

## VIII CONCLUSION

### RESPONDING TO HISTORICAL EXPERIENCE

Two major developments have shaped Asian society in the last thirty 30 years. The first is the green revolution, which has transformed those areas of rural Asia where the new technology was adopted. There, the transformation increased the standard of living of the people, leading them to demand more consumer goods, but also putting pressure on the public sector to provide more basic infrastructure, such as roads and electricity, as well as better education and health care. It also led to a significant increase in food production and seemed to solve the perennial food-shortage problem.

The second is the rapid industrial growth in many Asian economies, mostly in East and Southeast Asia, which has impacted on rural areas through the enormous migration from villages to the factories and urban areas and through the development of rural nonfarm industrial and service businesses. In a few countries, where the labor surplus in agriculture was small to begin with (such as Malaysia and Thailand), acute shortages of labor for agriculture began to appear. A key consequence of this industrialization for the public sector has been the increased demand by parents for their children's education, as they realized that the future of their children lies more in the towns and cities than in the agricultural sector.

The result of both of these changes is the diminishing role of agriculture. Although agriculture continues to be very important from the standpoints of employment, poverty and the environment, it no longer makes nearly as large a contribution to

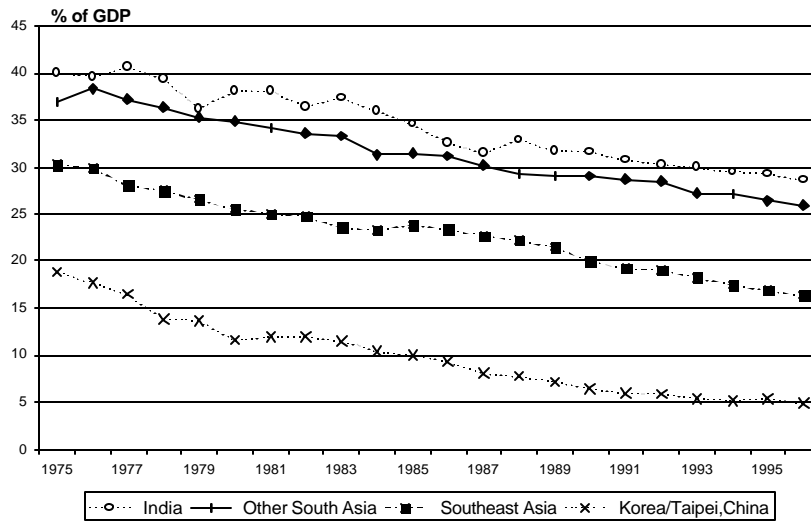
Asian GDP as it did in the 1950s and 1960s. Indeed, agriculture's share of GDP has shrunk to developed-country levels in some of Asia's fastest-growing economies (Figure VIII.1). Governments today are taking a sanguine view about food security, assuming that the existing research and extension systems are well positioned to sustain the growth of production. The view that agriculture is a "sunset industry" has even received implicit support from many donors. Two major analyses of the East Asian success story, from no lesser authorities than the World Bank (1993c) and the Asian Development Bank (1997), paid little attention to the agricultural sector. This would have been incomprehensible to the planners of the 1950s and 1960s.

As a result, the government's attention has shifted to other sectors. Meanwhile, the productivity increases following upon the green revolution have tended to ameliorate somewhat the problems of poverty among landless laborers and small farmers in the resource-rich areas, but there remain large areas of deep poverty and malnutrition. In general, there has been relative neglect by governments of the needs of rural people in respect to many important social services, such as education and health, the provision of which has mainly benefited urban populations. The private-sector response to the increased demand for education and health care has been dramatic, but even more urban-biased.

## **NEW ACTORS IN OLD ROLES**

Seen in the 1960s as the main provider of funding for all of society's collective needs, the State has changed its role over time. In part, this is because changing conditions, both domestically and internationally, have revealed its limitations: governments simply cannot provide for every need. More importantly, the trends toward market liberalization, privatization, and decentralization have led to a multiplicity of actors in Asian rural development. Thus, Asia has seen the

Figure VIII.1. Agriculture as a Share of Gross Domestic Product



Notes: Other South Asia includes Bangladesh, Nepal, Pakistan, and Sri Lanka. Southeast Asia includes Indonesia, Malaysia, the Philippines, and Thailand. Grouped countries weighted by GDP.  
 Source: ADB Statistical Database System.

expansion of the competitive private sector as well as the emergence of local communities and NGOs, buttressed by the moral and financial suasion provided by donors. These actors are not always alternative providers. It is increasingly accepted that various actors can jointly provide for society’s collective needs with greater efficiency and accountability. Gone are the days when public- and private-sector activities were largely separate.

There has been in recent years growing pressure for devolution and decentralization, with many countries starting to devolve public administration to local governments at various levels. From the study of this process in Indonesia and the Philippines earlier in this volume, two somewhat conflicting lessons can be drawn.<sup>1</sup> First, the process of devolution—

<sup>1</sup> The PRC was also studied in Chapter III, but its circumstances and process of devolution are unique and unlikely to be replicable elsewhere.

including whether it is necessary at all—should be carefully thought through, but once the political decision is made, its implementation should be rapid. Second, decentralization takes time to achieve, particularly for local authorities to acquire a full understanding of their responsibilities and to become wholehearted participants. This dilemma of the simultaneous needs for urgency and caution underscore a third lesson, that both political will for decisive initiation and commitment to a long-drawn-out process of implementation are crucial for decentralization to succeed.

The transitional economies are engaged in the most significant processes of market reform and privatization. Although property rights in land are not yet fully secured, the farm sectors are now effectively in private hands in the PRC and Viet Nam and are well on the way to being so in the Central Asian Republics, particularly Kazakhstan and the Kyrgyz Republic. In the PRC, decentralization of the economy engendered rapid growth of the township and village enterprises, entailing quite substantial rural industrialization. The efforts of other Asian governments to industrialize the countryside have, however, been largely unsuccessful.

In countries that have evolved along a democratic—or at least more participatory—path, the greater voice of civil society, NGOs and local communities has tended to diminish the authority of the civil service. In many countries, the NGOs have yet to work out a fully satisfactory relationship with the organs of the State, including both the civil service and the political parties. Despite the uneasy relationship, NGOs have contributed in many areas, most notably in microfinance, extension, health care, and, traditionally in many countries, education. More visibly, of course, they now play a major role as advocacy groups, and it is in this connection that their relationship with the State is prickliest.

New actors can also be seen in the area of agricultural technology. The public research system used to have a monopoly in research, but two factors have altered this. The first is the rise of biotechnology, which introduces the multinational corporations

as significant new players. Although these new actors will no doubt add to the pool of knowledge and technology for future agriculture, their entry onto the scene is also introducing inherent biases in favor of proprietary technologies and away from most tropical crops, including many food crops grown by the poor. It is, therefore, the conclusion of this volume that the central Government should increase its capability in biotechnology, both to correct these biases and also to equip itself with the capability to oversee and regulate biotechnology applications.

The second factor in agricultural technology is the need to move toward more research on resource management and away from the overwhelming concentration on genetic improvement. Resource management is highly location-specific, making the concentration of work in centralized research and experiment stations less relevant. Similarly, in extension, the top-down package approach for public extension was appropriate during the green revolution, but no longer has as great a role to play. In the future, since technology will be much more knowledge-based and location-specific, the need for extension services will be of a different kind. In particular, it is proposed that the extension system should be devolved away from the center as much as possible, with local governments taking charge of the public system and the private sector (particularly the NGOs) being encouraged to participate.

In irrigation, which received the lion's share of public agricultural funding up to the mid-1980s, there is considerably less scope for new construction in the great flood plains. There, the largely private development of groundwater has to some extent circumvented the inefficiencies resulting from poor management of surface water within the public systems. Within the upper valleys, there is scope for irrigation management to improve if it is transferred as much as possible away from State organizations to the user communities. Similarly, new investments within these areas should incorporate from the design stage the knowledge and experience of the communities that are to be served by the irrigation systems.

In regard to water more generally, the dominant issue for the coming decades will be increasing water scarcity. This will require enhanced State regulatory roles in water allocation and, in the distant future, a gradual evolution of a market for water, which will necessitate extensive legal reforms. As an increasingly residual claimant of water, agriculture will come under ever greater pressure to economize.

The situation in irrigation reflects the more general trend toward reducing subsidies, which, in agriculture, have traditionally covered inputs like fertilizer and credit. In direct contrast to this, on the output side, there has been a general move away from the policy of taxing agriculture in favor of supporting prices, sometimes above world levels. Whatever pricing strategy is followed, there is much less need than before for a State grain-trading operation in most Asian countries. This conclusion holds even more strongly with respect to fertilizer distribution. More efficient market-based approaches exist, but their application will be tempered by the political scene, in particular, the structure of political and institutional incentives facing policymakers and the balance of voting power between rural and urban areas.

Almost all Asian governments recognize the need to improve education and health services, but they have, with few exceptions, been relatively unsuccessful in serving the widely dispersed, heterogeneous rural populations. Urban bias is a dominant theme in the discussion of these services. In rural education, primary schooling is the priority in South Asia, but the main need in Southeast Asia is now at the secondary level. Given the enormity of the tasks in both education and health, it is difficult to foresee any lessening of the role of the public sector in providing these "merit goods," at least as far as funding to serve the poor and the rural areas is concerned. Education and health are highly desired goods for almost all households, so it is fully appropriate that consumer willingness to pay be exploited as incomes rise. The argument for greater allocation of public resources to the needs of rural areas stems from the likelihood that rural incomes will continue to grow more slowly than urban incomes and that private-sector

investment will continue to be concentrated in urban areas. Moreover, while some countries are experimenting with the use of NGOs and other community-based approaches to provide and finance education, this is unlikely to meet the pressing needs of the rural poor during the foreseeable future, particularly in South Asia.

In rural health, the traditional emphasis since colonial times has been the prevention of infectious and communicable diseases. The problem with the delivery of curative health services is the urban bias that still exists in many parts of Asia. This problem has become both easier and more difficult over time. It has become easier because new knowledge and medicines have come into existence that prolong the lives of rural people significantly. But as people live longer, as incomes have risen, and as shifts away from traditional medicine have taken place, the increased demands are threatening to overwhelm the public system. At both the micro and macro levels, imaginative solutions will have to be sought for the issues of provision and financing.

## **NEW ROLES FOR AN OLD ACTOR**

Even with the entry of new actors into the scene, it would be a mistake to believe that the task of the State will be lightened. On the contrary, the need to ride herd on the various actors, to ensure that they perform with the public interest in mind, and to coordinate their roles with others, requires a cadre of policymakers with savvy and considerable foresight. For Asian societies to come up with such leaders will be a challenge for the 21<sup>st</sup> century.

The old roles of the State, for which there remains an unambiguous need despite the appearance of new actors, include

- taxation and macroeconomic stabilization;
- provision of pure public goods, for example, basic agricultural research and much rural infrastructure;

- creation and facilitation of new markets, for example in water, which at times require...
- provision of enabling legal frameworks, including the establishment of property rights;
- monitoring of the markets for private goods, including the establishment and enforcement of quality standards for goods such as food and agricultural inputs, and for private services such as health care and education; and
- establishment of disclosure requirements for civil society organizations.

Even in those tasks that remain squarely in the public sector's domain, the central Government's performance will have to be more nuanced and sensitive to the existence of other actors than the top-down approach to which it has been accustomed. Thus, in the area of fiscal policy generally (including its role in macroeconomic stabilization), it will have to reconsider local taxes and expenditures. The provision of basic agricultural research has to be designed to fit in with the more applied agricultural research that should be devolved to the regions. The provision of property rights in land in ecologically fragile areas (whether to communities or to individuals) must be accompanied by appropriate instruments for land-use regulation. At the same time, future water scarcity may require that the State grant property rights in water (probably to communities or groups of users) or sharpen its command and control mechanisms. Whatever it chooses to do, it has to become more responsive to the needs of the users. Finally, the State has to be sensitive in its handling of civil society organizations, navigating carefully between, on the one hand, smothering them with too much attention (benign or malignant) and, on the other, a completely laissez-faire approach that would allow such organizations to be co-opted by vested interests.

There are some tasks that the central Government will increasingly have to share with other actors:

- It will continue to be charged with ensuring that every individual in society, particularly among the poor, is able to meet his or her basic food needs. In this area, the Government will have to work closely with local governments, to increase the accuracy of targeting, and with the for-profit private sector, to ensure the efficiency of the physical distribution mechanism.
- It will continue to manage “large” irrigation structures, but in doing so it will have to work closely with communities of water users, perhaps turning over lower-level operations and maintenance functions to them.
- It will continue to provide (or finance the provision of) elementary education and primary health care, again working closely with local communities and perhaps with NGOs to ensure that the quality standards of both are maintained.
- It will, of necessity, play a lead role in devolving powers to local levels of government and will hopefully take the initiative in building local capacity when this is still very weak. In doing so, it will need to engage in a long and complex process requiring careful preparation, extensive consultation, and meticulous planning, followed by firm political commitment, steady implementation, and above all adequate finance.

The institutional challenges facing Asian states that seek to accelerate rural development are far from trivial. To tackle these challenges, the State will need to marshal new skills for itself as well as financial resources. Both the skills and resources need not “belong” to the State, as was naturally assumed in the 1960s and 1970s. Indeed, the countries that will rise most successfully to the challenge are likely to be those with a vibrant private sector, an active civil society, and a competent, professional bureaucracy. The final requirement is a political leadership that can harness

the skills and resources of these three components to improve the lives and welfare of rural people.

The future Asian political leader who can do the job does not need to be charismatic or visionary. Asia has had its share of leaders who claim to possess such qualities, but the results of their rule have been mixed. Some have succeeded in achieving material progress, but in too many instances, this has come at the expense of the development of civil society. Of course there is no harm if political leaders do possess charisma and vision, provided that these do not get in the way of their ability to constructively marshal the resources of the private sector and civil society.

### **FITTING ACTORS INTO ROLES: A GUIDE FOR THE POLICY ANALYST**

The last several paragraphs took a very broad-brush approach to the issue of what can be done by a central Government to further sustainable growth and improved quality of life in rural areas. Unfortunately, it provides little guidance for the policy analyst, who has to start with a role, a project, or a policy; figure out whether it can be implemented; and—the most important lesson from this volume—decide on which actor(s) would be best suited to implement it. The following is an attempt to generalize from the cases discussed in Chapters III through VII, in the form of a series of questions to be asked about the assignment of actors to particular roles.

Before proceeding, it is necessary to make a point of principle: it is necessary to resist the temptation to automatically apply practices that work in one country to any other country. Similarly, success at assigning an actor to a particular role in one country does not necessarily ensure that the same actor will perform well somewhere else. In other words, the answers to the questions must be location- and function-specific.

The process therefore starts with a role, to which the following questions and actions should be addressed:

- i. Does the role need to be filled at all?
- ii. Who are the stakeholders in that role?
- iii. Into how many separate and clearly defined tasks can the role be broken down?
- iv. Which actors could potentially undertake each task? In answering the question the net should be cast as widely as possible.
- v. Who among the actors has the comparative advantage to undertake each task at hand? If the question has already been implicitly answered in the definition of the task, or in the way that task has been performed in the past, this should put the analyst immediately on guard, for it probably implies that little thought has been given to analyzing options for that role.
- vi. Who among the actors identified in iv. above appears to be most suitable to perform the lead function? Actors that fill the lead function are ultimately accountable to the stakeholders for the performance of the role. Suitability should be judged with this in mind.
- vii. How is the implementation of the role to be financed?
- viii. Given the system of financing, what is the incentive structure facing the lead actor? And given the incentive structure, what are the possibilities for that actor to shirk in his performance?
- ix. How is the system of accountability to stakeholders to be implemented? In particular, what mechanisms are to be set up for performance monitoring? What penalties can realistically be imposed on the lead actor if he or she fails to perform as expected?
- x. Can the arrangements devised under ix. above be implemented under existing laws and regulations? If the laws and regulations to impose the incentive structure or to set up the system of

monitoring (see ix.) have to be changed, how expensive will this be, in terms of time and resources?

- xi. If other actors are to perform the various tasks attached to a role, what systems of accountability, monitoring, and penalties are in place?
- xii. What is the overall cost of this particular arrangement?
- xiii. Experiment by using other lead actors, go back to steps vii. through xii., and see if costs can be reduced.