

VII THE POLICY ENVIRONMENT

Asia has achieved a remarkable feat in the past quarter century. While the population of its rural areas has grown by over 600 million people, the QOL enjoyed by rural inhabitants has held its own in most dimensions and actually improved in some. In a number of key sectors, rural areas have begun to catch up with their urban counterparts. The dramatic expansion of the rural primary school network, for example, is an investment that will have an ongoing impact on QOL over many years. Especially compared with other developing regions, the rural Asian experience is a notable success.

It is not all good news, however. The income gap between rural and urban Asia has widened, as urban Asia benefits from stronger links with the regional and world economies. And QOL is still desperately low for phenomenally large numbers of people. Roughly 750 million rural Asians live in absolute, dollar-a-day poverty, many of them living on the Indian subcontinent. Roughly half a billion lack access to safe water, as many lack access to health services, and over 1.5 billion lack access to sanitation.

Further, Asia's recent financial and economic crisis has had a marked negative impact on rural QOL because of a fall in the demand for rural labor, declining remittances, and reverse migration. Although rural areas were slower to feel the effects than urban areas, their recovery is also likely to take more time. Change has also been slow for women, with large gender inequities a prominent blemish on the overall QOL picture and South Asia lagging particularly severely in this respect.

Asia now has the opportunity to build on the gains and address the failures. Policymakers, activists, donors, and businesses must join with local people to develop a clear vision and apply concerted effort to the most pressing problems. On their own, specific policies will not be enough. This book presents a demanding QOL framework that highlights the need for major institutional change, concerted action by a range of actors, and a renewed determination to put QOL of rural Asians at the top of the political agenda.

THE MAIN ACTORS

Government, the private sector, NGOs, and the international policy community face a changing environment. Briefly explored here are the natural opportunities through which they can react to the QOL challenges of the future.

The Role of Government

The State remains a hugely important actor in shaping an agenda for the rural sector, despite the tendency for political power to be concentrated in urban areas. The role of the State is changing, as decentralization (discussed in Chapter VI) and transnationalization shift power to levels above and below the central government. Transnationalization is part of a global trend toward the pooling of economic and political power. Economic trading blocs such as the Association of Southeast Asian Nations, NAFTA, and MERCOSUR are proliferating and, while supranational political unions such as the European Union are less common, these trends point to the value of regional governmental coordination for policies that affect sets of nations.

There are a number of areas where regional government can take action to improve QOL. Rural areas are especially

vulnerable to natural disasters, which sometimes cross national boundaries. Environmental changes also occur regionally and globally, but have local effects when, for example, deforestation in one country increases the risk of flooding in others. Regional or global action also offers a wider base for insuring against disaster, which is important when a disaster can have an overwhelming effect on a single country's economic and social systems.

Key aspects of future health and education agendas can also be tackled regionally. HIV, as discussed in Chapter VI, is spreading fast in Asia, because of the close links between national economies and the mobility of labor. Information for prevention can spread faster than the disease, however, especially with the combined political will of the region's governments. Educational quality will be facilitated by regional action. Comparisons between countries will help drive up standards of basic education, while advanced education will benefit from the sharing of resources, knowledge, and faculty. Regional task forces—on AIDS, for example, or higher education—could have a major impact on Asia's future.

There are also a number of areas in the economic environment that may be reshaped to enhance the possibilities for sound policymaking. One part of the environment that constrains the ability of rural areas to develop is exchange rates. Governments play a key role in controlling the terms of trade when they attempt to fix exchange rates. For much of the last three decades, exchange rates in a number of Asian countries have been overvalued. While this benefited the industrial sector, making the import of intermediate goods cheaper, it has limited agricultural exports and as a result has hurt the rural sector. By correcting exchange rate policy, Asian governments have the ability to remove this bias and improve the terms of trade for agriculture. The nascent recovery from the financial and economic crisis in the region is in large part a result of increased exports due to exchange rate devaluation, with agriculture playing a large role in this process, especially in the initial stages.

Globally, the role of government is being redefined, with many governments attempting to specialize in areas such as supervision, regulation, and action to correct market failures. We have not yet—and are not likely to—see the ‘death of big government.’ However, we have seen governments trying to focus on core competencies.

It is useful to unbundle two functions: financing goods and services, and providing those goods and services. Figure VII.1 illustrates four ways in which important components of QOL might be supplied and financed. Proponents of liberalization have recently argued for a shift from the upper left quadrant of the figure to the lower right, that is, from public financing and provision to private financing and provision. They argue that privatization can effectively fulfill new demands that the State is unable to provide for or fund, while at the same time providing more efficient service than state bureaucracies and satisfying the needs of people more capably and cost effectively. It can also replace state monopolies with market solutions that offer consumers increased choice.

	Public Financing	Private Financing
Public Provision	public health facilities public universities public hospitals roads	user fees autonomous hospitals
Private Provision	vouchers scholarships insurance programs social security power/	telecommunications fee for service (medical) pharmacies insurance private schools private universities

Figure VII.1: Financing and Provision Options for Goods and Services

However, from the discussions of rural QOL, it is clear that there are options other than pure privatization, and that a role for governments continues to exist. The private sector is

unlikely to be able to provide adequately all the services rural areas require, at least in the short run. Equity, the importance of poverty alleviation, and the need to invest in the future viability of rural economies all point to government involvement. At the same time, increased private-sector involvement does make sense, with the public sector 'jump-starting' the market and then pulling back when the market is functioning. For example, in rural solar-energy projects the government may introduce the new technology and demonstrate in pilot projects how it can be effective. Once local demand is spurred, it may become commercially viable.

Increased privatization also results in the government having to compete with the private sector. This forces the government sector to be more responsive to consumers/citizens, to lower costs, and be more efficient. While governments are often unprepared for such competition, all countries need more agile public sectors. Policymakers must set clear QOL objectives and then look for the best, most efficient way of meeting targets.

The Role of the Private Sector

The role of the private sector will continue to grow in ways that have the potential to lead to better QOL outcomes, which will themselves open new opportunities for private organizations and firms. However, the private sector often has little experience in rural areas and will need to innovate and adapt if it is to deliver quality services. Practices that work in cities may be inappropriate for rural areas. For example, private utility companies may find rural clients need different billing schedules and collection mechanisms. The private sector must also learn to negotiate much thinner markets than commonly found in urban areas, although it should not be excessively hampered by governmental requirements that it provide services below cost to rural consumers.

Stimulating the rural private sector to play a role in local development is also important. Here again, there may be a

learning curve and necessary changes in practice to achieve this. For example, in the case of contracting out road construction, small rural businesses may not have the same cash flow as urban or international contractors so that they may need to be paid more often or more at the outset of a project than is typical. In addition, the rural private sector may be unfamiliar with standards for practices like contracting, so that it is important for such expertise to be developed in conjunction with either the government or other elements of the private sector.

The Role of NGOs

NGOs have been an important part of the development process, and they are poised to grow into the space left by the retreat of the State. Throughout this volume, many instances where NGOs have been vital actors in working to improve rural QOL have been highlighted. It was also suggested that there are numerous examples of activities that they perform better than governments and for which there is simply no incentive for for-profit private-sector involvement. In terms of providing social services, building social capital, and developing workable models for new policy initiatives, the role of NGOs will continue to grow. NGOs also have an essential role as advocates, often providing the only route through which the rural poor can make their voices heard.

However, the role of NGOs can certainly be strengthened. First, the relationship between NGOs and officials is often antagonistic, with mutual distrust and suspicion the order of the day. Enshrining and enforcing in law the right of NGOs to operate is an important first step in many countries. NGOs can also be helped to develop a more sophisticated understanding of QOL challenges. Capacity building, perhaps aided by governments and donors, will increase their range and effectiveness. Second, although the grassroots nature of many NGOs is clearly a strength, the development of NGO networks will help apply leverage to local successes through

loose coordination of different projects, the sharing of information, and greater opportunities for powerful advocacy.

The Role of the International Development Community

Lasting improvements in rural QOL also involve the international community. There are a number of specific suggestions that emerge from this study relevant to this heterogeneous group, which comprises donors, lending agencies, and other organizations.

First, international organizations often have the prestige and power to pull together new coalitions between the State, NGOs, and the private sector. They can provide a forum for dialogue to start and seed funding to ensure that new partnerships achieve early gains. Second, international organizations have a role in correcting the urban bias discussed in this volume. The Asian Development Bank, in revisiting the rural sector in the current series of studies of which this work forms a part, has taken an important step in this direction. Other lenders and donors need to follow suit. Third, the international policy community can help coordinate the activities of different parts of national government. The QOL model developed in this study is demanding because of its requirement for 'joined-up government', where programs and policies are sponsored across traditional departmental boundaries. Creating an environment where different ministries can build even minimal cooperation is essential, but difficult. Donors and lenders can, therefore, help by acting as coordinating bodies.

A NEW AGENDA

This volume has elaborated those key elements that must inform any attempt to develop a QOL agenda. Such a plan needs to offer both a rallying point for society at large and a unifying and coordinated framework for public, private, and civil society.

Policymakers must understand that QOL is a much broader concept than 'income per capita', currently used as the standard indicator of a population's state of development. Indeed, recent evidence suggests that income growth is often only weakly associated with the fundamental improvements in their lives that most people around the world seek. A QOL perspective can provide policymakers with a deeper understanding of people's needs and aspirations, and it underlines how investments in human and social capital are often the most effective ways to achieve income growth within the context of wider development gains.

A focus on QOL helps clarify important differences between rural and urban Asia, allowing policymakers (who are often urban-based themselves) to correct the tendency to apply policies to the countryside that are, in fact, better designed for towns and cities. Rural Asians suffer from considerably poorer QOL than their urban counterparts and, without urgent action, it is possible that they will fall further behind.

The challenge of improving QOL is not insurmountable. Compelling evidence indicates that substantial QOL benefits will arise from increasing social spending on health, education, and nutrition; developing rural infrastructure and financial institutions; promoting the involvement of rural people in the political process; and, perhaps most important, improving the status of women. If policymakers can promote links across these initiatives, then virtuous spirals can be built, in turn leading to broad QOL improvements across a number of indicators.

QOL policies and programs must be designed for tomorrow's challenges, as well as today's. This means understanding people's aspirations for the future, as well as the factors that are changing the world we all live in. Policymakers must ask a fundamental question: how will rural societies (and their economies) relate to the emerging global society (and its economy)?

Rural Asia faces four particularly important challenges for the future: poverty alleviation; coping with an aging population; benefiting from globalization; and promoting gender equity. Advances on all these fronts are essential to building an inclusive rural society, able to make deep and sustainable development gains in years to come. By grasping these challenges, adopting the QOL perspective, and developing new strategies, policymakers can devise an open and rational approach to unleashing the promise of rural Asia.