Chapter 13

Inclusive Growth

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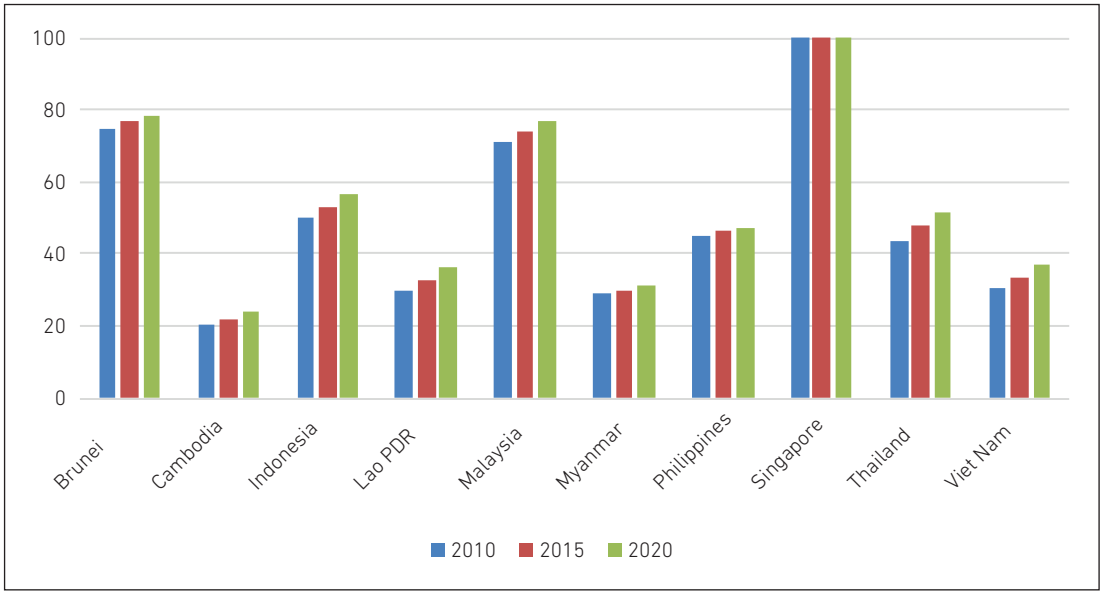
Urban and Rural Development

The rapid urbanisation rate in East Asia has transformed villages into cities, enlarged cities, and formed several megacities. The United Nations projects that there will be 1.2 billion new urban residents in the region by 2050 (United Nations, 2019). Figure 13.1 shows the increasing population living in cities in the Association of Southeast Asian Nations (ASEAN) Member States (AMS) during the last decade. Bangkok, Jakarta, and Manila have populations of more than 10 million, known as megacities. The cheap cost of construction in major East Asian cities such as Bangkok, Jakarta, and Kuala Lumpur has contributed to a rapid expansion of cities' development. In parallel with urbanisation and population growth, the megacities of ASEAN have created concentrated economic poles and connectivity. This, in turn, attracts a higher rate of urbanisation and development, leaving other regions – especially rural areas – behind.

Figure 13.1 Population Living in Urban Areas in Southeast Asia Countries (%)



Source: SDG Gateway Data Explorer. https://dataexplorer.unescap.org/ (accessed 1 August 2021).

Rapid urbanisation can have twofold consequences. It nurtures cities to flourish faster and produce high outputs because of the concentration of talent. But at the same time, because not everyone moving to cities will succeed, the gaps between income and social classes become wider. Urban poverty has long been a major issue in development studies. It is not only related to the inequality index, but more importantly, it is about the lack of a safe living environment and lack of access to clean water, primary education, healthcare services, and basic infrastructure.

In parallel, rapid urban development widens the gaps between urban and rural areas. It can attract more villagers to move to cities, often without proper preparation, and lead to additional urban problems, including unemployment and poverty. From a regional development perspective, urban and rural areas are interdependent and support each other. A large portion of the demand for food produced in rural areas comes from cities, which generate cash flows and other spillovers to rural areas. The mutually beneficial rural–urban relationship implies that both areas should be developed along harmonious paths. This means that determinants of development, including infrastructure and sectoral development, should move in the same direction and be compatible.

Since East Asia shows no signs of slowing urban population growth, this issue is crucial. The Asia-Pacific region became a majority urban population in 2019 and will have 1.2 billion new urban residents by 2050 (United Nations, 2019). This could push higher rural–urban inequality, which would harm inclusive growth.

Significant gaps between urban and rural status that can cause wider inequality are typically related to access, education, and options in the labour market. Many rural areas are disadvantaged because of their remoteness from the market, educational and healthcare facilities, and other public and private services. Some facilities are only provided in the nearest city, making connectivity more critical. Additionally, the reduction in services provided to rural areas is often the result of the low population penalty. In fiscal policy, the common transfer system from national to decentralised regions is usually based on the number of people serviced. Hence, better public services generally have a positive correlation with the density and the number of populations. People living in low-density rural areas have low incentives to stay because of the quality-of-service provision, but when more people leave, the density becomes lower. The lower density causes lower transfers from the national government, making public services less financed, and a vicious circle ensues.

Educational services are typically better in urban areas, driven by higher per capita public financing, efficiency, competition from private providers, better monitoring, and sufficient demand. This is a typical problem faced by both developed and developing countries. The analysis of the Programme for International Student Assessment (PISA) results from the participating students of the Organisation for Economic Co-operation and Development (OECD) countries shows that students from bigger cities (more than 100,000 people) perform better than students from villages, rural areas, or towns with up to 100,000 inhabitants. Socio-economic status explains part of the performance differences. Schools in urban settings are larger, tend to benefit from better educational resources, and often enjoy greater autonomy in allocating those resources (OECD, 2013).

The labour market in rural areas provides fewer options than that of urban areas due to lower demand; the seasonality of sectors such as agriculture and tourism; low-paid or non-remunerative jobs; and the availability of employment in limited sectors such as agriculture, fisheries, local public services, and small trading. Lower educational attainment and limited skills of rural workers make them less competitive than their counterparts in urban areas. Low demand for skilled labour pushes people with above-average skills to move to cities to obtain suitable jobs and better income.

Urban versus rural poverty issues are complex because of the limited data available to understand the whole picture and the divergence of both endogenous and exogenous determinants. The two most populous countries, China and India, show different dynamics in poverty data. In 2012, the headcount ratios in urban areas of China and India were higher than in rural areas. China has successfully eliminated rural poverty from about 10% in 2012 to 1.7% in 2018, while the total extreme poverty rate was zero in 2020, according to official national data.[1] India has no official data on rural poverty, but the headcount ratio at the national poverty line was 21.9% in 2011.[2] By 2020, the headcount ratios in India were 49.5% in urban areas and 37.0% in rural areas (Consumer Pyramids Household Survey from Dhingra and Ghatak, 2021). The coronavirus disease (COVID-19) pandemic has contributed to increasing urban poverty in India, indicated by the urban unemployment rate jumping from 8.8% in April–June 2019 to 20.8% in April–June 2020 (Dhingra and Ghatak, 2021).

[1] World Bank (n.d.), Poverty Headcount Ratio at National Poverty Lines (% of population) – China. https://data.worldbank.org/indicator/SI.POV.NAHC?locations=CN (accessed 14 June 2022).
[2] World Bank (n.d.), Poverty Headcount Ratio at National Poverty Lines (% of population) – India. https://data.worldbank.org/indicator/SI.POV.NAHC?locations=IN (accessed 15 June 2022).

With the world's concerted efforts to eliminate extreme poverty, the fundamental problems with poverty in rural areas no longer relate to starvation but rather lack of quality education, facilities to support economic activities, and sources of non-agricultural income. If governments provide social security, including healthcare and education, they will provide the rural poor with basic human necessities. Yu and Li (2021) found that the elasticity of rural poverty incidence to social security expenditure is –0.2255, which indicates that social security expenditure helps reduce rural absolute poverty. During hardship, such as an economic crisis or pandemic, poor urban migrants may return to villages which provide a better informal support system.

Characteristics of Rural–Urban Development

Urban and rural development have followed different patterns. Urban development is determined by the economic activities of residents, and migration contributes significantly to urban population growth. Top educational institutions, well-paid jobs, and modern facilities attract young talent from all over, making cities grow faster than rural areas. Urban areas have been expanding to accommodate the increasing urban population and activities. Urban growth varies across regions and typically forms zones based on the residents' main activities. Depending on the country, urban expansion can be planned in advance or grow under non-restricted spatial planning. Both the public and private sectors participate in establishing facilities for urban residents and commuters.

On the other hand, rural development is less autonomous, given the significant role of national governments in providing public facilities such as roads, terminals, traditional markets, electricity, water, and telecommunications. With a shallow market, private participation in developing rural facilities is very low. Governments only shifted their approach from providing subsidies to promoting investment when they saw increasing economic activities and potential for capitalisation. This shift occurred in developed countries during the 1990s, as observed by Shucksmith (2013). However, in many emerging economies, the approach to rural development is still top–down. Governments allocate public funds to villages, and villages have little authority to decide their own paths.

Synergising Rural–Urban Development

Urban activities are supported by massive infrastructure development, allowing residents to improve their productivity and quality of life. Since infrastructure and sectoral development generally depend on demand, they are spatially unique. Typical transportation facilities in urban areas, for instance, are built to accommodate speedy and mass mobility. At the same time, information and communication technology (ICT) infrastructure may use fibre optics as a standard backbone to allow fast and big data communications. In rural areas, transportation supports simple connectivity inside the region and access to markets and essential facilities such as health facilities, schools, and local government offices.

Cities are supported by their outskirts and rural areas, particularly for food provision. Rural producers efficiently supply many products based on agriculture, home industry, or small-scale production, as well as agricultural products. Such products are sent to cities via simple transportation methods because of the proximity and their small scale.

Logistics systems play a significant role in efficient post-harvest delivery, especially in tropical countries where harvests and livestock are under firm climate control during transportation from producers in rural areas to distributors in cities. Inappropriate vehicles, poor roads, and inefficient logistical management hinder the preservation of perishable commodities during transport (Rolle, 2006). In India, less than 4% of fresh products are transported using the cold chain (Joardder and Hasan Masud, 2019). About one-third of fresh fruit and vegetables are thrown away globally because their quality drops below acceptance limits (Gustavsson et al., 2011). This is a huge unacceptable loss that is preventable. Improving efficiency in supply chains benefits both producers and consumers; thus, it should be prioritised. Apart from infrastructure such as roads or railways and temperature-controlled vehicles, logistics management is crucial. The Food and Agriculture Organization of the United Nations (FAO, 2001) has provided livestock handling guidelines that include suitable transportation modalities.

The principle of integrated rural–urban development is to facilitate the growth potential of rural and urban areas while strengthening their linkages to produce synergised outputs. Cities need to have adequate infrastructure – allowing efficient mobility; fast data transfer; and sufficient, up-to-date, and innovative economic and education centres. Zoning is a crucial part of city planning to facilitate smooth mobility and sustainability. Meanwhile, villages and peripheral areas should be provided with adequate infrastructure to support agriculture and its related sectors (including home industry and ecotourism), smooth connectivity to city hubs, accessibility to markets (including cross-border markets), education with appropriate levels and skills, healthcare centres, and better ICT connectivity.

Typical problems arising from local development issues are imbalanced priorities and paths between urban and rural development strategies. Urban planners may ignore the needs and effects of urban development on its periphery, while rural development is expected to respond to changing demands from cities. A synchronised and synergised urban–periphery linkage requires mutual interest to incorporate rural planning into urban planning.

Digital Divide

Since ICT is becoming an essential aspect of development, this section discusses the major challenges and consequences – the digital divide and infrastructure gaps between rural and urban areas – which are fundamental in the policy discussion to promote inclusive growth.

The power of cities is, unsurprisingly, very big. McKinsey Global Institute identified the 3,000 largest cities globally and found that they represent 67% of the world's gross domestic product (GDP) and 40% of the population. Further, the top 50 cities in this group are home to 8% of the world's population but contribute 21% of global GDP (Manyika et al., 2018). Those cities include 10 cities in China; three in Japan; two in India; one each in the Republic of Korea and Australia; and the capitals of the ASEAN5: Bangkok, Jakarta, Kuala Lumpur, Manila, and Singapore. Economies of scale and agglomeration allow them to outperform other non-metropolitan cities.

Given the limited public resources, development programmes typically prioritise urban areas before rural areas. This results in wide gaps between urban and rural areas in terms of the quality of infrastructure, efficiency, level of data connectivity, and transport mobility. The gap is especially wide in information technology (IT) systems due to the economies of scale and focus. IT infrastructure projects require significant demand to become financially viable; otherwise, they cannot attract private investment for the projects, and they become a public sector responsibility. With limited resources and fierce competition between programmes, governments face a shortage of public funding.

The situation is usually addressed by allocating the funds to the most prioritised project, typically determined by the outputs it generates. ICT becomes more productive in urban activities when it is measured by monetised outputs. In ICT utilisation, wage differences between urban and rural workers and monetary outputs from financial services versus the agricultural sector are huge, making ICT a high priority in the urban economy but less important in the rural economy. Policymakers consider it more appropriate to spend public funds on traditional agriculture and basic infrastructure rather than build an internet backbone, following the principles of public investment valuation. Hence, gaps exist and even widen in many emerging countries. At the national level, gaps amongst emerging economies are also present in infrastructure status, institutional aspects (policy and regulations), and skills (Table 14.1).

Table 13.1 Key Digital Economic Indicators in Selected AMS

Country	Connectivity			Payments			Logistics		Skills	Policy and regulations			
	Mobile broadband subscribers (% of population)	Mobile broadband prices (500 MB/month) as a % of GNI per capita	Fixed broadband subscribers (% of population)	% of digital payments in the past year	% of online payment for internet purchases	% of online firms using digital payments	Logistics Performance Index score (max. 5)	Integrated index for postal development	Human Capital Development Index global rank (out of 120)	Cross-border data flow restrictions	Data privacy regulations	Consumer protection regulations	Cybersecurity expenditure as % of GDP
Cambodia	67%	1.10%	2%	16%	—	—	2.8	19.7	97	No	No	Yes	—
Lao PDR	51%	—	1%	12%	—	—	2.07	41.4	105	No	No	Draft	—
Malaysia	116%	0.90%	8%	76%	52%	57%	3.43	66.0	52	Yes	Yes	Yes	0.08%
Indonesia	100%	1.40%	3%	34%	49%	51%	2.98	49.4	69	Yes	Yes	Yes	0.02%
Philippines	40%	1.50%	3%	23%	—	52%	2.86	33.9	46	No	Yes	Yes	0.04%
Thailand	170%	1.20%	11%	62%	—	—	3.26	66.1	57	No	Yes	Yes	0.05%
Viet Nam	82%	1.40%	12%	22%	10%	51%	2.98	47.8	68	Yes	Draft	Yes	0.04%

— = not available, AMS = ASEAN Member State, ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, GNI = gross national income, MB = megabyte.

Sources: World Bank (2016) from ITU (2017), Measuring the Information Society Report 2017. Geneva: International Telecommunication Union;

In the Networked Readiness Index business usage pillar, Singapore ranked 14th globally, while Malaysia was 26th, Indonesia 34th, Thailand 51st, Viet Nam 81st, the Lao People's Democratic Republic (Lao PDR) 89th, Cambodia 104th, and Myanmar 138th (Baller, Dutta, and Lanvin, 2016). This index includes the measures of firms' technology absorption capacity and overall capacity to innovate. Hence, East Asia faces a diverse ICT status across the states, with Singapore in an advanced position and other countries in between Singapore and the CLM countries (Cambodia, the Lao PDR, and Myanmar). Differences amongst AMS are a window of opportunity for further cooperation, not only for governments but also for firms. Improving the least developed economies is important to enlarge the size of the ASEAN market – which will benefit all AMS and prevent widening of gaps between clusters.

The CLM countries have the lowest ICT adaptation rankings amongst AMS and share some common characteristics:

- More people live in rural areas than in urban areas – Cambodia: 77%, the Lao PDR: 66%, Myanmar: 70%, and Viet Nam: 65% (ASEAN, 2018).
- The share of the population using the internet is 34% in the Lao PDR and 35% in Myanmar, while Cambodia has the highest share at 79% (2020 estimates by ITU, 2021).
- Internet usage for business-to-consumer transactions was about 4% in Cambodia and the Lao PDR, and 3.3% in Myanmar (Baller, Dutta, and Lanvin, 2016).
- Less than 1% of the population has a fixed broadband subscription (ITU, 2019).
- The 4G (LTE) network is in the early stage of implementation.

A study by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS, 2018) found that Cambodia has both the cheapest mobile internet prices and the third-highest mobile data usage in the world. Internet usage in the country is the second highest amongst the least developed countries. The less regulated internet market in Cambodia drives market competitiveness; this is an important lesson for other emerging markets, as confirmed by the World Bank (2016). However, Cambodia's ICT progress has not created economic outputs beyond social networking and entertainment purposes. The top website is the video-sharing YouTube portal.

Further, the country has a significant trade deficit in ICT-related activities, as overseas ICT companies gain revenue from advertisements targeted at Cambodians paid by Cambodian companies. Cambodia also imports far more than it exports in computer and information services. Therefore, opening the economy requires a holistic approach to allow people to reap the economic benefits of ICT development. Unfortunately, data on the rural digital sector are insufficient and out of date, especially in the Lao PDR and Myanmar. Since the coverage and quality of ICT services in urban areas in these countries are the lowest in Southeast Asia, one can surmise that the condition in rural areas is no better.

However, if rural areas have insufficient ICT infrastructure, they cannot maximise their potential and the urban–rural ICT gaps widen – creating obstacles to synergised urban–rural linkages. This is not a win–win situation for both rural and urban development. Additionally, China's experience shows that investing in rural connectivity benefits not only small enterprises but also vulnerable groups such as women and persons with disabilities.[3]

Options to fix the problem are limited, given the countries' size and economic capacity, but some efforts are worth considering:

(i) Governments may impose national minimum access standards for ICT to guarantee countrywide access. Satellite-based technology is very useful in a large country (e.g. the Indonesian archipelago) or in subregions such as the Mekong Subregion.

(ii) Governments may raise the standard once the minimum standard is met. This could create a positive externality where ICT utilisation boosts productivity and generates additional income for users, making it affordable to pay for upgraded ICT services. Private investment can play an important role in this stage.

(iii) Spatial and sector needs must be mapped to unlock the potential of rural areas. Universities and other research institutions can contribute to accelerating and supporting rural development by analysing the local potential and developing a strategy to nurture it. Some regions may need faster data connectivity, while others focus on establishing data centres or developing specific applications.

(iv) Rural communities require capacity building to reap the economic benefits of ICT. Digitalisation of government services can be used to familiarise people with digital applications in daily life. Governments need to have a comprehensive medium- to long-term digital government agenda and utilise it to accelerate rural digital development.

(v) Governments should provide a legal framework to guarantee business and user rights, facilitate market mechanisms, and support innovation, while maintaining market competitiveness. Regulations on cybersecurity, data privacy and protection, and e-commerce should be prioritised.

(vi) Another feasible approach is mandating infrastructure sharing amongst ICT operators to improve efficiency and create a level playing field. This is not an easy task. It has been adopted in Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam, but not yet in CLM countries (World Bank, 2016).

[3] At the end of 2014, there were more than 70,000 merchants in 200 Taobao villages and many more in other rural areas. Most of the stores were small, with an average of 2.5 employees. About one-third of the owners were female, one-fifth were previously unemployed, and 1% were persons with disabilities. One of Alibaba's top 'netpreneurs', confined to a wheelchair after an accident, built a thriving online livestock business (Alizila, 2014).

Rural Inclusiveness

Apart from gaps in digital infrastructure, other gaps are also critical: (i) the transportation system; (ii) electricity; and (iii) the quality of water, sanitation, and hygiene (WASH).

Transportation

Transportation in rural areas typically uses simple vehicles, but is not necessarily efficient because of economies of scale. Other characteristics are the spatial scarcity of public facilities, low population density, and underdeveloped public transport networks. Passenger cars are the main modality, and rural people rely on privately owned modified passenger cars (e.g. long jeeps converted to 'minibuses') for public transport because many people cannot afford to buy vehicles. If the market or nearest city centre is far, villagers must pay expensive transport costs and change vehicles several times. High logistics costs can hurt the welfare of farmers or fisherfolk and damage their products during transportation. Improving transportation networks and management in rural–urban connectivity also prevents product loss from inefficient supply chain management.

Electricity

Electricity provision can be challenging if villages are very small and far from the national grid system. Significant investment is required to establish a grid system from power plants to transmission centres and to wire the electricity to houses via distribution lines. If the number of households and the demand for electricity consumption is low, the investment will be non-viable. National grid systems are not efficient in large and sparsely populated countries. Large archipelagic countries with many inhabited small islands face the same challenges. To overcome such challenges, countries need to consider suitable renewable and micro-level energy sources, such as mini-grid systems, solar panels, and mini-hydropower.

Table 13.2 shows the percentages of electricity access in rural and urban areas in AMS. Note that the numbers in Table 13.2 do not show the quality of electricity access.[4]

[4] See, for example, Sulaiman (2019).

Table 13.2 Access to Electricity in AMS

Country	Rural (% of population)		Urban (% of population)	
	2000	2017	2000	2017
Brunei Darussalam	100	100	100	100
Cambodia	7	86	61	99
Indonesia	79	96	95	100
Lao PDR	28	91	96	100
Malaysia	–	100	–	100
Myanmar	–	60	–	93
Philippines	62	90	90	96
Thailand	74	100	100	100
Viet Nam	82	100	99	100

– = no data, AMS = ASEAN Member States, ASEAN = Association of Southeast Asian Nations.

Source: World Bank (2019).

Countries may have different definitions of 'access to electrification', and the quality of electricity access could vary widely. The World Bank's quality level framework is grouped into five tiers (Table 13.3), characterised by the following attributes: peak available capacity, duration of service per day, duration of evening service, affordability, legality, and quality (voltage).

Table 13.3 Framework of the Quality of Electricity Access

ACCESS TO ELECTRICITY SUPPLY

ATTRIBUTES	TIER 0	TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
Peak available capacity (W)	-	>1	>500	>200	>2,000	>2,000
Duration (hours)	-	≥4	≥4	≥4	≥4	≥4
Evening supply (hrs)	-	≥2	≥2	≥2	≥4	≥4
Affordability	-	-	√	√	√	√
Legality	-	-	-	√	√	√
Quality (Volatge	-	-	-	√	√	√

- Five-tier framework
- Based on six attributes of electricity supply
- As electricity supply improves, an increasing number of electricity services become possible

Index of access to electricity supply = $\sum(P_T \times T)$

with P_T = Proportion of households at tier T

T = tier number {0, 1,2, 3, 4, 5}

Source: Portale et al. (2013).

Water, Sanitation, and Hygiene

Lack of basic WASH facilities hamper efforts to reduce child and maternal mortality, illness, and stunting. The relationship between adequate WASH and the poor status of maternal and child health and mortality shows the importance of upgrading both the coverage and the quality of water and sanitation. In AMS, WASH problems occur in both rural and urban areas (Table 13.4-13.6). Coverage has improved in recent years, but the quality of water and sanitation needs to be improved.

Table 13.4 Access to National Drinking Water (estimates, at least basic)

Country	Urban (% of population)		Rural (% of population)	
	2000	2017	2000	2017
Cambodia	76	90	47	65
Indonesia	90	98	66	86
Lao PDR	77	97	38	78
Malaysia	>99	>99	94	90
Myanmar	68	95	38	78
Philippines	93	97	79	91
Thailand	98	>99	92	>99
Viet Nam	94	>99	76	96

Note: Highlighted = under 80%.

Source: WHO–UNICEF Joint Monitoring Programme (n.d.), JMP Global Database. https://washdata.org/ (accessed 5 August 2021).

Table 13.5 Access to National Sanitation (estimates, at least basic)

Country	Urban (% of population)		Rural (% of population)	
	2000	2017	2000	2017
Cambodia	46	93	2	61
Indonesia	63	92	25	80
Lao PDR	67	98	17	69
Malaysia	98	>99	94	99

Country	Urban (% of population)		Rural (% of population)	
	2000	2017	2000	2017
Myanmar	82	79	67	71
Philippines	72	82	53	82
Thailand	89	>99	93	98
Viet Nam	81	96	43	85

Note: Highlighted = under 80%.

Source: WHO–UNICEF Joint Monitoring Programme (n.d.), JMP Global Database. https://washdata.org/ (accessed 5 August 2021).

Table 13.6 Access to National Hygiene (Estimates, at least basic, 2020)

Item	National (% of population)	Urban (% of population)	Rural (% of population)
Cambodia	74	83	71
Indonesia	94	96	91
Lao PDR	56	73	46
Myanmar	75	83	71
Philippines	82	85	79
Thailand	85	87	83
Viet Nam	86	93	82

Note: Highlighted = under 80%.

Source: WHO–UNICEF Joint Monitoring Programme (n.d.), JMP Global Database. https://washdata.org/ (accessed 5 August 2021).

The Lao Social Indicator Survey II revealed that 81% (urban) and 89% (rural) of water samples tested at households and sources were contaminated with E-coli (United Nations in Lao PDR, 2019). Some 69% of rural Laotians do not have basic handwashing facilities with soap and water, compared with 27% of urban Laotians. In Cambodia, 40% of people in rural areas and 12% of people in urban areas do not have basic handwashing facilities. Despite improvements in WASH coverage, 81% of the poorest rural Cambodians practise open defecation, compared with 11% of the wealthiest rural Cambodians. Many people still do not know about safe WASH risk prevention practices, especially in rural areas (UNICEF Cambodia, 2019).

The CLM countries have scores under 80 for rural sanitation (Table 14.5). Indonesia and the Philippines are large archipelagic countries with decentralised governments in which local governments are responsible for WASH provision. Hence, WASH provision varies widely across local jurisdictions, depending on the capacity of local administrations, geographical challenges (e.g. some islands in Indonesia experience long droughts that last several years), and local fiscal capacity.

Governments achieve significant improvements when they make a serious effort. In smaller economies such as Cambodia and the Lao PDR, partnerships with the international community and support from local non-governmental organisations contribute considerably to the outputs. This model should be continuously utilised, especially to improve the situation in rural areas. People with low purchasing power need some subsidies, and services can be provided through programmes designed to leverage people's capacity. For example, receiving subsidised electricity can be bundled with participating in WASH programmes or education for children. Another possible bundling programme is subsidising farmers who join cooperatives to facilitate better access to capacity building programmes and financial credits.

Conclusion

AMS have made significant improvements in their development status, especially Cambodia, the Lao PDR, Myanmar, and Viet Nam, during the last two decades. Viet Nam is monumental in this regard. However, as occurs in many places around the world, the development paths tend to favour urban rather than rural areas – resulting in wide gaps between them. Rural development faces specific challenges such as economies of scale and low capacity, scattered populations, and lack of connectivity with the larger economy. By recognising the special characteristics of the rural economy, authorities can create appropriate policies to address the challenges. AMS can promote rural inclusiveness by applying comprehensive policies on social, spatial, and sectoral development.

National policy concerns the whole social development agenda, including poverty eradication and narrowing the inequality gaps – giving a helicopter view of policymakers towards achieving the national vision. Regional and local policies are derived from national policies by considering spatial and sector issues. Spatial linkages and rural–urban interdependency bond the whole policy.

Despite its small scale and non-viable investment features, investing in rural development is important for several reasons: (i) people in rural areas have the same rights as people in urban areas to fulfil their basic needs; (ii) the potential of rural areas is significant and influential at a macro level; (iii) the linkages between rural and urban areas show their interdependence; and (iv) successful urbanisation depends on the quality of the migrants, who mainly come from rural areas.

There are also success stories of investing in rural infrastructure and development, such as previously mentioned in China and other places worldwide. Viet Nam's remarkable economic development and productivity cannot be detached from its massive nationwide investment in infrastructure, education, and healthcare. Bose, Uddin, and Mondal (2013) found that the villages in Bangladesh supplied with electricity demonstrated positive effects on production, profit margins, development and business modernisation, women's empowerment, quality of life, and human capital development. The European Union created the common agricultural policy (CAP) with dedicated funding from the European Agricultural Fund for Rural Development to contribute to the cross-cutting objectives of innovation, environment, and climate change mitigation and adaptation.[5]

Efforts by AMS to improve the quality life of the rural population, especially countries in the Mekong Subregion, should be praised and continued. Partnerships with the international community – both as lender and as technical support – and with local communities have demonstrated positive outputs. Other options include attracting private sector participation by offering mutually beneficial schemes; linking rural areas to larger economic region, especially areas near cities and neighbouring countries; integrating rural–urban development planning; and exploring a market-based approach.

To develop a market-based approach to finance social infrastructure, green bonds and development bonds merit consideration. The Cambodia Rural Sanitation Development Impact Bond (DIB) – an initiative of the United States Agency for International Development, the Stone Family Foundation, and the International Development Enterprise – is the world's first DIB for sanitation. It aims to eradicate the high rates of open defecation in the country and accelerate the Government of Cambodia's efforts to reach universal sanitation. The DIB covers six provinces and aims to reduce stunting and prevent the spread of disease and contamination of drinking water. The fund supports the government's aim of eliminating open defecation by 2025 (iDE, 2019). Additionally, green bonds under the climate change adaptation scheme can be issued, especially for energy sector development in rural areas.

5 For more details see European Union (n.d.).

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