

**What Asia Has Achieved: What Asia Can Achieve**  
**Conference Overview Paper**

# **Promoting Growth and Ending Poverty in Asia**

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# Promoting Growth and Ending Poverty in Asia<sup>1</sup>

## 1. Background

A primary purpose of the Asia 2015 conference is to provide a forum for new ideas from the region on policies and partnerships for poverty reduction. Strong growth performance in parts of Asia suggests that the potential exists for ending absolute poverty within a generation. The conference aims to ask the questions: *what is the future role of development assistance in Asia, where growth has been so rapid? How do our partnerships between governments, the private sector and civil society within and between countries need to improve to better promote growth and achieve poverty reduction?*

These questions lie at the heart of this paper, and the conference of the same title, being co-hosted by DFID, the World Bank and the Asian Development Bank in London on 6–7 March 2006.

The arguments outlined below, and sessions at the conference, run in the following sequence:

- Asian *growth*, from the first East Asian ‘tigers’ to the currently ‘emerging giants’ (India and China) has been unprecedented and has enabled historic progress in reducing absolute poverty. But gains are uneven, with some countries and provinces growing and defeating poverty much more slowly than others
- Some two-thirds of the world’s poor are found in Asia, and progress towards achievement of the Millennium Development Goals (MDGs) has been uneven
- Two types of *threats to growth* are discussed: first, environmental issues, infrastructural weaknesses, and rising prices of energy and primary commodities; second, institutional challenges which need to be addressed if the spectre of financial instability is to be held at bay, and broad improvements in investment climate and wider governance<sup>2</sup> achieved
- A threat to delivering poverty reduction is posed by *jobless growth* in some countries, and is particularly associated with ‘high tech’ services

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<sup>1</sup> Based on a longer paper compiled by John Farrington, Research Fellow, ODI, which can be found at: [www.asia2015conference.org](http://www.asia2015conference.org)

<sup>2</sup> Governance has a wide variety of meanings, ranging from a narrow concern with the manner in which the state manages public goods and services, through to the accountable, transparent and legitimate use of state power. Other definitions emphasise the importance of participation in decision-making processes as an integral aspect of governance. From the perspective of this conference, the extent to which the state creates an institutional environment that maximises the opportunities for growth and poverty reduction is the most critical dimension of governance.

- Even if stable growth continues, many *people will be left out* because they live in *lagging regions*, or because of biases based on ethnicity, creed, caste and gender, or simply because they are too old or infirm, or committed to caring for others, to engage fully in processes of growth. Specific interventions can help these to participate in, where possible, or at least share the benefits of, continued growth
- Supporting those left out takes on new urgency because of the *economic and social transitions* accompanying rapid growth: the majority of poor people are still in more remote, difficult rural areas, and are unlikely to be reached unless support in productive activities, health, education and social protection are scaled up. But a growing number are in the cities, or in transit between the two, and this may require new ways of meeting their needs
- Growing *inequality* poses threats to social stability in some contexts
- Under these dynamics, new ideas are needed to achieve the poverty reduction that is possible – ending absolute poverty over the next 20 years. There are substantial opportunities for new *policies and partnerships*, underpinned by greater *inclusiveness* and better *governance*.

## 2. How can Growth be Sustained?

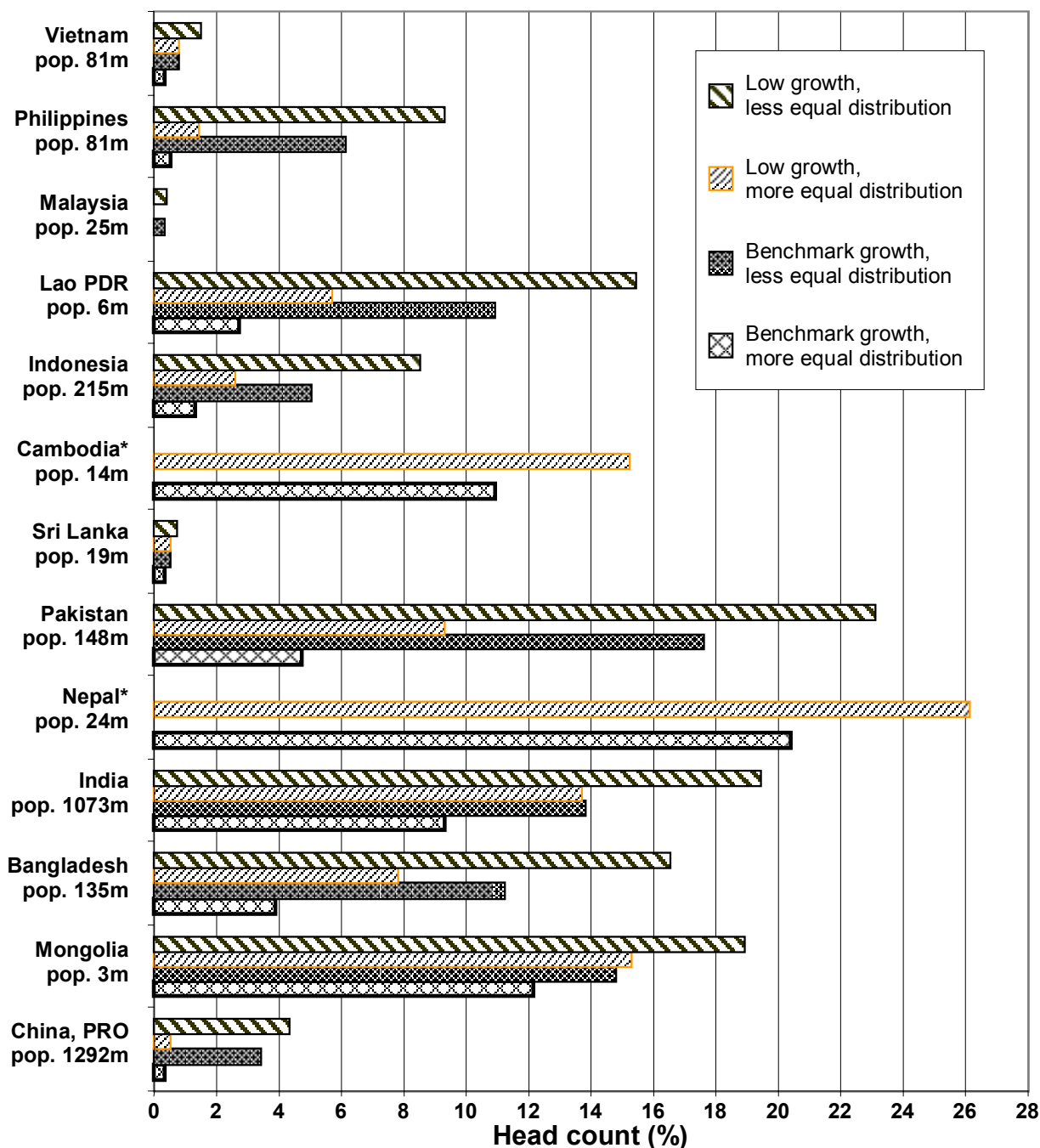
*What have been the patterns of growth and poverty reduction in the past? Is growth alone sufficient to reduce poverty rapidly?*

Economic growth has been exceptionally rapid in Asia, with many Asian countries achieving growth rates of over 5 per cent annually over the last 20 years. Growth has been a major contributor to poverty reduction, with 22 per cent of a growing population still living in poverty in 2000, down from 32 per cent in 1990. Policies providing economic stability and facilitating coherent, focused private investment have helped to promote growth, as also have development-focused public spending priorities, including those on infrastructure and skill development. Apart from its direct effects on poverty, growth enhances the tax base for the funding of pro-poor services and social protection, as is discussed below.

The extent to which growth impacts on poverty reduction has varied over time and among countries. Forward projections are difficult, but Figure 1 presents one such estimate. It demonstrates the extent to which poverty reduction will be slowed if inequality worsens.

Future success in growth and poverty reduction is not guaranteed: it can be threatened by a wide range of factors, including changes in international trade and investment regimes, slowing of the global economy, or rapid rises in the prices of primary commodities. Within Asian countries, environmental degradation, institutional weaknesses and infrastructure deficiencies may be constraining. Challenges might also be rooted in how internal migration and urban expansion are managed, in the ways governance is interpreted and implemented, and in slow rates of inclusion of certain regions and population segments not only in the benefits of growth, but also in programmes of basic service delivery (e.g. health, education, water and sanitation) and in social protection.

**Figure 1: \$1-a-day Poverty Head Count Index (%) for Asian Developing Countries in 2015, under varying growth and equality assumptions**



Notes: \*For Cambodia and Nepal only one estimate of inequality is available. The figures beneath the country names are population figures rounded to the nearest million in 2003.

Source: Adapted from projections by the Asian Development Bank 2004. *Key Indicators 2004. Poverty in Asia: Measurement, Estimates and Prospects* available at [www.adb.org/Documents/Books/Key\\_Indicators/2004/default.asp](http://www.adb.org/Documents/Books/Key_Indicators/2004/default.asp).

The ADB calculated growth and distribution from *per capita* income/expenditure of household survey data available in the PovcalNet database. The benchmark growth of survey means is calculated from annual average growth of *per capita* GDP for the period 1999–2003 (giving, e.g. for East Asia a regional average of 5.4%) adjusted downward to reflect the empirical finding that a 1% increase in GDP *per capita* is associated with 0.8% increase in survey-based mean consumption per capita. Downward adjustment by 1 percentage point gives the low growth scenario. See the Key Indicators report p 38ff, for further details on this and on the assumptions underlying the two distribution estimates.

### 3. What are the Main Trends up to and Beyond 2015?

*What are the likely trends in growth and poverty reduction up to and beyond 2015? How do they relate to the MDGs?*

Asian countries are leading their own development and can build on their success by strengthening measures to accelerate and sustain poverty reduction. Yet, the world's fastest growing region also contains two-thirds of the world's poor. Progress towards targets of the Millennium Development Goals (MDGs) is uneven, and as the September 2005 Millennium Review Summit noted, there is scope for faster progress, particularly against the 'non-income' MDGs.

The kinds of challenge that growth and development face in a rapidly-changing Asia mean that 'business as usual' in government and development agency<sup>3</sup> policies is unlikely to generate the most for growth and poverty reduction. This paper argues that, in the approach to 2015, the following are likely to be the main trends:

- India and China will continue to experience strong economic growth, with a growing share of global production, exports and imports. The prospects for growth elsewhere are generally moderate to good, with some countries adjusting to and using the market opportunities created by the strong performance of the 'emerging giants'
- There will be continuing strong progress towards the reduction of income poverty, though not everywhere, performance against many other indicators will be mixed, and inequality within and between countries is likely to increase
- There is likely to be a worsening of environmental indicators, with increasing air pollution, reduced groundwater availability, reduced forest cover, continued illegal logging and negative cross-border externalities, for instance in the use of water from rivers that cross borders
- The current 60:40 ratio of rural to urban population will be reversed in many countries, with a continuing strong flow of internal migration into the cities, and, for some countries, substantial remittances from international migration
- There is likely to be a broadening of participation in political and economic decisions, with increasing numbers of civil society organisations, rising public consciousness of citizens' rights, and growing protest over such matters as corruption, environmental degradation and social exclusion
- Some reduction in discrimination against women and marginalised groups may occur as a result of this trend or as a result of tightening labour markets under continued growth, but major disparities will remain in several countries.

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<sup>3</sup> Development agencies are defined here to include official bilateral and multilateral donors, and International Financial Institutions, but not private commercial or non-profit organisations, which are specified separately.

Across Asia the pace and nature of structural economic trends, particularly in the transition from rural- to urban-based economies, together with demographic transition, mean that the challenges faced by Asian economies are fundamentally different from past experience. This is particularly true where – as in former socialist countries – state enterprises can no longer be used as fully to deliver welfare benefits.

To achieve faster poverty reduction depends first on better chances to earn a decent living and second on higher and more effective public expenditure, better focused on crucial areas and groups, while retaining broader fiscal control to support stable prices and sound investment for growth. The challenge includes remedying the more deeply embedded weaknesses in public sector institutions which make it difficult to ensure that resources are used as intended. Both this, and some (inevitably gradual) change in social attitudes and structures, are essential if biases against women, minorities and other groups are to be overcome.

Figure 2 shows an assessment of how far individual countries are ‘on-track’ or ‘off-track’ to meet MDG targets. The assessments are produced using selected indicators, and therefore do not capture all aspects of the Millennium Development Goals, and are limited by data availability and quality.

The wide variation in anticipated performance among countries and between targets is very striking. Performance against targets such as income poverty reduction and rates of enrolment in primary education is likely to be moderate or good, but progress is highly uneven against targets such as nutritional status, maternal and child mortality, disease burden and access to water, sanitation and improved housing.

## **4. What Policies and Priorities to 2015?**

*From the above analysis, what priority areas might Asian countries wish to tackle in order to achieve further growth with rapid poverty reduction? How will the Asia 2015 conference address them?*

Six broad areas appear to offer substantial scope for new policies that can accelerate progress against the MDGs in the future. A parallel session at the Asia 2015 conference will be allocated to each:

### *1. Making the best use of resources and energy, and the environmental impact of rapid growth<sup>4</sup>*

A balance has to be maintained between recognising that natural resources are assets for growth, particularly for the poor, and preventing both misuse of environmental assets and increased hazards. On energy, there is scope for improved efficiency, and an important challenge is for Asia to join global research into new energy sources.

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<sup>4</sup> This section draws on papers by Bass and Steele (2006) and by Jaswal (2006) commissioned for the conference.

**Figure 2:** How far individual countries are 'on-track' or 'off-track' to meet individual MDGs by 2015

Target	Country														Key							
	Afghanistan	Bangladesh	Cambodia	China	India	Indonesia	Korea DPR	Lao PDR	Malaysia	Mongolia	Myanmar	Nepal	Philippines	Pakistan	Sri Lanka	Thailand	Vietnam	Met	On Track	Off Track	Severely Off Track	Insufficient Data
Reduce extreme poverty by half																	6	2	1	4	4	17
Reduce hunger by half																	0	5	3	3	6	17
Universal primary enrolment (net enrolment)																	2	6	5	1	3	17
Gross primary completion rate																	5	3	4	1	4	17
Equal girls' enrolment in primary school																	7	3	4	1	2	17
Equal girls' enrolment in secondary school																	5	2	4	3	3	17
Women's share of paid employment in the non-agricultural sector																	3	1	1	7	5	17
Women's equal representation in national parliaments																	0	0	0	16	1	17
Reduce mortality of under 5 year olds by two-thirds																	2	7	4	4	0	17
Measles immunisation (of 1 year olds)																	2	3	7	5	0	17
Maternal mortality (births attended by skilled birth attendants)																	6	1	3	7	0	17
Halt and reverse spread of malaria – death rates 2000*																	14	3	0	0	0	17
Halt and reverse spread of TB – halve deaths from TB																	3	5	6	3	0	17
Reverse loss of forests																	4	2	0	11	0	17
Halve proportion without improved drinking water																	3	3	4	3	4	17
Halve proportion without sanitation																	3	1	6	1	6	17

\*Death rate per 100,000

Very low: <10    Low: <50    High: 50–100    Very high: >100    No Data

Data source: UN Statistics Division database, accessed in Autumn 2005. The methodology for assessing progress is explained in Promoting Growth and Ending Poverty in Asia: Core Paper.



*On energy:* in most countries in the region, energy demand has already outstripped domestic resource availability. Current aims in several countries are to guarantee energy supplies and seek enhanced efficiency. For the longer term, international research is being undertaken into alternative sources of energy. Asian countries will wish to be part of these R&D processes so that they can influence the search in ways consistent with their own energy requirements, and with the global search for technologies that reduce 'greenhouse gas' emissions. There is considerable scope to modify taxation/subsidy policies to encourage more sparing use of non-renewable energy, or to reduce negative environmental impacts, e.g. by substituting cleaner energy types (such as liquefied petroleum gas or compressed natural gas for diesel in taxis and buses, as has recently been done across the entire public transport system in Delhi), or by charging fully for electricity used on farms, so as to reduce excessive pumping of groundwater in semi-arid areas.

*On environment and natural resources:* the environment is an asset for growth, particularly for the poor, but misuse of environmental assets and environmental hazards represent increasing threats. Asian agricultural production rose 62 per cent from 1990–2002 – with a higher intensity of water and agrochemical use than many other regions. Forests were cleared even more rapidly – Indonesia alone lost 1.7 M ha a year of forests during the 1990s. Asian industrial production rose 40 per cent from 1995–2002. This, together with the huge rise in fossil fuel use, has created intolerable pollution burdens – costing 3 to 6 million life-years in China alone each year. Poorer Asian countries and groups are especially dependent on environmental assets and natural resources. There are under-exploited potentials: e.g. forestry in Vietnam, nature tourism in Sri Lanka; hydro power exports from Bhutan and Lao – and regional agreements may be particularly relevant to the sustainable use of water resources. Linking the use of these resources in a sustainable manner to demand from fast-growing countries in the region will enable the benefits of rapid growth to be spread more evenly. Improved governance is key to realising benefits for the poor from environmental assets. Weak on-the-ground regulation of the use of environmental assets can be a threat, particularly to poorer countries. There is a strong case for removal of any environmentally damaging subsidies so that prices reflect true scarcities.

## 2. *Sustaining the private sector*<sup>5</sup>

The private sector, operating within a favourable state-led enabling environment, has been a dominant force in Asia's successful economic growth and poverty reduction.

Asian developing countries have been able to put in place many of the institutional conditions necessary for strong growth, including stable exchange rates and monetary regimes, appropriate regulatory frameworks, and facilities for vocational training.<sup>6</sup> However, there is scope for further strengthening of the enabling environment in two broad ways:

*Strengthening financial regulation in order to prevent a recurrence of the 1997 crisis:* The 1997 crisis has had long-running negative effects in some countries on growth, investment and poverty, and particular factors, such as government pressure on banks to lend to poorly performing

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<sup>5</sup> This section draws on papers by Phillips (2006) and by Griffith-Jones and Gottschalk (2006) for the conference.

<sup>6</sup> Getting international trade conditions right is one of the main pre-requisites for sustained growth, but is a major concern of other fora and will not be considered in depth in the Asia 2015 conference.

enterprises leaves certain countries vulnerable today. But Asia has considerable strengths on which to draw, including rapid growth and strong export performance, generating high levels of foreign exchange reserves, which provide some 'self-insurance' against future crises. In addition, regional initiatives to provide financial guarantees, such as the Chiang Mai initiative, offer a promising, but as yet small, complement to IMF facilities.

*Other improvements in the investment climate:* Widespread perceptions, especially in South Asia, of adverse conditions for 'doing business' suggest considerable scope for improving the business climate. This applies not only to large-scale enterprises; small and medium enterprises, including farms often face heavy burdens of regulation and administrative requirements, as well as insecure access to assets such as land. Improving the business climate for farmers and small rural producers has potentially widespread poverty reduction benefits. To improve the climate for competition, including improvements in regulatory regimes, is a key aspect of the investment climate, and one that is essential for ensuring that firms of all sizes have an incentive to participate and invest in the formal, rather than informal, economy. Improved functioning and regulation of labour markets, including the removal of restrictive practices, and supporting internal migration, can also help to generate employment opportunities and so enhance the poverty-reducing impacts of growth.

The financial sector also plays a crucial role in poverty reduction. It has an indirect impact through the positive effect on growth. It can also have a more direct impact to the extent that it results in increased access to financial services for the poor. Access to a savings account, to credit, to insurance and to remittances also reduces vulnerability by allowing households to better manage fluctuations in income and enables the poor to invest in essential services like health and education.

### 3. *Closing the infrastructure gap*<sup>7</sup>

Infrastructure investment plays a crucial role in *getting growth moving*, allowing the poor to travel in order to participate in the benefits of growth, but also allowing improved delivery of and access to services such as health and education, and social protection.

Infrastructure policy faces a number of challenges:

- Developing the key national and regional networks (transport, energy, ICT in particular) to create growth and help to reduce inequality
- Responding to the challenge of rapid urbanisation
- Integrating lagging and remote regions through both national and regional infrastructure investment

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<sup>7</sup> This section draws on a paper by Jones (2006) commissioned for the conference.

- Getting the balance right between public and private investment, which may involve difficult 'privatisation' of public enterprise
- Rationalising subsidy policies, many of which are inefficient, environmentally insensitive and discouraging to private investment.

To engage private corporations in public-private partnerships will free up resources for hard-to-finance investments that have a big impact on poverty, including rural transport infrastructure, and urban water supply and sanitation. But, PPPs require higher levels of mutual trust, performance monitoring and accountability than found in many parts of the region. Investments are also needed for regional (cross-border) infrastructure, such as for instance in the Greater Mekong Region in relation to shared electricity networks.

Official development assistance is likely to remain small in relation to total infrastructure investment needs in Asia, though of greater significance for smaller and poorer countries that face particular problems in attracting private investment. But it may have a major effect in leveraging investment by helping to strengthen policy and institutional frameworks, promoting and sharing good practice particularly in relation to social and environmental issues and reducing and managing political risks.

#### 4. *Regional disparities, poverty and exclusion*<sup>8</sup>

A key challenge is how to ensure that the poorest people and the poorest regions in an economy participate in the benefits of growth. The Asian success story is essentially associated with urban centres, while other areas are becoming increasingly left behind. At the same time, many people are excluded by virtue of their gender, ethnicity, caste, or religion, irrespective of where they live. In lagging regions, those who are able, migrate; those left behind, because they are either unable or unwilling to migrate, can be trapped in a chronic cycle of poverty, in part working in agriculture or dependent on natural resources, in part supported by remittance flows from migrant family members. In addition, within fast growing cities and towns, increasing numbers of slum-dwellers provide the informal labour which drives the economy, but their contribution is often overlooked, and their right to services and shelter is ignored. Despite this, internal migration represents for many an improvement in their quality of life: it offers economic prospects to the poor that are simply unavailable in remote areas, as well as an escape from repressive social norms.

Internationally, many governments have opted for directed interventions to promote relatively balanced, socially inclusive regional development. This has created the tension between the market solution of out-migration or labour flows – 'moving people to jobs' and the policy intervention of 'moving jobs to people' or promoting capital flows. The latter can include a variety of fiscal transfers – to subsidise credit creation, job creation, employment of local people, or income support – as well as provision of infrastructure and other public goods to encourage inward

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<sup>8</sup> This section draws on papers by Cook (2006), Deshingkar (2006), Hussain et al. (2006) Kabeer (2006), Jack (2006) and Joshi (2006) commissioned for the conference.

investment. Some interventions have been sector-specific national programmes, designed to reflect regional differences. More commonly, the focus of regional development activities has been on geographically targeted programmes.

There is no consensus on what the composition of an effective development package for a lagging region should look like. Evidence is emerging across Asia and elsewhere however, about what kinds of regional policies work in different situations.

Regional subsidies can make a difference in some contexts, especially when they are involved in providing compensation to address particular development constraints. These can include transport connections, essential infrastructure to attract investors and skills training. At the same time, it makes more sense to encourage industry to locate in a few selected places in order to benefit from critical mass and agglomeration than to disperse them randomly. Policies to stimulate growth are more effective if they build on existing economic activity (e.g. agriculture), whatever it is, rather than start from scratch. Alongside this, it is important to balance support for lagging regions with continued investment in urban centres – well-managed urban development is a key to sustaining growth and poverty reduction.

It is also clear that the type of governance structure matters a great deal. More inclusive, representative and accountable institutions at regional and local level can deliver better services for poor people, and facilitate local economic development initiatives. There is also evidence that decentralisation policies, if not well managed, can actually increase regional disparities as the more successful locations are able to attract more resources and skills.

Poor people and socially excluded groups' capacity to connect to emerging economic opportunities, and benefit from them, cannot be left solely to the market. Many urban migrants have been unable to move into better paid, and better protected, formal employment partly because they lack the numeracy and language skills to do that. Women's rights in the workplace have not been respected. And those left behind in lagging regions may need social protection measures to improve their immediate conditions before they can connect with any new livelihood opportunities.

##### 5. *Targets, voice and choice – effective service delivery for human development*<sup>9</sup>

Basic services are being improved in many countries with increasing levels of enrolment in primary education (but dropout rates remain high), and efforts to enhance health services especially for maternal and child health. Innovative ideas such as vouchers for maternal health services and educational stipends for girls in India and Bangladesh show what can be done to improve access.

For many services, debates currently centre on how to raise the quality of services and ensure access by those who are socially marginalised and/or living in remote areas. Appropriate methods of financing health, education and other services, including tax based user-payments, insurance

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<sup>9</sup> This section draws on papers commissioned for the conference by Chaudury (2006), Fennell (2006), Joshi (2006) and Walford et al. (2006), available on the conference website.

and subsidies, are being sought to ensure that services can be financed sustainably. Governments in the region remain the ultimate guarantors of provision of services and poverty-focused transfers, whether privately or publicly delivered. Development assistance can help to expand the volume of resources available, open up new options, and strengthen implementation and monitoring mechanisms in the pursuit of improved services. But many acknowledge that to improve quality will require a sea-change in public sector provision involving setting and monitoring of performance standards, new incentive frameworks, enhancing accountability to recipients, and partnerships with private commercial and non-profit organisations. Countries in Asia face a range of challenges, and there is much for them to learn from experience to date in Asia.

Asia has substantial experience with social protection mechanisms, including sophisticated schemes for targeting the poor and the allocation of large shares of public expenditure to targeted transfers, whether in cash or in kind (some 12 per cent of public expenditure in the case of India). But implementation of these initiatives is often problematic. Banks and microfinance institutions are diversifying their products, and life or health insurance are now within reach of poorer households in some countries, in some cases with the help of targeted subsidies. There are potential lessons to learn within Asia and from other regions such as Latin America where targeted and conditional cash transfers have been cost effective and gained demonstrable success in reducing poverty.

#### 6. *Asian-led strategies for improving governance and the effectiveness of state institutions*<sup>10</sup>

The state is central to Asian-led strategies for promoting growth and poverty reduction: it can create supportive policy environments for trade and investment and facilitate economic transformation, prioritise public investment in infrastructure and human capital, and manage the adverse consequences of rapid industrialisation and growing inequality. Sustained growth and poverty reduction have taken place under a range of different regimes in Asia; but with least progress in states characterised by political instability. Economic liberalisation, globalisation and citizens' demands all have the potential to improve standards of governance.

Governance reform priorities differ between the rich and poor, and between state officials and entrepreneurs. For the poor, these priorities include more effective service delivery, reduced leakages in anti-poverty programmes, improved access to justice, reduced regulatory burden on the informal and unorganised sectors of the economy, better support in coping with disasters and reduction of income erosion threats.

Asia's varied experience offers a rich diversity of successful governance initiatives. Examples include<sup>11</sup> quality institutions (such as the Local Government Engineering Department in Bangladesh), success in scaling up initiatives taken by citizens themselves (such as the Right to Information Act in India), and, programmatic initiatives focused on specific needs (such as the sanitation campaign in Bangladesh). General principles drawn from these and other experiences include the value of public sector reform (including efforts to rekindle a public service spirit), of

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<sup>10</sup> This section draws on a paper by Rahman and Robinson (2006) commissioned for the conference.

<sup>11</sup> See the long version of this paper on [www.asia2015conference.org](http://www.asia2015conference.org) for further examples.

promoting a local governance approach to decentralisation and service delivery, of e-governance as a means of tracking resource flows and enhancing citizen engagement, and of public financial management reforms. There is also growing evidence that incremental, small-scale reforms can have greater potential than major administrative reform, not least given the resistance that this might face.

Development agencies can support governance reform efforts by: moving from conditionality to positive encouragement; developing flexible aid instruments and mutual policy commitments; providing resources for innovative approaches; selective provision of technical assistance and advice; and facilitating exchange of positive reform experience from within and beyond the region. Regional organisations such as SAARC and ASEAN have an important role to play in promoting successful models of governance and public sector reform which have had a positive bearing on growth and poverty reduction outcomes.

## **5. Towards New Partnerships**

Partnerships for the future are likely to fall into two broad categories: first, those involving some re-balancing and modification of existing relations – different ways of delivering conventional development assistance fall into this category; second, those focusing increasingly on a ‘shared agenda’, including but beyond immediate poverty reduction agendas, which may require innovative forms of partnership.<sup>12</sup>

Underpinning both kinds of partnership are likely to be: better development agency harmonisation and alignment with government priorities following the 2005 Paris Declaration; the promotion of new learning on ‘what works’ for poverty reduction and why; and closer collaboration with the corporate sector, not only in, e.g. job creation, but also in the promotion of socially responsible investments in human resources and infrastructure, not only for their staff, but also in respect of the wider communities in which they are located.<sup>13</sup>

The paper now turns to the two broad categories of partnership identified above.

### **5.1. New Practice in Development Assistance**

Poorer countries and areas will require considerable volumes of development assistance to support the delivery of services, social protection, and growth agendas, including infrastructural development. The arguments for ‘scaling up’ development agencies’ efforts are therefore powerful. The planned rise in aid volumes to 2010 will enable higher support to Asia. In addition, they can assist by drawing in good practice from elsewhere, helping to devise new forms of partnerships with NGOs and with the private sector, and supporting public sector reform, improvements in governance and civil society participation – the underlying emphasis shifting away from conditionality and towards supporting countries’ own policy agendas and choices, including improving how aid is provided to be more predictable and effective.

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<sup>12</sup> Questions of how regional organisations might in future be constituted or mandated fall beyond the scope of this paper.

<sup>13</sup> See [www.odi.org.uk/pppg/PBAS](http://www.odi.org.uk/pppg/PBAS).



Official development assistance is likely to remain small in relation to total infrastructure investment needs in Asia, but will continue to play a major role by helping to strengthen policy and institutional frameworks, and promoting and sharing good practice. In infrastructure, development agencies can bring a focus on social and environmental issues, and reducing and managing political risks. New initiatives conceived on a regional scale, such as the ADB's Greater Mekong Sub-region initiative demonstrate the benefits of cross-border infrastructure building.

Specifically in relation to service delivery, successful programmes are often characterised by work in partnership with both commercial and non-profit providers. These can enable governments to reap the benefits of the private sector – increasing the efficiency of resource use, leveraging private sector funds, improving the motivation of front-line staff and targeting particular groups. In addition, non-profit providers have devised a number of innovative ways of reaching the poor in service delivery and social protection, which merit consideration for their appropriateness for scaling up. These types of partnership challenge governments to improve procedures for tendering, approval and monitoring of contracts.

## **5.2. Towards a Shared Agenda**

As countries and regions become more interdependent, in trade, financial stability, natural resource management, and so on, there are growing opportunities for development agencies to work with low and middle income countries in resolving issues of shared concern. But the partnership may be complex: lead responsibility may lie with other departments within development agencies' own countries, and intergovernmental bodies may have some mandate, but there may be increasing overlap between agency mandates and those of other organisations concerned with these issues, and a growing imperative for development agencies to find ways of supporting them.

There follows an indicative list of shared issues, which does not claim to be comprehensive, but accords broadly with a number of the topics flagged for discussion at the Asia 2015 conference. The first three of these contain only a small, if any, public goods component. Others are mainly public goods issues. These, and the questions they pose for partnership, are<sup>14</sup>:

### *Management of regional disparities in economic development*

The Initiative for ASEAN Integration (IAI)<sup>15</sup> was launched by in 2000 to strengthen regional cooperation in bridging the development gap among ASEAN member countries. One of its provisions is for the older members to grant preferential and special treatments to new ASEAN members. *What scope does the IAI offer for additional financial resourcing and technical support from bilateral and multilateral agencies currently active in the region?*

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<sup>14</sup> Trade (whether international or regional), international security and debt relief might in principle be added to this list, but are excluded here since they are governed by separate international fora, and the additionality that could be generated from a conference of this kind may be limited.

<sup>15</sup> See: [www.aseansec.org](http://www.aseansec.org)

### *Management of regional financial stability*

Regional efforts such as the Chiang Mai initiative are intended to reduce the risk of recurrence of financial crisis, but there is likely to be a need for additional measures at national level, such as regulating banks to avoid lending into non-productive, high risk sectors, managing exchange rates and reducing budget deficits. *How far will links at the international level draw on organisations such as the IMF, or require new, yet to be identified, arrangements, in which bilateral and multilateral agencies may have a role?*

### *Improving the investment climate*

Financial stability will improve the investment climate, but surveys (e.g. the World Bank 'Investment Climate' survey) suggest numerous areas where it can be made easier to do business, such as improved regulatory environments, improved ways of managing risk, reduced corruption and improved financial services across the spectrum from corporate sector to the smallest enterprises (including farming). Development partners can assist by identifying, e.g. how software has been used to facilitate the application and approval of business licenses or tax administration, or customs valuations. They can also help countries to establish transparent codes of conduct when investing at home and abroad, including labour standards.

### *Improving arrangements for disaster management*

The December 2004 tsunami highlighted the need for better means of predicting natural disasters. The availability of relevant data (in this case, seismic monitoring) in western countries raises the prospect of closer collaboration between them and emergency services in developing countries, with joint progress on the refinement and dissemination of warnings. The potential spread of pandemics (SARS; Avian flu) is a direct cause for concern in developed countries, and raises the prospect of shared monitoring and response. The role of shared science and technology in disaster preparedness is potentially high in all of these cases.

### *Managing internal, cross-border and international migration*

The opportunities and pressures accompanying economic growth generate internal migration, often initially on a seasonal basis, ultimately more permanently. This may extend across borders to neighbouring areas of rapid development. For several countries, international migration to the Middle East and beyond is a major source of revenue. The poor (but not poorest) are heavily represented in all forms of migration except international, and face major problems of economic, social and personal insecurity, poor information on work prospects and limited ways of remitting earnings. Development agencies can provide support to promote learning among the widely differing approaches to internal and international migration, but cross-border migration within the region requires close collaboration among the countries affected – an area in which experience is currently limited and new approaches and models are urgently needed.

### *Improving the management of natural resources and the environment*

Huge investment from the private sector, government and development agencies are needed here, generating complexities of prioritisation and coordination. The *Fourth World Water Forum* and the *Financing Water for All Task Force* are examples of growing international collaboration on the



setting of priorities for quasi public goods. In other cases, such as timber, some European private sector importers are engaging in self-regulation, as well as working with government and civil society work on forest labelling and certification.

*Regional cooperation* may be key to realising benefits from some assets, e.g. trans-boundary rivers, control of trade in timber, and generation of regional markets for natural resource products and environmental services such as hydro-power – but also for tackling some environmental hazards such as forest fires, floods and droughts, to which poorer countries and groups are especially vulnerable.

The need for new *international* partnerships is seen most clearly in efforts to reduce greenhouse gas emissions and limit the causes and effects of climate change. China has taken advantage of new opportunities here by signing a Clean Development Fund (CDF) agreement, by which the proceeds of sale of emission reductions will fund sustainable development activities. For development agencies, the G8 Gleneagles plan of action on climate change, clean energy and sustainable development highlighted many areas for partnership.<sup>16</sup>

#### *Meeting energy needs in safer, cleaner and more efficient ways*

Managing the global supply and demand for energy will require the active participation of Asian countries, as will research into new or improved energy supply. Without such active involvement, Asian economies will find themselves purchasers of (potentially unsuitable) new technologies developed elsewhere.

## **6. Conclusions**

A primary purpose of the Asia 2015 conference is to provide a forum for new ideas from the region on policies and partnerships to end poverty within a generation. Strong growth performance in parts of Asia suggests that the potential exists for massive poverty reduction within a generation. But much remains to be done to remove potential threats to growth, and improve the business climate and infrastructure needed for further growth. And growth alone will be insufficient: improvements in the delivery of health and education services, and in social protection, will be as essential for burgeoning new populations in the cities as for those living in 'lagging' areas and belonging to hitherto marginalised groups. Among many, there are growing calls for information on basic rights, and for better ways of pressing for rights. This paper, and its longer equivalent, set out the contexts of poverty and some of the innovative ways in which it is being addressed. It is hoped that, in this way, it may help in setting the scene for new ideas on policies and partnerships – and partnerships going beyond conventional development assistance relations, to embrace also a growing shared agenda between Asia and the Rest of the World, an agenda which bears strongly on the future prospects of poverty reduction.

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<sup>16</sup> See [www.number-10.gov.uk/output/Page7882.asp](http://www.number-10.gov.uk/output/Page7882.asp)

