

# I INTRODUCTION

Rural Asia has undergone an unprecedented technological and economic transformation in recent decades that has dramatically improved the region's food security, reduced poverty, and raised incomes, even while the population continued to grow rapidly. This transformation was initiated by the green revolution in agriculture, the first major expression of the application of modern science to Asia's agricultural problems. Yet serious problems remain. Despite substantial rural-urban migration, Asia's rural population (about 2 billion) continues to grow and the vast majority of them still depend directly or indirectly on agriculture, forestry, or fishing for their livelihoods. This is placing enormous pressure on remaining natural resources; many resources have already been degraded to the point of declining productivity. At the same time, mainly because of the lack of development of supportive institutions, economic growth has not been adequately translated into broadly improved welfare: health and education services and infrastructure development have been inadequate in rural areas.

While the percentage of rural Asians who are poor has declined substantially, a remarkable achievement, more than 670 million rural people (one third of the rural population) still live in abject poverty. Most rural Asians must tolerate much lower levels of health, education, and general well-being than their urban counterparts. Many more rural people will migrate to urban areas in the next decades, adding to the congestion and environmental problems of the cities. But with continuing population growth, the number of rural Asians is not likely to decline any time soon; in fact there are likely to be 2.3 billion by the year 2020.

Unless something is done to relieve the pressure in rural

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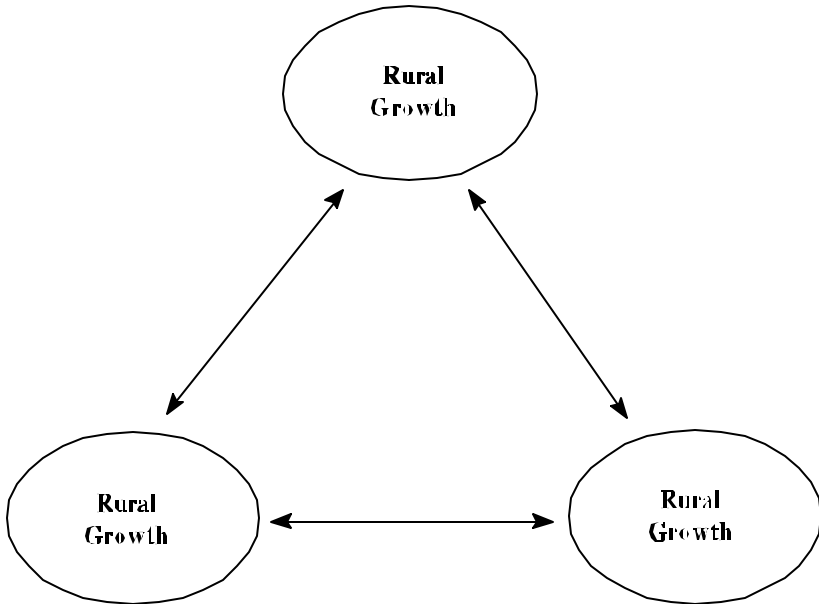
areas, conditions will worsen further as more natural resources become scarce and are degraded and as discontent grows about widening differentials between rural and urban income and quality of life. In some cases, there is even growing danger of social conflict and violence over the use of remaining resources, forces that could tear at the social fabric of many Asian societies. These problems will be particularly severe in South Asia.

The rural transformation is clearly not yet complete. A key challenge for national policymakers is to continue to promote rapid growth in rural areas while at the same time making growth more pro-poor and more environmentally sustainable. These three goals—rural growth, poverty reduction, and sustainable management of natural resources—are depicted as the three points of a triangle in Figure 1, the so-called “critical triangle”. The three goals are inter-linked, but whether the relationships between them are complementary or competitive depends critically on the mix of policies and investment strategies that a country follows. Improvements in the quality of life for rural people, the ultimate objective of rural development, requires a high degree of complementarity among the three goals of the critical triangle.

Many Asian countries have made good progress on economic and agricultural growth in recent decades, but this has often been achieved at the expense of the environment and without generating sufficient benefits for the poor. But such tradeoffs do not have to be an inevitable outcome of agricultural growth. When supported by the right kinds of policies, investments, and institutions, technologically driven agricultural growth can be used to reduce poverty, reverse environmental degradation, and improve the quality of life for all—“win-win-win strategies” that fulfill all three goals simultaneously. More Asian countries can do a much better job in achieving such strategies for the future.

The current financial and economic crisis in parts of Asia has reduced the availability of government funds for agriculture and rural areas and for social safety nets, spurred reverse

Figure 1. The Critical Triangle



migration to rural areas, paralyzed financial markets, and challenged accepted Asian thinking about governance structures. It has become doubly important for Asian economies to design their strategies for rural development carefully. The task is complicated by emerging new challenges that will change the context in which Asia's rural economy operates. These include

- increasing forces of globalization, as trade barriers continue to fall and as new information and communications technologies link more and more people into a single "real time" world;
- a demographic transition resulting from several factors including declining fertility rates;
- a rapidly unfolding biotechnology revolution in agriculture;
- increasing scarcity of natural resources, especially land and water; and

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- the need to reinvent governance structures and public institutions in response to increasing demands for greater devolution and democratization of public decisions.

Some of these challenges will offer important new opportunities for growth, but if not properly managed they could also have high costs for the environment and the poor. This is amply demonstrated by the current economic crisis in Asia: for example, inadequate governance structures, particularly over financial institutions, led to unnecessarily adverse impacts from one supposedly positive aspect of globalization, the freer flow of private capital and technology from abroad. Biotechnology will also offer important new and much-needed sources of growth in agriculture, but if these are not properly managed, they may prove of little benefit to the rural poor and potentially damaging to the environment. Other challenges such as deteriorating and depleting natural resources and declining public expenditure on rural areas will make growth more difficult and will need to be managed carefully to avoid such outcomes.

The primary objective of this report is to provide guidance to rural development specialists and policymakers on key options for forging development strategies that will improve the quality of life of the rural population in the years ahead in order to successfully complete the ongoing rural transformation in Asia. The report is a synthesis of five background studies prepared under the auspices of an Asian Development Bank study of Rural Asia undertaken during 1998/99. The rich diversity of experiences observed within rural Asia in recent decades provides fertile ground for drawing lessons about which policies work and which do not work for achieving the multiple objectives of growth, environmental sustainability, and poverty reduction. Asian countries clearly have much to learn from one another.

The report is structured as follows: Chapter 2 reviews the lessons from the rural transformation achieved so far. Chapter 3 discusses some of the most important emerging new challenges for rural Asia and suggests how these might best

be met. Chapter 4 analyzes future scenarios for Asia under alternative assumptions about levels of government commitment to rural investment and policy reforms; this chapter also lays out a vision for achieving, by the year 2020, a rural Asia in which there is little or no poverty or malnutrition and in which natural resources are managed on an environmentally sustainable basis, and then provides guidance on what it would take to achieve this vision. Chapter 5 contains the report's conclusions and recommendations.