sup>20</sup> concluded that “the poverty rate in Viet Nam is highest in the remote areas of the northeast and northwest regions, the upland areas of the north central coast, and the northern part of the central highlands.”

Another aspect of recent growth experience is rising income inequalities. A recent ADB study<sup>21</sup> concluded that out of 21 of its developing member countries (DMCs) for which sufficient data are available, inequality has “increased over the last 10 years or so in 15 DMCs, and rather sharply in several of these.” Although this study did not analyze the rural sector situation, it is safe to assume that income inequalities between urban and rural areas and within rural areas may have followed a similar trend. In Viet Nam, the Gini coefficient of income inequality in the rural sector remained at 0.28 between 1993 and 2002. However, regionwise data indicate that it increased from 0.25 to 0.34 for North Mountains, from 0.25 to 0.30 for North Central Coast, and from 0.31 to 0.36 for Central Highlands.<sup>22</sup> According to national estimates, the Gini coefficient for the rural sector in Sri Lanka increased from 0.38 in 1980 to 0.45 in 2002.<sup>23</sup> High incidence of landlessness, poor access to quality education facilities in rural areas, inequalities in access to institutional sources of financial services, and inequalities in social indicators have a significant bearing on these income inequalities.

The story of non-income poverty further reinforces concerns about inadequacies in rural development of many countries.

The story of non-income poverty further reinforces concerns about inadequacies in rural development of many countries. First, most people with low social development are concentrated in rural areas. Second, significant intra-sectoral disparities in social development exist in rural areas. Third, social development in rural areas continues to be much lower than that in urban areas. About 260 million adults in the region are illiterate and most of them are in rural areas. In the Federally Administered Tribal Areas of Pakistan, education facilities are deficient in most villages and nonexistent for most

<sup>19</sup> Lamberte and Vogel. 2006.

<sup>20</sup> Minot et al. 2006. 1

<sup>21</sup> ADB. 2007, 1.

<sup>22</sup> Scott and Chuyen. 2004, 106.

<sup>23</sup> www.statistics.gov.lk

girls. Most children of school age do not attend school at all, and literacy rates are among the lowest in the country.<sup>24</sup> In most developing countries in the region, educational levels and health indicators of the rural population are much lower than those of the urban population. As shown in Table 3, in Bangladesh the mean years of schooling was 3.29 in rural sector while it was 6.31 in urban sector in 1999/2000.<sup>25</sup> In Pakistan, rural–urban disparity ratio in schooling was 0.41 in 2001, while it was 0.39 in Nepal in the same year. Large gaps continue to exist in primary school completion rates between urban and rural populations. In rural Pakistan, only 22% of girls above 10 years have completed primary schooling, compared to 47% of boys. In the PRC, health indicators between rural and urban areas have diverged during the post-reform period.<sup>26</sup> In most developing countries, quality of education and health in rural areas significantly lag quantity. The poor quality further increases urban–rural disparities in education and health. Public facilities providing these services in rural areas are generally poor. In addition, lack of qualified staff and a high rate of absenteeism among workers at these facilities aggravate the problems.

**Table 3: Rural–Urban Disparities in Schooling  
(Mean Years of Schooling)**

Country	Year	Total	Rural	Urban	Rural/Urban Disparity Ratio <sup>a</sup>
Bangladesh	1999/2000	3.92	3.29	6.31	0.52
Cambodia	1999	5.70	5.52	7.12	0.78
China, People's Republic of	2000	6.54	5.18	8.53	0.61
Timor-Leste	2001	3.19	2.52	5.40	0.47
India	1998/2000	5.03	3.93	7.78	0.51
Indonesia	2002	7.38	5.85	9.04	0.65
Lao PDR	1997	4.08	3.36	7.32	0.46
Nepal	2001	2.46	2.09	5.38	0.39
Pakistan	2001	3.51	2.43	5.95	0.41
Thailand	2000	6.89	5.79	8.97	0.65
Viet Nam	2000	6.96	6.44	8.48	0.76

Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> Computed based on the data in the source given below. A ratio equal to 1 indicates parity between the two sectors. Values below 1.0 indicate the extent of the disparity between rural and urban sectors.

Source: World Bank 2005, 284–285.

<sup>24</sup> ADB. 2006b, 1.

<sup>25</sup> World Bank. 2005, 284.

<sup>26</sup> Tandon and Zhuang, 2007, 2.

Other non-income dimensions of poverty are also acute in rural areas. About 596 million people in the region are without access to safe drinking water and 1.8 billion without access to sanitation facilities. Most of those without such access are in rural areas and are at the bottom end of the income distribution. For the poorest in rural areas of developing countries as a whole, only 30% have access to these facilities.<sup>27</sup> In Uzbekistan, rural water supply has particularly suffered from budget cuts since independence and many water supply systems are constantly out of service. In some oblasts, only about 30% of villages have access to piped water supply. In rural areas, people often have to walk long distances only to obtain contaminated water from untreated sources. Water-related diseases are widespread in rural areas.<sup>28</sup> While some countries have achieved urban–rural parity in these services, in many, significant urban–rural divide continues to exist (Table 4).

**Table 4: Selected Health Indicators**

Country	Population with Access to Safe Water (%)		Population with Access to Sanitation (%)	
	2002		2002	
	Urban	Rural	Urban	Rural
Azerbaijan	95	59	73	36
Bangladesh	82	72	75	39
Bhutan	86	60	65	70
Cambodia	58	29	53	8
China, People's Republic of	92	68	69	29
India	96	82	58	18
Indonesia	89	69	71	38
Kazakhstan	96	72	87	52
Korea, Republic of	97	71	100	100
Kyrgyz Republic	98	66	75	51
Lao PDR	66	38	61	14
Malaysia	96	94	100	98
Maldives	99	78	100	42
Marshall Islands	80	95	93	59
Mongolia	87	30	75	37
Nepal	93	82	68	20
Pakistan	95	87	92	35
Papua New Guinea	88	32	67	41
Philippines	90	77	81	61
Solomon Islands	94	65	98	18
Sri Lanka	99	72	98	89
Tajikistan	93	47	71	47
Thailand	95	80	97	100

Source: ADB 2005a, 147.

<sup>27</sup> ADB. 2006a, 8.

<sup>28</sup> ADB. 2005b, 1.

Data on infant mortality are perhaps a good indicator of the health problems in rural areas in most developing countries. The infant mortality rates remain high in many. Wide gaps between urban and rural areas are common (Table 5), with rural areas having much higher rates in countries such as Kazakhstan, Nepal, Philippines, Indonesia, and Cambodia. This is true for most other countries, such as Pakistan and Papua New Guinea, although recent data are not available for the rural sector. In most South Asian countries except Sri Lanka, exclusion operates from the very beginning of life for many rural children each year because their births go unregistered.<sup>29</sup>

Data on infant mortality are perhaps a good indicator of the health problems in rural areas in most developing countries. The infant mortality rates remain high in many.

**Table 5: Rural–Urban Disparities in Infant Mortality (deaths under age 12 months per 1,000 live births)**

Country	Year	Overall	Rural	Urban	Rural/Urban Ratio
Bangladesh	1999/2000	79.7	80.7	74.2	1.09
Cambodia	2000	92.7	95.7	72.3	1.32
Indonesia	1997	52.2	58.0	35.7	1.62
Kazakhstan	1999	54.9	63.8	43.7	1.46
Kyrgyz Republic	1997	66.2	70.4	54.3	1.30
Nepal	2001	77.2	79.3	50.1	1.58
Philippines	1998	36.0	40.2	30.9	1.30
Sri Lanka	2002	–	17.4	14.9	1.17

Source: World Bank 2005, 282–283.

Another significant concern is the neglect of environmental aspects of rural development. As a result, rural areas in many developing economies and some middle-income countries continue to face serious environmental problems, threatening the pace of further growth and adversely affecting the quality of life of the rural population, particularly the poor. Lack of inclusiveness in rural development has increased the potential for sociopolitical instability and more negative consequences on overall economic growth and quality of life of both rural and urban populations.

<sup>29</sup> UNICEF 2005, 37.

Although the rural underdevelopment problem differs across countries, the situation in the PRC and India perhaps is illustrative. ADB estimated that about 173 million people were living on less than \$1 a day in the PRC in 2003, while 536 million people were living on less than \$2 a day.<sup>30</sup> About 90% of the PRC's poor people are in rural areas. Rural-urban income disparities are a significant development issue. A recent comprehensive analysis<sup>31</sup> concluded that "even allowing for cost-of-living differences, the absolute gap between rural and urban incomes has increased appreciably." The rural sector<sup>32</sup> in the PRC continues to lag behind in terms of socioeconomic development; regional and intra-sectoral disparities in rural socioeconomic development are increasing; and environmental problems—such as land degradation, soil erosion, and the pollution of drinking water sources—and persistently high poverty in some rural areas remain. The development gap has been widening between regions, with the western and central regions continuing to be less developed than coastal regions. Rural-urban income disparities have increased in the 1990s. In 1984, the average rural income was 60% of urban income, but this has declined to 33% in 2002.<sup>33</sup> During the 10<sup>th</sup> Five-Year Plan period, 2000–2005, rural per capita net income increased only by an average annual rate of 5.3%, while that of urban residents increased by 9.6%.<sup>34</sup>

Evidence suggests that health inequalities between urban and rural areas are not only significant but also growing. Zhang and Kanbur,<sup>35</sup> for example, provide evidence (Table 6) of increasing urban-rural inequality in infant mortality. Similar inequalities exist in education. In 2000, mean years of schooling was 8.53 in the urban sector and 5.18 in the rural sector.<sup>36</sup>

---

<sup>30</sup> ADB. 2004a, 115, 117.

<sup>31</sup> Chaudhuri and Ravallion. 2007, 185.

<sup>32</sup> Following World Bank (1978), Ho (1986), and Anderson and Leiserson (1980), the term "rural sector" is broadly defined for the purpose of this paper to include small towns, the economic roles and functions of which are closely linked to agriculture and rural nonfarm economic activities, and provide numerous services to the rural population. The rural nonfarm activities are simply defined to include all economic activities in rural areas, other than crop and livestock production and fisheries. Different countries define "rural areas" differently. For definitions adopted by some OECD countries, see (OECD 1998, 22).

<sup>33</sup> CCICED ARD Task Force (TF). 2005a, 8–9.

<sup>34</sup> Gale and Park (2002, 47) attributes the growing urban-rural income gap to policies historically biased in favor of urban areas, such as extractive rural procurement and taxation policies, biased investments, a strict resident permit system that divided urban and rural population, rapid industrial growth in urban areas and restrictions on labor mobility. According to other researchers, the reduction in the implicit tax of domestic food grain procurement brought substantial income gains to the rural economy and especially to the poor in the mid-1990s (See Chaudhuri and Ravallion 2007, 204.).

<sup>35</sup> Zhang and Kanbur. 2005.

<sup>36</sup> World Bank. 2005, 284.

**Table 6: Rural–Urban Disparities in Infant Mortality in the PRC**

Year	Rural	Urban	Rural/Urban Ratio
1981	39.1	23.6	1.7
1990	32.4	19.1	1.7
2000	30.8	11.0	2.8

Source: Zhang and Kanbur 2005.

Another aspect of rural development in the PRC is negative environmental effects. The environmental pollution and environmental vulnerability have increased partly because of the pattern of rural economic growth. A recent study<sup>37</sup> noted that the PRC’s achievements in agricultural productivity, food output, and poverty reduction during the past 2 decades “have been made at a high cost to the environment. Farm incomes are now under pressure, in part because of degradation of the resource base. Environmental problems include desertification, soil erosion, grassland degradation, salinity on irrigated land, organic matter and fertility loss, burning of crop residues, aquifer depletion, high levels of heavy metals, nitrates and pesticide residues in soils and water, animal waste and loss of biodiversity. Some environmental trends are still in the wrong direction.”

In India, ADB estimates show that 326 million people were living on \$1 a day or less while 830 million living on less than \$2 a day in 2003. About 75% of the poor live in rural areas. Moreover, poverty is regionally concentrated: six of India’s states have 50% of the country’s total population and account for 72% of the poor. Some states such as Bihar have reported rural poverty incidence of over 65%.<sup>38</sup> These states are also characterized by relatively much lower level of social development than the other states. In rural India, the literacy rate varies from 41% for scheduled tribes and castes to 49% for Muslims and 60% for Hindus. The mean year of schooling in the rural sector was only 3.93 while it was 7.78 in the

Rural–urban inequality is an acute problem in income and all social indicators. Out-of-school children in rural India are seven times the magnitude of those in urban areas.

<sup>37</sup> Sonntag et al. 2005, xix.

<sup>38</sup> Thomas et.al. 2006, 6.

Many other developing economies in Asia and the Pacific are facing similar rural development issues.

urban sector in 1998/2000.<sup>39</sup> Rural–urban inequality is an acute problem in income and all social indicators. Out-of-school children in rural India are seven times the magnitude of those in urban areas.<sup>40</sup> Only 18% of the rural population use adequate sanitation facilities while the percentage for the urban population is 58%. In addition, alarmingly high gender disparities remain in education and health and access to most basic services. Infant mortality rates continue to be much higher in rural areas than in urban areas. In 1998/1999, the rate for rural areas was 79.7 while that for urban areas was only 49.2. As in the PRC, rural economic growth in India is also associated with environmental problems. According to a recent OECD report,<sup>41</sup> “deforestation, soil erosion, water pollution, and land degradation continue to worsen and are hindering economic development in rural India.”

Many other developing economies in Asia and the Pacific are facing similar rural development issues—high levels of persistent poverty in rural areas, major environmental problems such as land degradation and water pollution and scarcity, unacceptably low levels of social development, wide gaps between urban and rural incomes, regional imbalances and intra-rural sector disparities in income and social development. According to some estimates, more than 260 million rural poor live in “less-favored” areas.<sup>42</sup> Some regions in most developing countries have been left out of economic growth and pockets of poverty in rural areas are common in many countries such as Nepal, Philippines, Viet Nam, and Indonesia.<sup>43</sup>

The problems of and the interest in rural development, however, are not confined to developing economies of the region. Many countries in the OECD have experienced challenges similar to those being encountered by the PRC, India, and other economies in their transformation from developing to developed economies. As Japan and the ROK grew from agrarian to industrial economies, significant rural–urban income disparities occurred. From 1955 to 1965, the per capita income of rural households in Japan varied between 68% and 82% of urban households.<sup>44</sup> Even today, Japan has significant intra-

<sup>39</sup> World Bank. 2005, 284.

<sup>40</sup> ADB. 2006a, 9.

<sup>41</sup> OECD. 2006, 7.

<sup>42</sup> Rosegrant and Hazell. 2000, 324.

<sup>43</sup> de Haan and Lipton. 1998.

<sup>44</sup> Francks, et al. 1999, 78.

sectoral disparities in socioeconomic development between hilly and mountainous areas and flat areas in the rural sector.<sup>45</sup> The population of most rural areas consists largely of aged people in part because these areas are considered unattractive for most young people to work and live in. A similar situation exists in the ROK. However, the absolute levels of income and social development in rural areas remain high.

In most Asian non-OECD countries, the absolute number of the rural poor remains high. As such, the leaders of virtually all developing economies in the region, from large economies such as the PRC and India to small economies such as Cambodia and Sri Lanka, continue to recognize the need to promote rural development. For example, the major objectives of the 11<sup>th</sup> Five Year Plan (2006–2010) of the PRC is to build “a socialist countryside” through a variety of measures.<sup>46</sup> The plan emphasizes the need to concentrate on economic growth while improving development quality, and aims to solve the problems facing “agriculture, rural areas and farmers.” It emphasizes the need to increase rural household incomes by improving agricultural productivity and developing rural nonfarm enterprises. It also aims to improve rural infrastructure—including roads—energy, safe drinking water, education, and public services and to develop rural financial systems. It further seeks to coordinate development between urban and rural areas and pay increased attention to social equity.<sup>47</sup> The plan expects 45 million people to migrate from the rural labor force to the urban sector during 2006–2010. It also emphasizes the need to increase the pace of change of the patterns of economic growth, promoting balanced development among regions and between economic and social development, and strengthening rural environmental protection. The plan outlines broad-ranging policy changes, institutional reforms, and new programs to help refocus on rural areas. These include infrastructure investments; agricultural and other tax reforms; increased emphasis on social development; and better financial services for rural people, including microcredit.

The Government of India has also consistently emphasized the importance of rural development in its development plans for over 5 decades. The current 11th Five-Year Plan (2007–2011) continues this emphasis. In

The leaders of virtually all developing economies in the region continue to recognize the need to promote rural development.

<sup>45</sup> Oura. 1998, 211–225.

<sup>46</sup> The State Council of the PRC. 2006, 4.

<sup>47</sup> The State Council of the PRC. 2006, 3.

It is difficult to find a developing economy, including middle-income countries, that does not emphasize rural development.

In addition, the Government has recently introduced a number of new major initiatives. These include efforts to rapidly and substantially increase the amount of institutional rural credit for small and marginal farmers and rural nonfarm enterprises, the National Rural Employment Guarantee Program, \$40 billion program of Bharat Nirman for strengthening rural infrastructure including water supply, power, housing, and roads, and the National Rural Health Mission. Earlier, in 2001, the Government introduced the Sarva Shiksha Abhiyan (Education for All) program to universalize elementary education of satisfactory quality. These programs expect to accelerate rural development and reduce both income and non-income rural poverty. Viet Nam announced a 5-year plan to promote rural industries to increase employment and rural incomes. Many other countries have introduced a variety of measures. It is difficult to find a developing economy, including middle-income countries, that does not emphasize rural development. All seek rural development both for its intrinsic value and its instrumental value. This continued emphasis in the context of the severity of rural poverty makes it important to look into potential drivers of rural development in general and inclusive rural development in particular.