

V CONCLUSIONS AND RECOMMENDATIONS

On the threshold of the 21st century, Asia stands, if not at a crossroads, then at a point of decision. Unprecedented rates of rural and national economic growth have transformed many parts of rural Asia, but not all developing Asia shared in this transformation.

In the face of this challenge, the completion of the rural transformation of Asia will take renewed efforts on the part of governments. Successful economies must not turn away from their market orientation, but rather support the private-sector role where that is possible and supplement it where it is not. Meeting the challenge must also involve a renewal of governance itself: transparency, responsiveness, and eradication of corruption are all keys to sustained growth in the next century.

Governments will also have to increase the level of productive investment made in rural infrastructure, agricultural research and extension, education, and health, as well as expand the reach of social safety-net programs. A significant part of these costs could be met in some countries by reducing wasteful public expenditure in rural areas, particularly on subsidies for credit, fertilizers, pesticides, electricity, and irrigation water. These subsidies may have played an important role in launching the green revolution, but today they are rarely needed and can be counterproductive, because they create incentives for the overuse of water and farm chemicals, leading to environmental degradation. There is also considerable scope for “getting more with less” by improving the efficiency of many of the public institutions that implement public investments. This again requires changes in

governance structures, with increased transparency and accountability to key stakeholders and greater roles for the private sector, user groups, and NGOs where they can better provide the required services. There is also scope for raising more revenues from rural people through user fees and local taxation and for cofinancing through lotteries and the sale of savings bonds. These kinds of changes might provide much of the financing needed for rural areas in the future, but they will take time to implement. If poverty and malnutrition are to be meaningfully reduced within the next generation, additional allocation of central government funds will almost certainly be required, at least in the immediate future.

Rural development strategies must aim at achieving multiple objectives. While the primary concern is poverty reduction and improving the quality of life of the rural population, the strategies that will lead to these outcomes (“win-win-win strategies”) must be broad-based and far-reaching. Some of the main elements of the strategies, recommended by the study, include the following:

- Maintaining sufficient levels of public investments in agricultural research, rural infrastructure, education, and health so as not to jeopardize the future.
- Reducing or eliminating wasteful public expenditure on subsidies that are either biased against rural areas generally or tend to help mainly better-off rural residents.
- Adopting rationalized agricultural pricing policies that aim at providing stability to reduce risk but that do not discriminate against rural producers for the benefit of urban consumers.
- Undertaking major institutional reforms, including improvements in management and administration of public institutions, increased transparency and accountability of public-sector activities, movement toward more diversified delivery of services, and the prudential regulation of financial institutions and corporations.

- Creating effective safety nets to protect vulnerable people during crisis times and to prepare for the longer-term effects of the changing age structure.
- Adopting taxation and interest-rate policies that are conducive to long-term investments but discourage the kinds of short-term capital flows that aggravated the effects of the 1997 financial and economic crisis.
- Investing more in agricultural research, especially biotechnology, since most present activity in this field is conducted by multinational companies and neglects Asia's crops and problems.
- Managing natural resources holistically, e.g., water management at the river basin level, user-managed irrigation, and establishment of water-use rights, pricing, and markets, to anticipate and cope with impending problems of scarcity.
- Facilitating effective roles for NGOs and civil society in carrying out good-governance reforms, on both the supply and demand sides.

While the specter of famine that threatened Asia in the 1960s has not returned in the 1990s, widespread poverty and malnutrition still coexist with great wealth. Completion of the rural transformation, radical reduction in poverty, and improvement in food security in Asia hang in the balance. They are attainable, if complacency is resisted.