

I THE EVOLVING PARADIGMS AND PATTERNS OF RURAL DEVELOPMENT

These are people who have lost their fear of the state. They saw from their experience. . . that the state has nothing to give them. . . they'll want to create something new, a new consciousness. . . I don't know if they can succeed, but it's a very interesting development.

–Ahmet Altan, Turkish newspaper columnist,
commenting on the earthquake victims of August 1999
(IHT 1999a).

DEVELOPMENT ISSUES AND TRENDS UNDERLYING THE STUDY

Most economic development literature and practice through the 1960s assumed as a matter of course that central governments would plan, initiate, motivate, and finance economic development. This approach doubtless had many origins, beginning with the Keynesian perspectives on the macroeconomic roles of government that underlay the creation of the Bretton Woods institutions and the reconstruction of post-World War II Europe. Intense international attention to the problems of underdevelopment ensued in the early 1950s, when Europe was on the road to recovery and the era of independence in the former European colonies was well under way in Asia and Africa. The operations of the World Bank and, subsequently, the regional development banks were based in part on the notions that the accumulation of capital, both

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physical and human, was critical to economic growth; that this growth had to be balanced and therefore planned; and that only central governments were suited to lead the process. Hence the capital and technology transfers financed by international and bilateral development organizations have been and continue largely to be channeled through central governments.

When most developing countries emerged from their centralized colonial heritage, their existing private enterprises had neither the capital nor the motivation to accelerate the processes of investment and growth. What strength existed in public institutions—and in this there was considerable variation among countries, depending upon their colonial legacy—was concentrated at the Center. Moreover, outside the enclaves of modernized production and trade in the export-oriented sectors and the towns, economic activity focused on the subsistence production of food crops. Rural technology was stagnant. Thus, the initial development strategies focused on centrally planned, urban-based, industry-led, and often inward-looking capital accumulation and growth, upon which economic progress and “modernization” were expected to follow.¹

At the outset, development economists saw the main role of the Government in the countryside as extractive, providing “wage goods” (i.e., cheap food), surplus labor, and taxes to support urban-based development. It was really only with the green revolution of the early 1970s that economists and planners came to recognize universally the contributions of a progressive agriculture sector to overall economic growth. Because much greater food security came within reach, the extractive approach to agriculture was arrested. Governments, as never before, lavished resources on the rural areas in the form of subsidies to fertilizer, irrigation, and other inputs. But even by then, rural development was largely equated with, or at least considered to be derived from, the growth of

¹ See Arndt (1987) for an excellent history of the evolving concepts of “development” up to the early 1980s.

agriculture. And the principal model of agricultural development, which the State was again deemed best suited to lead, consisted of spreading the adoption of a simple seed, chemical, and water technology, often augmented by directed, subsidized credit.

Dawning in the late 1960s and growing with increasing force to this day has been the cognizance that poverty has persisted in the developing countries.² Poverty reduction has become a major development objective in and of itself. It is understood now that poverty is largely rural and, indeed, became increasingly so during the decade before Asia's present financial and economic crisis, due to the much more rapid income growth in the urban areas. A second and related policy objective has evolved from the realization that increasing per capita incomes goes only part of the way toward achieving rural development. Improving the overall quality of life of rural Asians is a broader goal that encompasses health, education, gender equality, and political participation. The increasing concern with these issues, as well as with poverty reduction in general, has led to the recognition that development must be measured by social as well as economic indicators. Moreover, households, communities, and local administrations must play a far greater role in designing, implementing, and sustaining development interventions.

Thus, the world today has become quite a different place since ADB's last Rural Asia Study (ADB, 1977). Within the international community, views about the efficacy of past development approaches and the critical constraints to growth have evolved considerably during the past two decades as the result of profound, interrelated changes in agriculture and food supply, the broader rural economy, the macroeconomic and global environment, and society and politics. Developments

² In Arndt's account, a key event was the address by Robert McNamara, the World Bank's President, to his Board of Governors in late 1972 on the theme of "Social Equity and Economic Growth." This was followed by great attention to the possibilities for "redistribution with growth," in which literature the book by Chenery et al. (1974) was among the most influential.

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in each of these areas have led to a new orthodoxy about the roles of the public, local, and private sectors (including not only for-profit private enterprises, but also civil society and nongovernment organizations) in rural development,³ even while development best practices—the “how to do it”—are often still catching up with the orthodoxy.

This brief chapter serves two purposes. First, it describes the principal sources of rural dynamism in order to set the stage for the subsequent analyses of public-sector, local, and private-sector roles. Second, it provides a reader’s guide to the coming chapters.

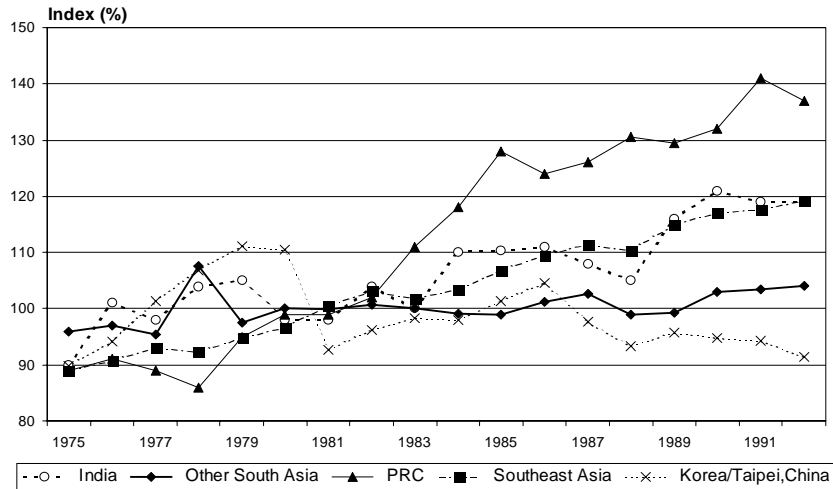
Agriculture and Food Supply

As the result of the green revolution, food production (especially cereals) is no longer as pressing a concern as it was two decades ago. Most of Asia, and particularly the largest countries, have dramatically improved their domestic food security as compared with the 1972–74 period of food and energy crises (Figure I.1). The main exceptions include the fastest-growing countries of East Asia (where agriculture’s economic role is now minor), the post-Soviet economies of Central Asia (which were never a part of the green revolution), and much of South Asia outside India (where, in part because of rapid population increase, agricultural growth per capita has been relatively slow). Overall, because incomes have risen rapidly due to growth in the nonagricultural sectors, the argument for a focus on agriculture as the source of wage goods has weakened considerably. Household budget shares for food have declined and, with them, the sensitivity of food consumption to price movements.

Nonetheless, at a global level, foodgrain supplies must increase by an estimated 1.5 percent annually during the next 25 years to maintain aggregate food security, as compared to

³ The rationale for a greatly changed view of the role of the State in development is most comprehensively presented in World Bank (1997).

Figure I.1 Index of the Real Value of Agricultural Output Per Capita (1980/81=100)



Source: FAO (1995).

the growth rate of 3.0 percent achieved during the peak years of the green revolution (IFPRI 1995). In rapidly growing regions such as East and Southeast Asia, feedgrain demand will place additional pressure on the agriculture sector. But the 1970s model of agricultural growth—seed, chemicals, and water—is rapidly losing momentum. Rates of growth of foodgrain yields declined during the past decade, while the difference between experimental yields and yields on Asia’s best farms has gradually narrowed (see the first volume in this Rural Asia study, Rosegrant and Hazell [1999])

It is generally accepted that the limits of agricultural extensification have largely been reached in Asia. The potential for intensive agricultural practices in suitable rainfed lands is limited. Further, some of Asia’s best agricultural lands are being paved over for nonagricultural uses due to the steady encroachment of urban and industrial development. Emerging water scarcity is likely to significantly influence irrigated agriculture, by far the largest (although by no means the least efficient) user of water. As detailed in Volume 2 of this Rural Asia Study (Mingsarn and Benjavan [1999]), most of Asia’s forests

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and watersheds are degraded, while the region's coastal and marine fisheries have been substantially depleted.

There had been, at least until the economic crisis beginning in 1997, an unprecedented period of income growth and urbanization, particularly in East and Southeast Asia. Through the expression of consumer preferences, an even more rapid change in the relative market demands for staple and nonstaple foods occurred. The production of income-elastic noncereal commodities—e.g., horticulture and poultry—responded rapidly in the faster-growing countries. But while national and international public agencies led the big push for technological change in cereal production, technological change and growth in the production of most other commodities has usually been led by the market and the private sector.

Beyond the changes within the agriculture sector, there has been a continuing secular decline in agriculture's terms of trade with the nonagricultural sectors, as well as in agriculture's shares of GDP and employment; the decline in the latter has been much slower than that in the former. Along with stagnating technology, declining rates of growth in yields, and declining terms of trade, the rate of growth in agricultural labor productivity has also tended to decline. In countries that enjoyed high rates of growth propelled by exports of manufactured goods, the previously tight link between food adequacy and domestic agricultural production has loosened considerably. Because they enjoy high export earnings, these countries can comfortably afford to meet any food shortfall by means of imports. Despite a possible interlude due to the Asian economic crisis (see below), agriculture will continue to decline in relative economic importance, but the sector must also continue to provide livelihoods and assure food security and is central to concerns about poverty and natural resource management. Agriculture's strategic role will be most prominent in Asia's low-income, slower-growing countries.

Poverty has persisted among resource-poor regions and socioeconomic groups. The green revolution and many of the subsequent, market-induced sources of agricultural growth largely bypassed Asia's rainfed agriculture. The principal exception has been in those upland areas that, because of temperature, soils,

and proximity to markets, are suited to horticulture. But where this has occurred, it has almost invariably been a spontaneous, market-led phenomenon. Estate crops such as oil palm have also done well, again largely because of private-sector investment, complemented in some countries by public-sector research.

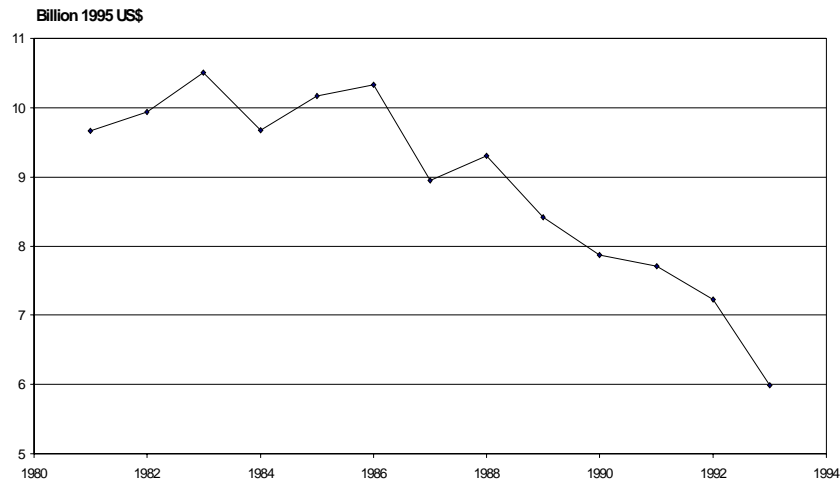
For a variety of reasons, the development resources channeled traditionally to agriculture through the public sector have become increasingly scarce, particularly for irrigation, which formerly accounted for the lion's share of State capital expenditure in agriculture (see the review in Von Braun et al. [1993]). National and international budgets for agriculture are now much more seriously constrained (Figure I.2). The financial subsidies lavished on fertilizers and irrigation during the green revolution and the costs of major public interventions in foodgrain markets will be more difficult to justify in the future.

The above developments have significant implications for Asia's agriculture-sector strategies and programs. Given the finite base of land and other natural resources, technological change and improved productivity have become the cornerstones of agricultural growth. The green revolution has run its course, both as a technology to be diffused and as a model of State-led development. With public resources becoming scarcer, private actors, both local and international, must increasingly finance research and investment in agriculture. Indeed, the development of the newest and most promising agricultural technologies—hybrid seed and biotechnology applications—is even now being driven by the private sector. In the United States, annual private-sector spending for agricultural research and development grew from \$177 million in 1960 to more than \$3.3 *billion* in 1992 (James 1997a). Much of the increase has been concentrated in developing crop varieties and other inputs associated with biotechnology. The level of private investment in the U.S. now dwarfs the total operational budget—about \$325 million in 1997—for all institutes of the Consultative Group for International Agricultural Research.

Thus, the State will need to reconsider its priorities and comparative advantages in the agriculture sector. First and

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Figure I.2 Real External Assistance to Developing Country Agriculture



Source: FAO (1995).

foremost, it must finally be acknowledged that agriculture, unlike other economic sectors, is fundamentally unyielding to direct State planning and control. Agricultural production is inherently risky, while the dispersed nature of rural communities greatly complicates any attempts at centralized control. This is in stark contrast to other sectors of the economy, where a few key decision makers, often in State-owned enterprises, are responsible for the level of output and, as a result, simple administrative instructions are sufficient to implement the State's development plans and policies. Unlike other sectors of the economy, the patterns and growth of agriculture are determined not by fiat, but more indirectly by the *incentives* that motivate farmers, communities, and other private actors through the economic, legal, and institutional environment.

During the coming decades, the State's new challenges in agriculture are likely to be threefold:

- Creating an appropriate incentive and regulatory structure to encourage private-sector investment and

sustainable, market-led growth. Concerns about the environment and sustainability have led, on the one hand, to much greater attention to community roles in the management of natural resources. On the other hand, the incentives and externalities associated with common-property resources such as water and forests are likely to require new or enhanced State roles in regulating property rights and resolving intersectoral conflicts over water allocation. The emergence of private actors in agricultural research and technology development may force the State to establish more effective legal and regulatory frameworks, ranging from intellectual property protection to biosafety regulations.

- Decentralizing public research and extension systems so that they focus on technologies suited to the location-specific agroecological conditions and resource constraints of both irrigated and nonirrigated areas.
- Focusing direct public interventions increasingly on the bypassed regions and commodities that are of little interest to the private sector.

Rural Nonfarm Growth

The green revolution, growing rural incomes, and urban-industrial growth linkages have engendered rural dynamism through the expansion of rural nonfarm production. This has mostly comprised nontradables produced by households and microenterprises (e.g., food processing, housing, retail trade, and services). However, in a few East Asian countries—most notably Taipei, China; the Republic of Korea; Japan; and the People's Republic of China (PRC)—rural industrialization has extended to larger-scale, often export-oriented production of goods such as textiles and metal products.

The central feature of Asia's rural nonfarm growth is that it has been led almost entirely by the market and the private sector. State efforts to promote rural industrialization directly have largely failed (the PRC's township and village enterprises are the primary

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exception; see Chapter II), despite the appeal of the arguments for enhancing efficient employment creation, alleviating rural poverty, reducing rural-to-urban migration, and containing the external costs of excessive urbanization. Rural industrialization has been most successful in countries possessing the requisite managerial and labor skills, ready markets for inputs and outputs (including financing), and good infrastructure, particularly as regards transport costs (Otsuka 1998). The State's provision of infrastructure—roads, power, and telecommunications—has obviously facilitated this component of rural dynamism. More broadly, rural nonfarm growth has been most rapid in countries possessing a vibrant agriculture sector.

Providing infrastructure is likely to remain the State's major role in facilitating future rural growth in both nonfarm and farm activities. An issue for the future will be the scope for decentralizing and possibly privatizing the provision and management of rural infrastructure, as has occurred in urban areas. Also of major importance is the State's role in providing the enabling legal, policy, and regulatory environments for the growth of private commercial banking in the rural sector (see Volume 3 of this Rural Asia study, Meyer and Nagarajan [1999]). Rural education—also seen heretofore mainly as a State responsibility—is of critical importance if the transition is to be made from simple village technologies to more sophisticated nonfarm activities having higher value added. However, expanded education may encourage an even greater exodus to urban areas unless it is accompanied by other measures that foster rural industry. Besides physical infrastructure, a supportive policy and legal framework must exist in the areas of business licensing, taxation, rural finance (including property rights that determine small enterprises' access to loans), and relevant labor regulations (Islam 1997).

The Macro and Global Environment

A fundamental role of the State has been, and will continue to be, the provision of basic macroeconomic stability. Until very recently, macroeconomic policies were generally

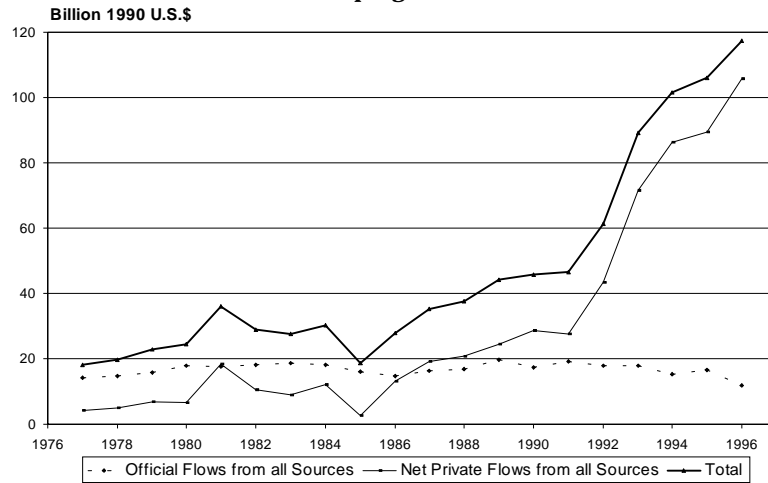
believed to be sound in Asia's more mature market economies, as evidenced by the fundamentals of prudent monetary and fiscal policy and sound exchange rates. In the most rapidly growing economies, two decades of sustained growth lent credence to the adage that "if it ain't broke, don't fix it." Now, however, the Asian financial and economic crisis has prompted a rethinking of the State's roles in managing capital and financial markets, in providing the so-called "social safety net," and, more fundamentally, in providing "good governance."

The 1980s saw the rise of Reaganomics, Thatcherism, and the gospel of "the magic of the marketplace." With considerable financial and intellectual support from the international community, there has been in Asia an almost universal liberalization of markets, reduction of barriers to foreign investment and capital flows, and movement to privatize State-owned enterprises. Private financial flows to ADB's developing member countries have, since the early 1990s, come to dwarf the official flows provided by multilateral and bilateral agencies (Figure I.3). With the sole exception of the Korean Democratic People's Republic, all of Asia's centrally planned economies have undergone far-reaching, but as yet incomplete, programs of privatization and market-oriented reform. During the medium term and beyond, the trend toward declining direct State economic interventions is expected to continue throughout most of Asia.

This decline can be seen in the changing levels and composition of central government expenditure. Although it is difficult to assemble consistent time series for all of Asia, central government expenditure has certainly declined as a percentage of GDP in many, if not most, countries during the last decade. The decline has been most pronounced in the transitional economies of Central and Southeast Asia, remains more gradual in South and Southeast Asia from the 1980s onward, and seems to have begun in the high-income economies of East Asia only in the early 1990s (Figure I.4). The decline reflects, *inter alia*, the effects of growing private-sector roles in previously State-dominated sectors, the difficulties central governments face in raising revenues, and the trend toward more decentralized revenue generation and expenditure.

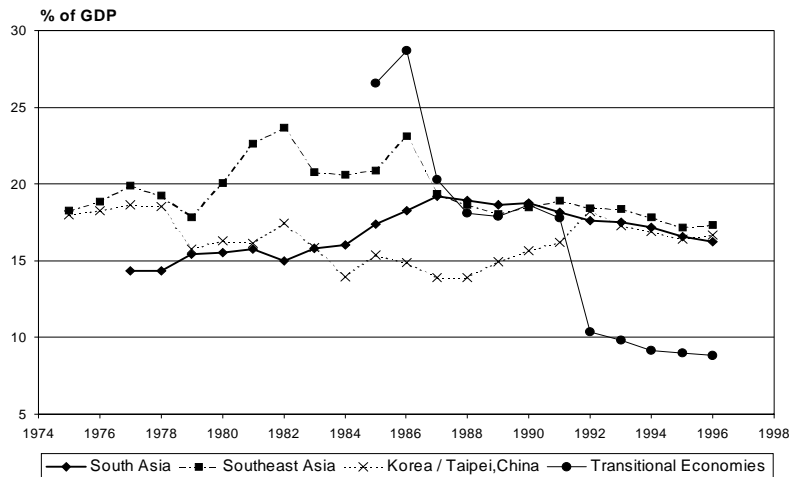
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Figure I.3. Real Net External Capital Flows to ADB Developing Member Countries



Source: ADB (various years). *Key Indicators of Developing Asian and Pacific Countries*.

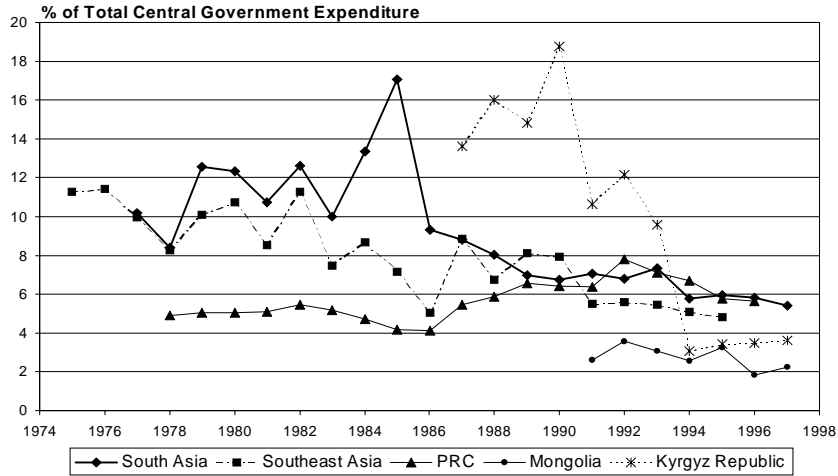
Figure I.4. Central Government Expenditure as a Share of Gross Domestic Product



Notes: South Asia includes Bangladesh, India, Nepal, Pakistan, and Sri Lanka. Southeast Asia includes Indonesia, Malaysia, the Philippines, and Thailand. Transitional economies include PRC, Kazakhstan, Mongolia, and Viet Nam. Grouped countries are weighted by GDP.

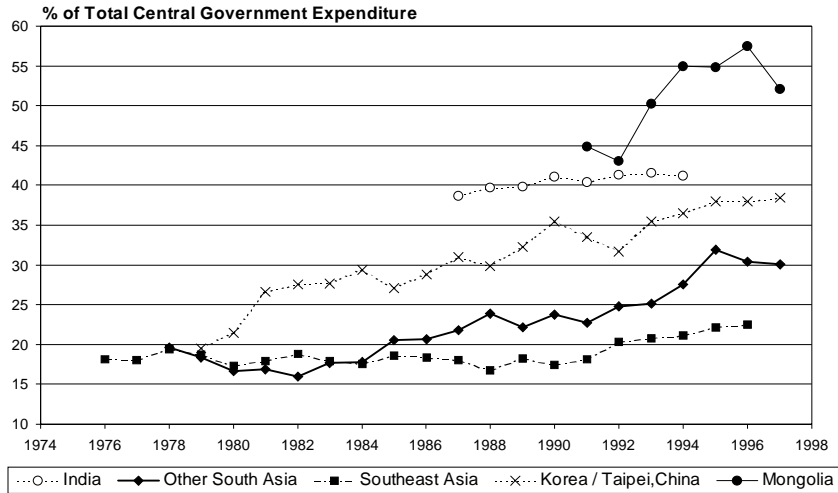
Sources: data compiled from (all various years) ADB Statistical Database System, ADB Key Indicators of Developing Asian and Pacific Countries; and IMF, Government Finance Statistics Yearbook.

Figure I.5. Central Government Expenditure on Agriculture as a Share of Total Government Expenditure



Notes: South Asia includes Bangladesh, Nepal, and Sri Lanka. Southeast Asia includes Indonesia, Malaysia, and the Philippines. Grouped countries are weighted by GDP.
Source: IMF (various years). *Government Finance Statistics Yearbook*.

Figure I.6. Central Government Expenditure on Social Services as a Share of Total Government Expenditure



Notes: Social services include education, health, housing, social security, and welfare. Data for Indonesia and Sri Lanka exclude housing. Other South Asia includes Bangladesh, Nepal, and Sri Lanka. Southeast Asia includes Indonesia, Malaysia, and the Philippines. Grouped countries are weighted by GDP.
Source: IMF (various years). *Government Finance Statistics Yearbook*.

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Aside from the possibilities for profitable State-owned enterprises, government revenue-generating capacity in Asia has been, and for the foreseeable future will remain, constrained by the capacity to tax and borrow (see Chapter II). In any event, it is not possible for the State to satisfy all competing demands, even in the wealthiest and best-administered societies. Hence, this volume focuses on the issue of how to best allocate society's scarce resources among sectors and actors for the betterment of rural Asia.

By sector, the share of agriculture in central government expenditure has often declined, to be replaced in part by larger expenditure shares for social services such as education, health, housing, and the social safety net (Figures I.5 and I.6). In many countries, the status of agriculture on the totem pole of State development priorities has dropped significantly during the last decade. At the same time, the urban areas have captured a disproportionate share of social expenditures.

In the transition economies of Southeast Asia (the Lao People's Democratic Republic [PDR] and Viet Nam) and, more recently, in Mongolia and Central Asia, the separation from the life-support systems of the former Soviet Union led to major macroeconomic disequilibrium, hyperinflation, and the sharp erosion of purchasing power and employment. The PRC, fortunately, avoided this adjustment. In the PRC and Viet Nam, the relatively brief interlude of central planning and the persistence of the age-old tradition of family farming allowed agriculture to respond rapidly once most farm decision making was returned to the farmer and market incentives were improved. In Mongolia and much of Central Asia, however, agriculture's response has been much slower. State directives originally developed much of the agriculture on large-scale collective farms, often in agroecological conditions unlikely to permit sustainable farming in a market economy. The former large-scale farms have so far proven unprofitable, despite their privatization and the liberalization of markets.

Globally, and most particularly within Asia's fastest-growing economies, there has been rapid growth in international trade as a share of GDP, with manufactured and services exports growing

rapidly as a share of total trade. In the future, the World Trade Organization, which will implement the General Agreement on Tariffs and Trade, holds promise of further liberalization of trade that will encourage growth through specialization by comparative advantage within participating countries. Within Asia, promoting such growth has been one of the main motivations for the creation of regional agreements under the auspices of the Association of Southeast Asian Nations and the Asia Pacific Economic Cooperation forum. The potential downside of the growth of trade as a factor in GDP is increasing economic interdependence among countries and regions. Trade links are often cited as one of the sources of “contagion” of the Asian financial and economic crisis.

World markets are increasingly global. At its “shallow” level, globalization entails the liberalization and eventual elimination of trade barriers. At its more profound, or “deep,” level, globalization implies economic integration of investment and production across countries, which in turn requires accelerated liberalization and improved governance in areas such as competition policy; government procurement; tax and commercial laws; and environmental, labor, and product standards.

Demographic, Social and Political Developments

Rapid urbanization has been the central demographic feature of Asia during the past decade. Improved transportation and communications have fostered much greater rural labor mobility, especially among the educated young. Urbanized economic development is doubtless straining traditional community and family values and cohesiveness.

A second feature is that much of Asia has entered the final phase of the demographic transition: human fertility is gradually declining to match the decline in mortality that began during the 1960s. Across countries, the rate of fertility decline is positively correlated with the rates of economic growth, urbanization, and social development (as measured by infant mortality, education, and female labor-force participation). Nonetheless, because of

the momentum of the young age distribution, Asia's population continues to grow rapidly; school leavers entering the labor force are the immediate economic and political concern.

Until the pause caused by the region's economic crisis, Asia's middle class had grown rapidly, albeit from a small initial base. Although largely urban, this growth has also occurred to a degree in Asia's more prosperous rural and periurban areas. Rising incomes and education levels and better health standards have improved the quality of Asia's human resources, but have also engendered rising aspirations and sociopolitical demands. More broadly, televisions, radios, and printed media now reach almost every village as the result of income growth and developments in communications technology. With the greater accessibility of international media, it is becoming harder for governments to keep secrets from their subjects.

As compared to the economic scene, change in Asia's political institutions has been less widespread, but where change has occurred, it has often been very significant. In East Asia and parts of Southeast Asia, democratic institutions and more competitive politics have attained seeming permanence. Rising aspirations have led to demand for greater "voice." The human rights movement, encouraged by international, bilateral, and nongovernmental organizations, has added to the impetus for greater openness and accountability and in some countries has contributed to grudging, but ultimately meaningful, political change.

Development—an inherently dynamic process—has engendered profound social changes that have necessitated and will continue to necessitate progressively increasing local participation. As centralism and autocracy decline, governments will perforce become more open and accountable.

THE ASIAN FINANCIAL AND ECONOMIC CRISIS

Almost completely unforeseen by economists, the Asian financial and economic crisis that began in 1997 has

arrested growth in much of the region, with ripple effects that are still being felt worldwide. Depending upon the country, the downturn may have consumed between 20 percent and 30 percent of the GDP that would, at past growth rates, have otherwise accumulated in Asia's most rapidly growing economies. The social and political repercussions of the crisis—most prominent in Indonesia—have indeed been serious. The potential for instability was high, particularly insofar as the economic downturn reduced the incomes of significant numbers of people.

An optimistic prognosis underlies this discussion, however. The ripple effects of the crisis may be painful for the next two to three years, but Asia will recover fully. Future growth may be slower than that of the last decade. But if lessons about the causes of the crisis can be learned and incorporated into Asia's development strategies and policies, the future growth path should also be more stable and sustainable.

In the context of this volume's theme, several major implications of the crisis for Asia's rural areas can be identified.⁴ First, one of the immediate impacts of the crisis has been a loss of employment in urban and periurban areas, forcing many workers to return to their rural villages. Thus, village economies are under greater pressure than ever to provide viable employment and incomes.

Second, the crisis has been accompanied by depreciated exchange rates that are likely to persist for some time. This has caused a fundamental shift of profitability in favor of tradables produced with few imported inputs; this in turn provides the opportunity for agriculture and other labor-intensive industries to contribute to labor absorption, economic recovery, and growth. The relative decline of agriculture's economic role could be slowed or even reversed during the medium term. To equate agriculture with salvation in any given country would probably be wrong, however, because the exchange-rate declines have occurred

⁴ This listing is not meant to be exhaustive. Please refer to the companion volumes in this Rural Asia study for additional discussion.

broadly in the region and thus individual countries confront a common competitive environment.⁵

Third, national and international resources for agriculture and rural development, already on a downward trend, will be even more limited. Even if this were not the case, the traditional public-sector interventions in agriculture—research, extension, and irrigation—are of lengthy gestation and would be difficult to mobilize during the short run. Thus, the crisis underlines the conclusion that future growth in agriculture must increasingly be driven by the private sector. Public resources for social services have also been stretched thin by the crisis. Therefore, households, communities, civil society organizations, and the private sector may play an increasing role in the provision and financing of education, health care, and water supply and sanitation—all of which are essential for improving the quality of life in rural Asia. The challenge for Asia's governments will be to nurture and guide these processes.

Fourth, the crisis has eroded confidence in government and intensified attention to four principles that are now accepted—among many donors, at least—as building blocks of good governance: accountability, participation, predictability, and transparency (ADB 1995a). The Asian economic crisis has shown clearly that the loss of confidence and credibility can have an extremely rapid impact on capital flows and investment. Just as important, *loss of confidence* erodes the State's capacity to guide development, regardless of the State's potential *competence* to provide goods, services, and technologies. Transparency, accountability, and reliable application of laws and rules are all essential for confidence in government and to achieve this, participation is a prerequisite.

⁵ Moreover, in analyzing the Thai situation, Ammar and Orapin (1998) note that adopting a recovery strategy based on a return to agrarian roots would be, in effect, to reject the urban-industrial growth path that had been so successful during the previous two decades. Instead, they argue that Thailand's response should involve a redoubled emphasis on education and human resource development so that the recovery and return to growth are placed on a more secure footing.

In conclusion, there is now a window of opportunity for the traditional “lead actors” in rural development—central governments and, prominent in the background, the donor community—to reconsider their roles in the context of the causes and consequences of the Asian crisis. This makes the present volume timely and, we hope, useful and relevant.

READER’S GUIDE

The reader should recognize at the outset what this book is and what it is not. Many of its themes fall under the general rubric of participation, whether it is by the private sector, local communities, civil society, or the economically and socially disadvantaged. It is hoped that it will provide a reasonably comprehensive review of current thinking in the development profession about selected problems related to participation in Asian rural development. But there is no pretense at providing a blueprint for the solutions. In part, this is because the paradigms and practices of development have evolved considerably during the past decade, so that the targets being aimed at have always been in motion. More important, to have blueprints and predetermined solutions is incompatible with the very idea of participation! The search for practical approaches to eliciting participation is greatly complicated by the diversity in Asian history, cultures, and institutions: one size *does not* fit all, in stark contrast to what the green revolution provided. At the same time, many principles of rural development have endured since ADB’s last Rural Asia study; some of these are highlighted by the quotations that begin many of the following chapters.

The volume is written from a variety of disciplinary standpoints. Overall, the thrust—somewhat in contrast to the intentionally provocative quote that opens this chapter—is that the State will, for the foreseeable future, retain many of its lead roles in rural development. Concurrently, the State must also

develop new roles to both encourage and regulate the emerging private sector, to define and enforce property rights, and to nurture the participation and initiative of local communities and civil society. The trial-and-error evolution of these new roles will doubtless require reforms of public administration and governance, which in turn will constitute one of the main development challenges during the coming decades.

Chapter II begins with an economic taxonomy of the goods and services provided or produced by the public, local, and private sectors, including the provision of largely intangible regulatory and legal frameworks governing rural economic activity. Poverty alleviation and environmental preservation are discussed as social objectives that justify public intervention in otherwise private markets. Attention then turns to a taxonomy of the various institutions or “actors” in rural development, ranging from national political bodies down to nongovernment and community-based organizations. The roles that these actors play, the incentives that motivate them, and the constraints that they face are analyzed. Finally, the principles whereby actors acquire their roles are outlined.

Chapter III investigates the devolution and decentralization of public administration. The forces precipitating decentralization are examined, including the growing social and political demands for local control and autonomy and the roles played by national governments, the international community, and nongovernment or civil-society organizations. The processes and experiences of decentralizing public administration are then examined in three countries: Indonesia, the Philippines, and the PRC. As should be expected, decentralization processes have taken many forms in these and other countries, as a result of their highly varied social and physical geography, resource endowments, and political environments, to name just a few distinguishing characteristics. Nonetheless, the chapter concludes by synthesizing the political, social, financial, and institutional prerequisites for successful decentralization in the future.

The next four chapters deal in detail with the provision of four types of rural goods and services: agricultural research

and extension (Chapter IV); water and irrigation (Chapter V); the marketing and storage of rice and fertilizer (Chapter VI); and education and health as the two key components of rural human capital (Chapter VII). These specific goods and services have been chosen for two main reasons. First, they were instrumental to the agricultural growth and the improvement in quality of life that have occurred in Asia over the last two decades. Second, they lend themselves to a variety of alternative provision systems involving the State, local governments, rural communities and community organizations, and the for-profit private sector.

The objective of these case studies is to analyze how resource scarcities, market forces, and institutional dynamics are transforming public-sector, local and private-sector roles in financing and provision. In the case of rice marketing, Chapter VI, for example, analyzes in detail the political economy of rice-price stabilization, illustrating how the political benefits and the structure of political power are of equal or greater importance than economic considerations in the policy-making process. In general, the studies take the perspective that, from the standpoint of the efficiency and quality of the goods and services, rural productive activities should be privatized and localized wherever possible. A specific goal of the case studies is therefore to assess what the residual roles of the State will be in creating and sustaining an appropriate enabling environment that is consistent with the objectives of efficient growth, equity, and environmental sustainability.

Land constitutes a fifth “good” that is central to agriculture and to rural welfare more generally. Chapter II discusses land in the context of property rights and the incentives of alternative land-tenure arrangements for productivity and sustainability. In addition to the *incentive* issue associated with land, there is the *equity* issue of land as the major determinant of rural income distribution. The equity issue prompted land reform efforts in a number of Asian countries from the 1950s to the early 1980s, including the PRC, Viet Nam, the Philippines, and the states of Kerala and West Bengal in India. The equity and efficiency effects of land ownership and tenure received considerable attention in

the previous Rural Asia study (ADB 1977 and appendices). Since the 1980s, however, the political impetus for land reform has largely waned. In this paper, therefore, the incentive issue is the focus in Chapter II.⁶

Rural industry is not examined here, since this has been led almost entirely by the private sector. Rural roads, energy, and telecommunications are also instrumental to Asian rural development, but the State will remain the dominant actor in both the provision and maintenance of such infrastructure for the foreseeable future. However, there is, as noted above, possible scope for private-sector provision of rural infrastructure. In addition, rural communities already play a significant role in the maintenance of village roads. Finally, this volume does not question the primacy of the State in areas such as disaster prevention and management of national defense, although community participation is inherent in both.

Chapter VIII briefly summarizes the study's conclusions and recommendations, drawing primarily from the case-study findings to assess what might be done to improve future rural development outcomes. However, it is stressed that sweeping recommendations are inappropriate, due to the wide variability in resources and institutions among ADB's developing member countries.

⁶ Readers interested in a relatively recent assessment of land reform in a variety of developing countries are referred to El-Ghonemy (1990).