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**POLICY ISSUES FOR THE ESCAP REGION: BALANCED DEVELOPMENT OF
URBAN AND RURAL AREAS AND REGIONS WITHIN THE
COUNTRIES OF ASIA AND THE PACIFIC**

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SUMMARY

Wide disparities between urban and rural areas and regions in countries in Asia and the Pacific remain in terms of economic conditions, access to infrastructure and services, opportunities for socio-economic mobility and control over natural resources and local development. Disparities are caused by natural differences, social factors and policy decisions. This study defines balanced development as the creation of equal opportunities for all people to participate in, contribute to and benefit from development. Most new opportunities are being created in the urban areas and this will continue. Emerging trends such as the information revolution, free-market economic policies, and economic globalization can reduce disparities between urban and rural areas and between regions, but they will also cause new disparities. Education to prepare the population for the new economy, infrastructure development to connect areas and regions to markets, good urban management to deal with urban poverty and global competition between cities, decentralization to give local communities more control over their resources and their future, good governance, empowerment of the poor and social safety nets are recommended to reduce disparities and create new opportunities.

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A. Balanced development

1. This study defines balanced development as the creation of equal opportunities for all people to participate in, contribute to and benefit from development. The study argues that the requirement for such a balanced development is human development, which is the process of enlarging people's choices as to what they do and can do in their lives. Poverty limits the opportunity of many people to develop their capabilities and thereby limits their choices as to what they can do in their lives and how they can participate in development.

2. Poverty is more than a lack of financial resources; it has many dimensions. With no or limited access to essential infrastructure and services, people will lack human and social capital to participate in development. This makes them vulnerable to changing conditions, personal or natural calamities, and exploitation by stronger groups in society. Some groups are barred from developing their capabilities because of social or cultural restrictions that limit their geographic mobility and make it difficult for them to attend school or seek medical care. The restrictions may tie them to certain occupations and be an obstacle to any social and economic mobility. Members of some population groups cannot actively participate in the process of decision-making that affects their lives. If their voices are not heard, their interests are not included in policies or the policies do not match their specific needs or conditions. What is more important than not being heard is being considered not worth listening to. People without wealth, property or education are often not respected and taken seriously by society.

3. Poverty in all its dimensions is declining in most countries of Asia and the Pacific, but despite the decline it remains widespread. Moreover, poverty is more widespread and more serious in rural areas than in urban areas and there are also wide disparities between regions within a country. Poverty affects certain groups in society more than others. In other words, there are disparities in levels of poverty between urban and rural areas and between regions within a country, just as there are disparities between population groups.

B. Causes of disparities

4. Disparities between urban and rural areas and between regions are the result of three sets of factors. Natural factors such as differences in agro-climatic conditions, endowments of natural resources or geographic location such as distance to a seaport or centres of commerce determine the potential for the economic development of an area or a region. Some of these conditions, such as climate and natural endowments, are largely invariable, while others can be improved, for instance through infrastructure such as roads to overcome isolation, and irrigation to overcome arid conditions. In addition, urban areas have the advantage of economies of scale and agglomeration, while the terms of trade favour the urban areas as producers of industrial goods over the rural areas as producers of primary commodities.

5. Sociocultural factors such as values and traditions that either encourage or discourage innovation, entrepreneurship, and social and economic mobility form a second set of factors. Since most rural families are engaged in agriculture, their income is highly influenced by climatic conditions. They maintain large networks of extended families and patron-client relationships to reduce vulnerability and spread the economic risk. These social safety nets help the weaker members of society, but at the same time they act as a disincentive for the entrepreneurial sector. With its larger population size, urban society is characterized by more diversified but less personal relationships. People in urban areas often live and work together without developing the level of sentimental and emotional ties characteristic of rural areas. There is a spirit of competition and mutual exploitation, and rigid social hierarchies are difficult to maintain. The potential for social mobility, instability and insecurity increases. Places of residence, places and character of employment, income and interest change more frequently. There is specialization and innovation resulting in increases in productivity and the generation of wealth. Social values and norms change and can be changed over time.

6. Political factors form the third set of factors. Although they are different, rural and urban areas are politically and economically integrated and form one system. Political decisions for one part of a country can have consequences for other parts. Differences in political power between regions can result in intended or unintended biases in government policies. Policies that leave the allocation of resources to the market and that invest scarce resources in places with the best growth potential will benefit some areas and regions over others. Owing to the scattered settlement pattern and the inadequate communication and transport networks, rural people are disadvantaged when it comes to organization and the articulation of needs, priorities and preferences through political processes. This lack of political power is reflected in the extent to which decisions about rural areas and their natural resources are made in the national capital or in a provincial or state capital, and the profits of their exploitation accrue to the urban areas.

C. Urban bias

7. Many governments have also failed to recognize that urban and rural areas form one system and that decisions taken for one area have an impact on the other area that is often unintended and unanticipated. They have tended to look at rural and urban development as separate issues rather than as closely related issues. This is reflected in the institutional structure of many governments having separate ministries dealing with development in urban and rural areas. Governments have always stressed the critical importance of agriculture and the improvement of living conditions in the rural areas, because that was where the majority of the population lived. At the same time, they felt that the country could emerge from “underdevelopment” only if the industrial sector, based in the urban areas, was developed.

8. The results were policies that protected the industrial sector, kept the cost of living low in urban areas and used the income from the export of agricultural products to finance urban-industrial

development. The winners in these policies were government (net revenue gain), urban consumers (lower food prices) and industry (cheap raw materials). The net effect was an enormous income transfer out of agriculture and this depressed private investment in agriculture. The result was massive rural-urban migration and the rapid growth of urban areas, including the development of mega-cities. Because of a lack of housing and employment, migrants had to resort to squatting and work in the urban informal sector.

9. Attempts to develop the rural areas by developing urban centres encountered similar problems because of the unequal relationship. The penetration of the urban-industrial economy into the countryside only increased the exploitation of natural resources in the rural society for the benefit of the urban economy. A developing urban area in a backward region may not draw its resources from its immediate hinterland, but from other more developed regions. Improved transport links between a regional centre and the rest of the country reduce transport costs not only for goods produced in the region, but also for goods from other areas moving into the region and for migrants moving out of the region to national urban centres.

D. Emerging trends

10. Emerging global trends are causing fundamental transformations in the urban and rural areas and in their relationships. As a result of the information revolution and the adoption of free-market economic policies, the economies in Asia and the Pacific are integrating rapidly into a global economy. This has facilitated the flow of capital to the region in the form of foreign direct investment (FDI). Such investment is made predominantly in industry in the urban areas where it creates employment and attracts more migrants from the rural areas. Cities compete for FDI by improving their economically essential infrastructure and services, and thereby widen the gap between urban and rural areas in terms of access to infrastructure and services.

11. On the other hand, new information technology (IT) holds the promise of connecting remote and isolated areas to urban centres at a lower cost than through conventional infrastructure. IT can bring educational and health services to the rural areas. It can bring information about market conditions to farmers and other rural enterprises. It can improve communication between family members in rural and urban areas and abroad and facilitate remittances. Free-market economic policies remove any favourable treatment of urban areas and industry by governments through subsidies and import tariffs. As a part of global trade liberalization, industrialized countries will eventually have to open their markets to agricultural products of developing countries and this could benefit Asian countries.

12. Although population growth is generally declining, it is unlikely that the majority of the rural population will be able to find adequate income and employment in agriculture, in particular if education levels continue to rise. The natural environment is also setting limits on further agricultural expansion, and in some areas productivity is declining. The development of a rural industrial and

service sector will have only a limited impact. Rural-urban migration is therefore expected to continue, and within the next few decades the majority of the population of Asia and the Pacific will live in urban areas. However, only a relatively small portion of the urban population will live in mega-cities of 8 million and more; most will live in smaller cities and towns.

13. Improvements in communication and transport infrastructure have brought the urban and the rural areas closer together, facilitating rural-urban migration, but also return migration and communication between urban and rural areas. Migration is no longer a complete break with the place of origin and return migrants bring capital, skills and urban values to the rural areas. It is also no longer seen as an expulsion of the rural poor from impoverished rural areas and a desperate flight to the bright city lights. It is now seen in terms of a free flow of labour to areas where it can be more productive and earn a higher income. In this way, urbanization and migration can make a positive contribution to economic growth and development.

14. The urban informal sector is being revalued. Rather than being unproductive, full of underemployment and a sign of the inability of the city to absorb its growing population, the sector is now considered a fertile ground for micro-enterprises and the development of entrepreneurial skills. It provides affordable goods and services to the urban population and opportunities to the urban poor for upward social and economic mobility. This does not mean that living conditions in urban areas are adequate, but it points to the need for better urban management to make improved use of available resources and fully exploit the urban potential for development.

15. The spread of education, the increased information flow and the growing political awareness of the population are forcing central governments to decentralize authority to lower levels of government in order to be able to better meet the specific needs and demands of local communities. This also gives local communities more control over the protection and exploitation of their natural resources. On the other hand, the spread of the mass media has made people concerned about the survival of their specific culture and language and has generated movements to preserve these regional cultures and languages. Because of their specific economic interests and sociocultural identity, regions within countries are emerging as important development units.

16. Economic globalization has led to the emergence of regional trade blocs. These trade blocs create opportunities for erstwhile backward and isolated regions within countries to explore economic collaboration with regions within other countries, on the basis of comparative advantage. To fully exploit such collaboration, for instance through growth triangles, transport and communication infrastructure is needed to link those regions. At present, regions are often linked only with the capital city or other major cities and ports.

17. Modern IT is creating new economic opportunities, but the fast-changing technology-based economy requires from workers and farmers the flexibility to adjust to new demands and to learn new

skills in an autonomous manner. Modern IT is introducing a new form of illiteracy for those without access to IT or without the ability to use it. The skills and knowledge required to integrate into the new economy (in industry, services or agriculture) are often beyond the reach of the poor, and this makes it difficult for them to participate in economic growth and globalization. As in the industrialized countries, workers with no or limited skills and education will have more and more difficulties finding employment, while farmers will have difficulties competing in the market for agricultural products.

18. In summary, the newly emerging trends can reduce certain disparities between urban and rural areas, but may increase other disparities and generate new ones. Disparities could emerge in particular between those who can benefit from the new technologies and those who cannot. These new disparities are generally referred to as “the digital divide”, but they cover more than merely information technology.

E. Promoting balanced development

19. Not all disparities can be removed. Some are the result of inherent differences between people, between urban and rural areas and between regions. With free-market economic policies as today’s prevailing trend, the scope for government interventions is also limited. The primary challenge for any government is to ensure that all (rich and poor, urban and rural) can participate in the economic growth. Here, participation means (a) taking part in the decision-making regarding policies and programmes that aim at bringing about development, (b) contributing to economic growth with labour, skills, knowledge and entrepreneurship according to the full capabilities of the people concerned, and (c) benefiting from economic growth through income and asset accumulation resulting in a good quality of life.

20. To achieve balanced development, governments need to ensure the establishment and maintenance of a level playing field. This should be done by enabling all to develop to their full capabilities and by removing any social and regulatory obstacles. In order to enable people, areas and regions to develop to their full capabilities, governments must ensure access to infrastructure and services, including information and credit, opportunities for social and economic mobility and participation in decision-making so that more people can seize such opportunities. However, past experiences show that the better-off are, almost by definition, in a position to seize new opportunities created by infrastructure development, the introduction of new technologies or decentralization, and that the poorest of the poor are, also by definition, unable to do so. It is important to ensure that interventions benefit at least those who are just below the poverty line and give them the opportunity to improve themselves. In addition, efforts should be made to maximize any trickle-down effect to reach the poorest of the poor.

21. Because it is difficult for the poorest of the poor to seize new opportunities and because changes in the social and economic environment may cause new forms of poverty and disparity, the

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development of support mechanisms and safety nets for those who, for one reason or another, are unable to benefit from development remains a necessity. To be effective, the safety nets and support mechanisms should match the specific needs and conditions of the people concerned.

F. Policies

22. More specifically, governments need to adopt the following policies.

Investing in education

23. Education will have to prepare for change rather than for stability. Thinking schools and learning nations will be the paradigm of the twenty-first century: lifelong learning for lifelong employability. Improving education will no longer be only a matter of providing education for all, but also of enhancing the quality of education, teaching students to learn and think and to be creative, and preparing them for lifelong learning. The knowledge-based economy will require changes in the curriculum and the teaching strategy, and changes in the attitude and the mindset of every member of the community: the learners, the educated, parents and society at large. While the changes will first of all affect the professionals and later the industrial workers in the economy, they will eventually also have an impact on farmers. All will face new and rapidly changing technologies that they will have to use in daily life and in whatever sector they are working in to add more value to their products.

Connecting areas and regions

24. For economic growth, isolated and economically backward areas and regions will need to be linked to markets at the local, regional, national and global levels. The provision of economically essential infrastructure such as roads, railways, ports and airports or the establishment of links to such infrastructure are critical in order to create economic opportunities. Such infrastructure will reduce the cost of agricultural and industrial goods produced in the region, and will make these more competitive in the world market.

25. With the development of regional trade blocs, roads and railways do not need to lead to the capital city and main port of the country, but could link a region to a port, an airport or a market in another country, if it is nearer. However, better transport and communication is a two-edged sword, because it not only links an area to the outside world, but also links the outside world to a previously closed area and thereby intensifies competition. To enhance their participation in the economy, farmers and rural enterprises need capacity-building and information so that they can take better decisions about farm inputs, the farming process and the marketing of their products. Modern telecommunication technology can now provide them with the necessary information.

Improving urban management

26. As the urban population will continue to grow in the decades to come owing to natural population growth and rural-urban migration, the urban society and economy will have to absorb

more and more people, many of them poor. Ensuring that the growing population will find acceptable accommodation, gain access to essential infrastructure and services, and have adequate employment and income will be an enormous challenge for local governments. Those in charge of mega-cities will be particularly pressured to find new ways of dealing with these challenges efficiently. However, local governments will not only have to ensure that the urban population has adequate living and working conditions, but will also have to maintain the competitiveness of their city or town in the global economy, as urban economic growth will depend on private-sector investments. This means creating an investment environment that meets the needs and priorities of the private sector, while at the same time safeguarding the environment.

27. Reconciling the needs of the urban population, those of the private sector and those of future generations will require an efficient use of available resources and good urban governance. The development of partnerships between urban stakeholders (central and local government, local communities, civil-society groups and the private sector) will be critical in this respect. Partnership between governments and other urban stakeholders will require capacity-building and a change of attitude among government officials. While government may have fewer responsibilities in a society and economy driven by market forces, it will have to be more effective and efficient in the execution of its remaining responsibilities to safeguard the public interest, assist the poor and protect the environment, while promoting urban economic growth.

Decentralizing and ensuring good governance

28. In order to be able to seize new economic opportunities, decentralization of decision-making power from the national to the regional and the local level is necessary. Decentralization of decision-making on local issues is critical to ensure that policies and programmes match the needs and conditions of the local population and that good and fair use is made of regional and local resources for development.

29. Decentralization places a heavy burden on local governments and local communities, which have to assume many new responsibilities and undertake many new tasks. Building the capacity of local governments and local communities is a prerequisite for decentralization. Mistakes will be made and power will be misused for personal benefit, but decentralization is a learning process that takes time. It requires a central government that supports and assists local institutions rather than reluctantly cedes power, ready to take it back as soon as it can. That is why good governance, the quality of the process of decision-making by the government, is necessary.

Empowering the poor

30. To ensure that the poor and not only the better-off benefit from development, they need to be organized to increase their economic and political bargaining positions vis-à-vis those who are politically or economically stronger. In this respect, organizing the poor into rural and urban

cooperatives and community-based savings-and-credit schemes can strengthen their economic position. The experience of running an organization will build the capacity and confidence of the poor to participate in political decision-making as well. This requires a responsive government, particularly at the local level, that is prepared to recognize local communities as partners in development and to listen to them.

Introducing social safety nets

31. To ensure that the poor also draw some benefits from development and that their children are not locked into the vicious circle of poverty, social safety nets are necessary. Experience from past social safety nets in developing countries shows that government-administered social safety nets often miss their target groups and are open to abuse and corruption. On the other hand, the poor should not be completely dependent on the presence and the goodness of families and communities. New, possibly community-based, delivery mechanisms for delivering social services need to be explored and researched.

G. Conclusions

32. As the Asian and Pacific region enters the twenty-first century, it can expect immense demographic, economic, social and technological changes which will turn the region from a predominantly rural continent into a predominantly urban and globally connected continent. Like all transitions, this transition will most likely be painful. However, it need not be traumatic, if governments enact policies that ensure globally connected level playing fields, with adequate security for the vulnerable in society.