



Forum on

Inclusive Growth and Poverty Reduction in the New Asia and Pacific

8-9 October 2007 • ADB, Manila, Philippines



KEY QUESTIONS FOR DISCUSSION

Sessions 1 and 2: Challenges to an Inclusive Growth in the Asia and Pacific Region Day 1, Monday, 8 October 2007, 09:15 – 10:45

General Background of the Topic: The opening session will discuss challenges of inclusive growth in the Asian-Pacific region in the coming decade. The session will particularly focus on increasing inequality in labor markets and migration, between countries (for example large middle income countries and fragile states), growth areas and pockets of poverty within country, the rural-urban divide, new challenges coming from increasing environmental poverty, and inclusive social development and social services provision and social protection. The discussion shall also highlight the differences between pro-poor growth (shared growth) and inclusive growth approaches. Furthermore it shall guide on the relevance of the vulnerability concept (\$2 poverty line addressing social and income poverty) versus today's \$1 approach.

Scene setting: In his keynote address, Michael Walton (Harvard University) will set the scene for the conference and the session 2 through a presentation on *Growth, equity and poverty reduction in Asia: key challenges and implications for Multilateral Development Banks in the next decade*. The presentation will broadly cover the key questions listed above. In addition it shall rationalize future strategic orientation for development banks' support in Asia and Pacific, such as

- Shall a development institution like ADB focus its support on the productive poor or on other aspects of poverty such as MDG related issues (social and environmental poverty)?
- With the changing Asia, does it make sense to focus more on the vulnerable poor (\$1-\$2) rather than the core poor (\$1)
- How shall infrastructure and regional cooperation support being made effective for poverty reduction?
- Do the growing differences between the countries in the region require different approaches (e.g. promoting pro-poor growth in the fragile economies and social and environmental poverty in the middle income countries?)
- What are the implications of the changing Asia for the poverty reduction strategies of development institutions working in Asia and the Pacific?

Panel Discussion:

Supporting inclusive growth – what are the future financial requirements in emerging middle income countries like India and how shall it be financed? (*M. Govinder Rao, Director, National Institute of Public Finance and Policy, and Member, Prime Minister's Economic Advisory Council, India*)

- Why did the 11th Five Year Plan in India highlight so much rural development and social equity?
- Will emerging middle income countries still need foreign development loans for their new social, rural and environmental priority sectors?
- How to balance the increasing need for financing infrastructure and job creation vis-à-vis necessary rise in public social expenditures and targeted investments for the poor?

Inclusive growth for Asia's new middle income countries –what are the needs?

(NN, Philippines)

- Do emerging middle income countries (MICs) have new fiscal space for the inclusiveness agenda and what is the consequence for development financing?
- How shall MICs deal with pockets of poverty and fragile regions in otherwise booming economies
- Will the demand for development support from MICs change from investment towards knowledge or will it be a new combination of innovative reforms cum
- What is the role of budget support in MICs, particularly for social sectors
- Do larger economies also have fragile regions and what is different in such countries to small states?
- What are consequences for future cooperation with ADB and others?

Rural and urban, social and environmental poverty – Key challenges for Asia's coming decade

(Jehan Arulpragasam, Country Sector Coordinator for the Philippines, World Bank

(tbc)

- Will urbanization absorb the rural poor or will poverty in Asia remain mainly rural based (recent research from Ravallion/Chen)
- Can the challenges of increasing urban poverty be addressed through water and sanitation programs or do we need new approaches related to migrant workers, shelter, and social protection?
- Will more support to secondary towns in rural pro-poor growth potential areas help avoiding slum development in mega-cities?
- Will poverty in the future be related mainly to environmental factors, to social dimensions, or to income dimensions?

Poverty strategy formulation (and implementation) in small and fragile economies – what is different?

(Rohantha Athukorala, Director Economic Affairs, Secretariat for Coordinating the Peace Process, Government of Sri Lanka)

- What shall be the key focus of support in fragile economies: building infrastructure and pro-poor growth or developing social inclusiveness and providing social services?
- What shall be the geographical focus of support in small and fragile economies?
- Does regional cooperation specifically addresses the need of small economies?
- Does the move to performance based allocation and grant financing lower the chances of fragile economies to have poverty reduction impact through scaling up investments? What would be better alternative financing tools?
- What shall be the key focus of support in fragile economies: building infrastructure and pro-poor growth or developing social inclusiveness and providing social services?
- What shall be the geographical focus of support in small and fragile economies?
- Does regional cooperation specifically addresses the need of small economies?
- Does the move to performance based allocation and grant financing lower the chances of fragile economies to have poverty reduction impact through scaling up investments? What would be better alternative financing tools?
- Sri Lanka, being a small economy, always focused on strong social investments. Some criticized that this approach compromised on growth. In recent years, however, the country could sustain stable growth and good socials development. This is all despite long-lasting internal conflicts. What lessons can other small economies learn from Sri Lanka?

Inclusive growth – what is different to pro-poor growth? *(Ifzal Ali, Chief Economist, ADB)*

- Why did the World Bank and the DAC opt for pro-poor growth goals under the absolute poverty reduction impact approach
- What are the inequalities in Asia and what can be the economic, social and political consequences
- Can development aid institutions support programs to reduce inequalities and how
- Pro-poor growth requires interventions to be made pro-poor – what is the difference to inclusive growth
- Would inclusive growth require more investments in neglected areas (rural, slums) and for neglected sectors (health, social protection) and for excluded social groups ?
- Why did ADB opt for inclusive growth and why not inclusive social development
- As the Asia-Pacific region enjoys strong growth sustained by the public and private sector, should then the focus of the development aid be on the inclusiveness pillar?

Session 5A: Inclusive Pattern of Growth
Day 1, Monday, 8 October 2007, 15:30–17:30 Hs

General Background of the Topic: Session 5 will focus on the economic challenges of inclusive growth in the new Asia and Pacific. It will particularly discuss what can growth in Asia make pro-poor. The discussion will focus on issues such as of the new labor market (including migration, technological choice, full employment policies, labor market relevant education) and social protection for the migrant workers. The panel will discuss, among others,

- how to bridge the rural-urban divide,
- the role of regional cooperation and cross-border support for poverty reduction,
- whether infrastructure needs to be made pro-poor to be effective for inclusive growth,
- what the private sector can contribute and where its limitations are to promote pro-poor growth, and
- what Asia can learn from other regions, especially Latin America to avoid traps of inequality and social destabilization

Scene setting: Duncan Campbell (ILO, Geneva) will set the scene for the working group through a 10 minutes presentation on *Poverty and Inclusive Growth – Challenges in the New Asia*. The presentation will broadly cover the key questions listed above. The use of data and examples is encouraged. Powerpoint can be used but a more interactive discussion is encouraged. The presentation should be backed by a summary paper (5-10 pages, Arial font 11, letter size or A4, single space). A draft should be sent to the Forum Secretariat by 28 September to be uploaded at the conference website.

Panel Discussion:

Growth processes that reduce the rural-urban divide (*Peter Warr, Australian National University*)

- What are the rural and urban poverty trends in Asia and Pacific?
- What is the role of the private sector and supermarkets to promote agricultural development?
- Will rural poverty increasingly be related to environmental issues? Will that mean that poverty reduction needs to focus more on environmental poverty and natural resources management rather than income poverty?
- What is the role of rural pro-poor growth areas?
- Can poverty reduction be achieved and inclusive growth being promoted without focusing on the rural economy including smaller towns?
- How can regional economic integration address cross-border poverty?
- What shall be the role of institutions like ADB in rural development?

Including the private sector to address the bottom of the pyramid (*Maritta Koch-Weser, GEXSI, UK/Germany*)

- Does inclusive growth mean focusing on the vulnerable poor or the poorest?
- Does the private sector see the huge potential demand of the poor and what can the public sector do to support private sector action?
- Where are the limitations of the private sector in reducing poverty?
- How can the private sector be better involved in delivering services to the poor?
- What are the consequences for government and development assistance?

Patterns of inclusive infrastructure investments (*Hitoshi Shoji, JBIC / DAC*)

- Why did the DAC develop InfraPoor guidelines in the context of its new pro-poor growth approach?
- What are the guidelines about? How is inclusive infrastructure investment (InfraPoor) different from normal infrastructure investment (Infra pure)?
- Is PPP a way forward for inclusive infrastructure investments and how shall they be designed?
- Why are ex-ante poverty impact assessments specifically important for infrastructure projects and how shall such assessments be done efficiently and harmonized?
- How does JBIC implement the InfraPoor guidelines – project examples and assessment
- Recommendations and learning from the results in the field

Growth and poverty reduction – Lessons from Latin America for Asia and the Pacific

(*Michael Walton, Harvard University*)

- Why is Latin American development until recently being perceived as growth without inclusion?
- What are the social and political consequences of the development in Latin America
- What are governments doing different now to promote social inclusion, and what are their poverty reduction programs?
- Why do governments and donor agencies in Latin America promote integrated programs to address urban poverty beyond water and sanitation (e.g. shelter, social protection)?
- What is the role of development institutions like the Inter American Development Bank or the World Bank in the region?
- What can the Asia of tomorrow learn from the today's Latin America?

Labor markets, remittances, and inclusive growth (*Duncan Campbell, ILO*)

- What is the role of external migration in the new Asia and Pacific
- What are the consequences of rural-urban migration?
- What are financial sector and social protection requirements for a more development oriented remittances flow?
- Will migration and remittances flow be a new coping strategy for the poor?
- What are the consequences for government and development assistance?

Session 5B: The Political Economy of Social Exclusion
Day 1, Monday, 8 October 2007, 15:30 – 17:00

General Background of the Topic: This breakout panel session will focus on the *people* who are excluded from development process and opportunities, based on their poverty/income status, social identity (e.g., gender, class, caste, ethnicity, age, educational status, geographic origin, religion), legal status (e.g., citizenship, birth registration, land and property titles, legal status of migrants), and other characteristics. The real debate, however, is on the *process* of social exclusion and inclusion. What types of institutional changes are required for ‘inclusive’ society? What forces support or discourage inclusion of the excluded? This is the reason behind the session title of the “political economy”.

The key questions to be asked include:

- What are the different types of social exclusion that exist in Asia and the Pacific?
- Will social exclusion still be an issue in the region in 2020? If so, would it be different from social exclusion now?
- What are the causes, processes, and consequences of social exclusion? What formal and informal institutions (e.g., norms, values and rules) reduce or reinforce social exclusion?
- Would rapid growth in Asia driven by regional economic integration and globalization be a positive or negative force for social inclusion?
- Any successful cases in reversing the exclusion trend, either induced by public policy/program or through endogenous processes?
- Should a multilateral development financial institution like ADB care when it is moving towards larger-scale infrastructure lending and macro growth? Why/why not?
- What would be the cost of not addressing social exclusion now? – e.g., on sustainability, security, social and human capital.

Scene setting: Mary Racelis from the Ateneo de Manila University will set the scene by covering broadly the key questions listed above. In addition, research findings on links between social exclusion and growth, poverty reduction, and political stability would be useful. The expected message here is that in Asia and the Pacific, the inclusion of the excluded social groups will increasingly be an important economic, social and political issue. The role of public policy is crucial here.

Panel Discussion:

Involving minorities and marginalized groups – challenges and opportunities in Asia

(David Feingold, Director, Ophidian Research Institute, and Consultant, UNESCO, Thailand)

- Ethnic minorities in the Mekong region to illustrate how their marginalization is being accelerated through the recent regional economic integration
- Links with citizenship, land titling, livelihoods
- Way forward for 2020 (e.g., ethnic language-based interventions, addressing larger issues such as citizenship, etc.) and ADB’s responsibility?

Gender inequality and gender-based exclusion *(Jean D’Cunha, Regional Programme Director, UNIFEM, Thailand)*

- Illustration of the situation, root causes and influencing factors of gender inequalities in Asia and the Pacific, including the MDG status

- Cost of not addressing gender inequalities (including some statistics on growth impact – there was a UN study)
- Importance of partnerships (Government, civil society, private sector, development partners including ADB) in narrowing gender gaps

Creating space for local voices through public-private partnerships (*Anita Sims, Team Leader, Population and Community Development Association (PDA), Thailand*)

- On solution for social exclusion - Community development as a way to promote inclusion of the excluded groups
- PDA's example of local-level public-private partnerships, and how an NGO can link local government and private sector at the community level.
- It is possible that such micro-level successes to be scaled up to a national level to influence macro level economy.

Legal identity and its relevance to *inclusive growth* – Latin American experience and relevance for Asia and Pacific (*Mia Harbitz, Senior Social Development Specialist, Inter-American Development Bank*)

- Nature and status of social exclusion in Latin America
- The links between birth registration (and other legal identify) and access to social services and economic opportunities in Latin America – differences across countries but generally strong links.
- Increasing attention to legal identify by IADB and its vision for future (especially the importance of legal identity in inclusive growth agenda)
- Message for ADB

Why inclusion is important for growth, development and peace (*Mary Racelis, Research Scientist, Institute of Philippine Culture, Ateneo de Manila University, Philippines*)

- Philippines civil society perspectives on social inclusion and its importance to growth, development, and stability.
- The importance of democratic space for citizens to raise their voices, like social accountability mechanisms, community-driven development, citizens report cards, etc.
- Message to ADB – social inclusion is not just a 'socio-cultural' issue to be isolated from the growth process but should be an important part of ADB

Session 6: Poverty Reduction and Social Inclusion – Messages from NPRS and PRF Poverty Funds Initiatives

Day 2, Tuesday, 9 October 2007, 8.30-10.00 Hs

General Background of the Topic: Session 6 will focus on sharing experiences and lessons learned from NPRS and PRF poverty funds supported initiatives financed by the Netherlands and UK Government, respectively. Since the establishment of the two funds in late 2001/mid 2002, about 120 technical assistance (TA) projects – e.g., policy support, capacity building, research, monitoring and evaluation, pilot projects - have been approved and implemented in ADB's developing member countries (see <http://www.adb.org/nprs/> and <http://www.adb.org/prf/>).

Experiences of about 80 of these TAs have been documented in the form of case studies. By type of thematic focus, these case studies have been grouped into five thematic areas: (i) poverty reduction and pro-poor policies and strategies; (ii) regional economic integration and poverty; (iii) pro-poor infrastructure; (iv) targeting, inclusion, and equity; and (v) poverty, natural resources management, and transition. Based on the NPRS-PRF project experiences and the state-of-the-art conceptual debates, 5 thematic papers are being prepared for completion by late 2007.

For this session, one representative project for each thematic area has been selected. The Session will not only discuss the particular NPRS-PRF supported project experiences and outcomes but also a forward looking strategy after the completion of these poverty funds. In particular, we are keen on finding out if the experiences out of these poverty funds provide relevant policy messages for ADB's new long-term strategic framework (until 2020) that is currently under preparation.

The session's discussion will focus on, among others:

- What was the key poverty agenda that the particular project/initiative financed by NPRS-PRF tried to address, and how was it addressed?
- Key findings, recommendations, and/or lessons learned from the initiative (without going into too much detail)
- Any impacts or signs of the initiative influencing new policies and projects?
- What is the relevance of the particular NPRS-PRF initiative in the dynamically changing Asia region (or particular country context) in view of 2020?
- Are financing mechanisms like NPRS and PRF provided to developing member countries through ADB useful? Why? Any modifications of modus operandi needed if such mechanisms are to be continued?

Summary Overview Presentation: Dr. Francis Watkins, Team Leader of the NPRS-PRF case study series, will set the scene for the session through a 10 minutes presentation that briefly summarizes the background of these funds and key features observed for each thematic area. His presentation will be prepared based on the ongoing five thematic synthesis papers preparation (about 7 slides). The draft presentation (powerpoint) and the 2-3 page thematic summary outline discussed earlier (presented in bullet points, 5 in total) should be submitted to the NPRS-PRF Secretariat (S. Tanaka and B. van Ommen) by 21 September. So far, the NPRS-PRF poverty funds experiences illustrate the following dimensions in each of the five thematic areas:

Policies and strategies

- Support to the national poverty reduction strategies/poverty reduction strategy papers (PRSPs)/5-yr plans processes (e.g., UZB, CAM, BAN, PRC) and other pro-poor sector strategies (PRC forestry and grassland policies, VIE health policy, gender mainstreaming in Central Asia NPRSs)
- There was a shift from the PRSP/NPRS strategy formulation focus during the first round (around 2000-2001) to more on specific dimensions of NPRSs during the second generation of PRSP/NPRS (around 2005) - e.g., results-based NPRS (Maldives), public resource management aligned with NPRS (public expenditure management in Lao PDR, Pakistan Punjab), aligning NPRS with MDGs (Azerbaijan)
- Decentralized local-level participatory planning for poverty reduction (e.g., participatory budgeting in Indonesia, Pakistan and the Marshall Islands, 3 provinces in Viet Nam)
- Centrality of better understanding of poverty and the poor – e.g., participatory poverty assessment in Mongolia and Pacific countries, living standards survey in UZB; all of them included the capacity building of government and NGOs in carrying out poverty analysis more effectively.
- Supporting the implementation of PRSP-related program loans in Viet Nam (gender equality law as a policy condition for multi-donor supported PRSP loan) and Pakistan (a nation-wide governance and access to justice reform program)
- Institutional capacity building for poverty reduction policies and strategies (e.g., poverty specialists in ADB country offices of Viet Nam, Cambodia, Pakistan, and PRC; poverty monitoring and evaluation in Bangladesh)
- In carrying out all the above initiatives, partnerships with multiple players (e.g. other donors, civil society organizations, local governments) have been important.

Regional integration and poverty

- Inclusion of the poor in the benefit of regional economic integration (e.g., Greater Mekong Region)
- Importance of consensus building process on cross-border and regional poverty reduction strategy development (e.g., Pacific, and Mekong)
- Importance of addressing regional public goods (e.g., environment and biodiversity in Mekong) and regional public “bads” (human and drug trafficking, HIV/AIDS, Avian Flu and other communicable diseases risks in e.g., Mekong)

Pro-poor infrastructure

- Infrastructure policies and planning that would maximize poverty reduction impacts (e.g., integrated planning to link the macro/large primary infrastructure and micro/community-level infrastructure; or strategic planning to reduce regional/geographic disparities – e.g., PRC area-wide road networks, Viet Nam on developing methodologies for prioritization of road investments)
- Choice of technology/type of infrastructure targeted at the poor – e.g., community-based microhydropower in Tajikistan, community-based public water standpost for the poor in Kathmandu Valley, micro-irrigation in Nepal, alternative energy supply
- Community participation in infrastructure planning and demand for accountability for improved services – e.g., urban community-based planning in BAN, use of social accountability mechanisms for water supply and sanitation in Sri Lanka and Viet Nam
- Affordability for the poor – e.g., PRC alternative energy
- Wage employment for civil works – e.g. use of community labor groups and labor-based techniques in civil works in Nepal
- Infrastructure links with livelihoods improvement – e.g. manual developed by TA adopted by Ministry of Public Works in Nepal

Targeting, inclusion, and equity

- Piloting targeted or differentiated approach to the poorest and the socially excluded or disadvantaged groups (e.g., use of bottom-up planning and participatory monitoring, ethnic language, conditional cash transfer, community-based poor household ranking, use of NGOs, legal awareness raising, and other methods for the poorest, ethnic minorities, gender inequalities, urban poor, illegal migrants, etc.)
- Research on better understanding process of social and gender-based exclusion (e.g., research on how or if legal identity affects exclusion from social services and economic opportunities in Bangladesh, Nepal, Cambodia; understanding gender inequalities in access to natural resources in Lao PDR)
- Developing tools and means for bridging access gaps (e.g., ICT in education, birth registration)

Poverty, natural resource management, and transition

- Need to better understand the specific local context of the environment-poverty linkages (e.g., land tenure, household livelihood strategies and gender division of labor, access to and user rights of natural resources, local governance, accelerated migration) – in Lao PDR and Mekong countries
- Evaluation of the impacts of the past environmental policies on poverty which led to the modifications of such policies – e.g., PRC grassland and forestry programs; deforestation in Mekong
- Reducing the environmental poverty risks – e.g., mitigating the potential impact of cross-border road development on land use and access to natural resources (as well as increased risks of exposure to HIV/AIDS and human trafficking, in Northern Laos)

Discussion: The following guiding questions may help facilitating the discussion. Needless to say, these are simply suggestions and they should be also adjusted to your experience and expertise.

Poverty reduction and pro-poor policies and strategies: Supporting the NPRS process in Viet Nam (*Ngo Thi Minh Huong, Vice Director, Center for Development and Integration, Viet Nam*)

- Huong was a country-office based consultant supported by NPRS-PRF. Published case studies (1 case study and 1 article) will be sent separately. Visit http://adb.org/Documents/NPRS/VIE/TA4252_VIE.asp
- Key achievements and lessons learned working as a poverty specialist, especially in supporting the SEDP formulation/implementation process, poverty studies, training MPI and provincial officials on participatory poverty planning. You might want to highlight also the unique features of Viet Nam's NPRS experiences, such as SEDP roll-out, focus on social security, etc. and what specific aspects NPRS-PRF poverty funds supported (our provincial focus can be also referenced – you might recall TA for Dak Nong <http://www.adb.org/Documents/PRF/VIE/TA4679-VIE.asp> and Hue/Quang Tri <http://www.adb.org/Documents/NPRS/VIE/TA4644-VIE.asp>)
- Important key poverty and inclusive growth agenda in your country, in view of dynamic changes towards 2020. Are they any different? Would approaches supported by NPRS-PRF funds be still valid?
- With Viet Nam moving steadily towards a growing middle-income country path, would assistance like NPRS-PRF be still valid, and why/why not?

Regional economic integration and poverty impact: Learning from the Greater Mekong Subregion (*K. A. S. Murshid, Research Director, Bangladesh Institute for Development Studies, Bangladesh*)

- Given Dr. Murshid's position as a thematic synthesis paper resource person, overall conceptual framework on the concept of the poverty reduction and regional integration and cooperation linkages can be briefly presented if time allows (to be coordinated with Dr. Watkins). The extent of the coverage of this may also depend on Dr. Murshid's position statement on Session 7A.
- Highlight the key research methodologies, findings and recommendations of RETA 6171: Reviewing Poverty Impact of Regional Economic Integration in the GMS (Visit http://www.adb.org/Documents/NPRS/REG/TA6171_REG.asp; detailed information from the recent workshop can be obtained from NPRS-PRF Secretariat) and if any follow-up actions already taken by each of the participating governments in GMS, and ADB?
- What is the implication of the RETA recommendations to ADB's strategic direction on regional integration and cooperation support?

Pro-poor infrastructure: Maximizing poverty reduction impacts in PRC's road planning (*Wu Guobao, Professor and Director, Division of Poverty and Development Finance, Rural Development Institute, Chinese Academy of Social Sciences, People's Republic of China*)

- Dr. Guobao has also worked as a poverty specialist in ADB's PRC country office financed by DFID. Some of the highlights can be mentioned.
- What have been the key research debates and government policy and programs (especially a series of initiatives by the Ministry of Communication, Comprehensive Planning Department) in recent years in PRC about integrated road network planning that have maximum impacts on poverty reduction? How have research, pilot, and capacity building led to the policy and road network planning changes in the country?
- ADB has supported a couple of TAs on this topic (to develop methodologies for planning and evaluation) including:
<http://www.adb.org/Documents/PIDs/39098012.asp> (this was financed by ADB's own TA resources. It aims to assist PRC in developing a methodology for evaluating the poverty reduction impacts of road projects. Still ongoing).
<http://www.adb.org/Documents/PRF/PRC/TA4322-prc.asp> (This is financed by PRF-PRC, Kim Jraiwi is ADB project officer. A lot of information is available from the project website. TA activities have been completed.)
 You may wish to summarize the descriptions of the TAs but if you know any other research or capacity work going on with the Ministry of Communication, please highlight.
- Why would such an approach (i.e. road network planning that will maximize poverty reduction impacts) be important for the PRC? What should be the next steps? How should that approach be integrated into the larger road investments?

Targeting, inclusion, and equity: Experimenting the targeting of the most disadvantaged groups through conditional cash and in-kind transfers (*David Feingold, Director, Ophidian Research Institute, and Consultant, UNESCO, Thailand*)

- Highlight the significant features of a PRF-financed TA 4759 *NEP Reaching the Most Disadvantaged Groups in Mainstream Rural Development?* (visit <http://adb.org/Documents/PRF/NEP/TA4759-NEP.asp> for available write-ups)
- The most important features of the TA could be that this TA is attached to a parallel loan project that focuses on rural poor women empowerment; and that this TA specifically will pilot test an innovative targeting mechanism of the untouchable dalit households through conditional cash (and in-kind) transfers – i.e., incentives provided to attend meetings and participate in rural development activities to break the sociocultural barriers.

- It is important to note that the actual pilot is just about to start, but most of the community preparatory work has already started – effectiveness of targeting methods used for household selection at the community level can be also shared
- The fact that the government decided to replicate this model nationwide should be shared.
- What challenges we foresee?
- There are many bilateral donors good at assisting Nepal in this. What specific ADB's comparative advantage exists in supporting this type of targeted approach?

Poverty, Natural Resources Management and Economic Transitions: The role of capacity building on pro-poor natural resource management in Tonle Sap, Cambodia (*Neou Bonheur, Deputy Director, Department for Natural Conservation and Protection, Ministry of Environment, Cambodia*)

- Linkages between dynamic economic changes (rapid development, migration, policy changes for private concessions etc.)– environmental exploitation and degradation –and poverty in Tonle Sap can be briefly explained in the beginning. The message should be about the significant importance of Tonle Sap in sustainable development not just on and around Tonle Sap but in Cambodia and the Mekong region as a whole.
- How did this particular PRF TA (TA 4376 Capacity Building for the Tonle Sap Poverty Reduction Initiative, visit <http://adb.org/Documents/PRF/CAM/TA4376-CAM.asp> for available write-ups including the TA case study) together with other Tonle Sap TAs and initiatives supported Tonle Sap's poverty reduction agenda?
- What have been the key achievements and lessons learned of the TA? Have the TA outcomes influenced the government policies, programs, or ADB operations in Tonle Sap? How?

**Session 7A: Bridging the Geographical Divides – Global, Regional and Local
Day 2, Tuesday, 9 October 2007, 10:30–12:30 Hs**

General Background of the Topic: Session 7A will focus on the growing geographical divides in Asia between middle income countries and fragile economies, between rural and urban areas, and between pockets of poverty in countries and prosperous regions. It will not only show the dimensions of location specific growing inequalities but also discuss how they can be bridged through economic and social policies and whether a more geographical targeted approach in development assistance is needed. The panel will discuss, among others:

- The role of rural areas in poverty reduction including pro-poor growth potential areas and those where poverty may be quite endemic.
- Urban growth in megacities and secondary towns and how it can help reducing national poverty through strengthened urban/-rural ties and what the future key challenges are for the urban poor and vulnerable.
- Policies to bridge the rural-urban divide and innovative ways of financing such programs.
- What forms of regional cooperation can help reducing cross-border poverty and how regional cooperation can be used at more macro-economic level to address poverty in countries.
- Finally, the panel will discuss geographical divide between the middle income and poor countries in Asia and where and how development institutions shall focus their assistance to.

Scene setting: Peter Warr, the director of the School of Asian and Pacific Studies from Australia) will set the scene for the working group through a 10 minutes overview on *Rural, urban and cross-border poverty in the new Asia and Pacific*. The presentation will broadly cover the key questions listed above. The use of data and examples is encouraged. Powerpoint can be used but a more interactive discussion is encouraged. The presentation should be backed by a summary paper (5-10 pages, Arial font 11, letter size or A4, single space). A draft should be sent to the Forum Secretariat by 28 September to be uploaded as soon as possible at the conference website.

Panel Discussion:

Does growth help the urban poor in Asia (*Auster Panadero, Undersecretary, Department of Interior and Local Governments, Philippines*)

- What are the main trends of urbanization and urban poverty
- What are the key problems of the urban poor ((shelter, water/sanitation, social protection, traffic and distance to work, access to social services, others)?
- What is the difference between the urban poor in mega-cities and those in small cities?
- What are the chances and limits of private sector participation and public-private partnerships to address urban poverty
- What are the consequences for government and development assistance in the future?
- Give project examples that show development results.

Managing regional disparities through urban to rural public transfers (*Ou Qingping, Deputy Director, Leading Group on Poverty, People's Republic of China*)

- What is the role of the Go West strategy in PRC and what does it mean for the location of development cooperation projects?

- Why is the Leading Group on Poverty considering broadening its approach to rural poverty by addressing not only the very poor (\$0.6 international = PRC poverty line) but also the poor (\$1) and the vulnerable (\$2)
- Why does PRC moved on in its poverty reduction agenda to address not only income poverty (through rural infrastructure and dragonhead approaches) but meanwhile also social (esp. health insurance and social protection of the migrants and elderly) and environmental poverty (dryland are a development)?
- Please describe innovative development financing for balancing investments in poor areas?
- Can you give concrete project examples where poverty reduction?
- How can experiences from PRC be relevant for other regions in Asia and are there chances for new forms of regional cooperation on poverty reduction?
- What are suggestions for development cooperation?

Can regional cooperation and integration be a tool for inclusive growth? Examples from Mekong and South Asia (*K.A.S. Murshid, Research Director, Bangladesh Institute for Development Studies, Bangladesh*)

- What are key sectors relevant both for regional cooperation and poverty reduction? Give examples
- Please explain the difference between regional cooperation and trade
- What are key environmental poverty concerns in the Mekong region
- What are features of cross-border poverty?
- What is the impact of pure infrastructure based regional cooperation on the poor and on systemic poverty in Mekong?
- What indicators are to be developed to assess development effect of regional cooperation on pro-poor growth, inclusive social development and poverty reduction?

Challenges for growth and poverty reduction in fragile states (*Ben Graham, Consultant, Economic Policy, Planning and Statistics Office, Marshall Islands*)

- What are key features of fragile economies like FSM?
- Please prioritize the governance – infrastructure – poverty reduction agenda for such economies?
- How does regional cooperation and migration affect growth and poverty reduction?
- Do small economies and fragile states fear that the inclusive growth agenda may refocus development aid away from poor countries?
- What are recommendations for a more result oriented future cooperation with ADB

The role of agriculture, migration and the environment in rural poverty reduction (*Peter Warr, Director, School of Asia and Pacific Studies, Australian National University, Australia*)

- Does the climate change agenda replace the poverty reduction focus?
- Do you see rural poverty in Asia's future mainly linked to water and soil degradation?
- With the increasing importance of the private sector in agricultural development, shall the government (and donors) focus more on natural resources development in the region?
- Will migration solve the problem of rural poverty or will it shift poverty to smaller rural towns?
- What can be recommended as operational consequences for development banks?

**Session 7B: Inclusive Social Services and Non-Income MDGs
Day 2, Tuesday, 9 October 2007, 10:30–12:00 Hs**

General Background of the Topic: Session 5B will focus on the economic challenges of inclusive growth in the new Asia and Pacific. It will particularly discuss what how social sector interventions need to be designed to can growth in Asia make pro-poor . The discussion will focus on issues such as of the new labor market (including migration, technological choice, full employment policies, labor market relevant education) and social protection for the migrant workers. The panel will discuss, among others,

- New fiscal space for social policy in emerging Asian middle income countries and consequences for development institutions like ADB
- New development in the health sector related to health insurance and finance
- Education challenges in middle income Asian countries: Moving from basic education to labor market relevant education ?
- Financing mechanisms for social protection
- Decentralization and social services delivery

Scene setting: Mai Lu, the Secretary General of the China Development Research Foundation will set the scene for the working group through a 10 minutes presentation on *Emerging issues in social services delivery in Asia*. The presentation will broadly cover the key questions listed above with special focus on the role of education, health and social protection in the future Asia, financing modalities for social sectors in poor and middle income countries, and the role of development institutions like ADB in providing knowledge and financial support to social sectors and non-income MDGs in the coming decade. The use of data and examples is encouraged. Powerpoint can be used but a more interactive discussion is encouraged. The presentation should be backed by a summary paper (5-10 pages, Arial font 11, letter size or A4, single space). A draft should be sent to the Forum Secretariat by 28 September to be uploaded at the conference website.

Panel Discussion:

Growth and public finance for the MDGs in growing economies (*M. Govinda Rao, National Institute of Public Finance and Policy, India*)

- In the past, public spending on social services delivery was relatively low in many Asian countries. As a result, while income poverty declined, social poverty is still a major concern. What are linkages between social spending and MDG attainments in Indian states and in Asia and Pacific?
- With growth in Asia becoming high and sustainable, are governments in the region opening up new fiscal space for social spending?
- Will the additional budget for social services also increasingly be provided from sources outside of the countries?
- What is the expected consequence for ADB's future sector and subsector portfolio?

Is decentralization helping making social services work for the poor? (*Farukh Basir Moriani, Office of the Federal Ombudsman, Pakistan*)

- Decentralization is often perceived as a panacea for more efficient public services delivery. What are the experiences of Pakistan and Punjab in providing social services to the poor?
- Has decentralization in Pakistan/Punjab contributed to better achieving MDG results?

- With changing labor markets and increasing concerns about inequalities and persisting poverty, will public sector reforms in the future include more social protection mechanisms?
- Will future external financed governance reform programs through the public and financial sector be more oriented to social sector outcomes and include the social protection and poverty targeting policy agenda?
- What are the implications for development institutions such as ADB?

Are budget support and cash transfers effective means of social protection? (*Bambang Widianto, Expert Staff to the Minister of National Development Planning for Human Resource and Poverty Affairs, Indonesia*)

- What are the specific features of social protection in Asia in the coming decade?
- In the coming decade, is the multisectoral approach to social protection an effective way of dealing with problems in the labor market, to address the demographic changes and to support those socially excluded? What is the relation to the health and education sectors?
- Why did Indonesia opt for a substantial conditional cash transfer (CCT) system to address health and education outcomes and poverty reduction? What are the experiences so far, also compared to CCT in Latin America (e.g. Brazil, Mexico) and other Asian countries (e.g. Thailand, Philippines-emerging)?
- What is the role of budget versus project support through more programmatic aid for social protection and health and education sectors?
- With increasing migration, thrive for more equity, land innovative poverty reduction programs, what is the scope for future social protection investments in the new Asia versus traditional education and health support?
- What are the implications for ADB?

How can Asia progress in health financing and insurance? (*Tserendorj Natsagdorj, Senior Advisor, Parliament, Mongolia*)

- Why are the health indicators the major bottleneck of MDG achievement all over Asia and Pacific?
- Do partner countries like Mongolia need loan assistance more for health program or for health system reforms?
- With many global funds available for health, shall ADB withdraw from the sector?
- If not, can health financing and health insurance be the new focus for public and private investments in the sector? What is the investment potential in small economies (like Mongolia) and larger emerging middle income countries in Asia?
- Does health financing and insurance require new product lines and knowledge partnership with financial sector activities?

Education challenges in middle income countries (*Mai Lu, Secretary General, China Development Research Foundation*)

- The Asia and Pacific region made substantial progress in basic education. Do we need new targets for MDG 2?
- Is labor market relevant education the future challenge in the region?
- Labor migration –internal and international - is a major coping strategy of the poor in small economies (such as Tajikistan, Armenia and Pacific countries) as well as emerging middle income countries (such as the People's Republic of China, the Philippines, and Pakistan). Should migration be a proactive strategy of the government and what are the features?
- The demographic change in Asia is substantial. What are the consequences for social insurance and labor markets?
- Is there a role for ADB to support education for knowledge sharing and technological innovation in Asia, as suggested by the EPG report?

- What can be new financial mechanisms for higher and labor market education through loans in middle income countries?

Proposed Approach to Sessions 8: The Role of Development Institutions to Support Inclusive Growth and Poverty Reduction in the New Asia and Pacific

Day 2, Tuesday, 9 October 2007, 13:30 – 15:00

General Background of the Topic: This session will discuss the role of development institutions to support the new inclusive growth and poverty reduction agenda in the coming decade in the Asian-Pacific region. Representatives from World Bank, the UN, a bilateral donor and two partner countries will discuss how to make development aid more effective and result oriented for poverty reduction and inclusive growth. They will discuss among others,

- different roles and comparative advantages and areas of harmonization among various development partners, including sector and geographical focus;
- future role of development banks in providing investment finance and/or knowledge support and prospects over sector and thematic priorities aligned with actual partner-country demand;
- future role of development institutions in being responsive to emerging issues in the region on such themes as regional cooperation, migration, private sector support, environment, governance in fragile states, social development;
- particular issues that development institutions in the region should stop pursuing;
- innovative financing instruments (loan, grants, equity, guarantees, sub-sovereign, special poverty reduction innovation funds, etc).

Chair/Moderator: *Kazu Sakai, Director General, Strategy and Policy Department, ADB*

The Chair will

- welcome the participants (biodata will be provided);
- introduce the title of the session;
- explain the objectives and the proceedings¹ of this session;
- moderate the panel discussion and open it for active discussion contributions (questions and answers) from the plenum participants; and
- summarize key recurring messages.

Panel Discussion: In preparing the written position statement (3 pages, by 30 Sept 07) the panelist may wish to think about the following questions. Please note that these questions only serve as guiding points. They will not be discussed in this format during the session.

Middle income country: (*Romulo Neri, Secretary, National Economic Development Authority (NEDA) and Chairman, Commission on Higher Education, Philippines*)

- In recent years new sources of financing have been offered to emerging middle income countries like the Philippines from neighboring middle income countries. These concessional funds come mainly for economic infrastructure projects. Does this new public sector South-South cooperation result in the need for multilateral and bilateral development banks to become more active in social sectors and urban and rural poverty reduction programs?

¹ The moderator will ask one question per panelist and the respective panelist can highlight her/his most important theme from his paper related to the question. Other panelist will then have the opportunity to quickly comment or add to that particular topic. Then a question is posed to the next panelist. A round for questions and answers from the floor will be grouped and answered by the panelist in a synthesized way. About 15 minutes before the end of the session, each panelist will have the chance to make a final statement.

- Middle income countries have immense infrastructure gaps for sustaining growth but also for connecting the disadvantaged regions. Private sector investments are often available for revenue generating expressways, power generation and urban water supplies. Should development banks not focus on making infrastructure financed by public money more pro-poor, rather than competing with the private sector finances? How shall this then be operationalized?
- To make growth inclusive, governments in the region are increasingly providing fiscal space for public goods in the social and environmental sphere, emphasizing on social protection, labor market-based education, health insurance, agriculture insurance, and other measures to manage social and environmental risks. Do development banks have any leverage in supporting such emerging needs of the countries, and how?
- Decentralization is in an advanced stage in growing middle income countries like Philippines, Indonesia, and India. Will local governments be increasingly better placed to directly demand for more social, rural and smaller towns development projects through development aid loans? What are new and innovative development financial instruments that support sub-sovereign entities and even community groups?
- We have seen increased interests in budget support in countries like Indonesia and the Philippines. While such support would not fair favorable to balance of payment problems, it is expected to promote policy changes and harmonized investment programs. In budget support, do you see the need for development assistance institutions to combine better financial, governance and social sector expertise? What will then be the role of development banks to directly finance service delivery through projects?
- How do you see key differences between ADB and the World Bank? Shall there be a division of labor by sector or more at subsector level or is healthy competition more important for a partner country like the Philippines? If institutional focus (rather than focus based on diversified country demand) is needed, where?

Small economy: *(Rohantha Athukorala, Director of Economics Affairs, Secretariat for Coordinating the Peace Process, Government of Sri Lanka)*

- Historically, Sri Lanka has been successful in providing social services to the poor. This development model was unique and made Sri Lanka – a poor country - a forerunner in MDG achievements in the Asia region. To sustain the high human development status, the country recently focused more on growth and pro-poor growth investments. Where do you see major investment needs for the next 10 years?
- Sri Lanka is a country with geographical areas of conflict. Other countries in Asia have also fragile regions (like the Philippines with Southern Mindanao). Should policies and special donor support towards fragile ‘states’ also apply to such regions, or should the approach be different? What are the consequences for development assistance finance in the region?
- Some argue that a performance-based allocation and the global move to provide grants are reducing the total development finance available for poor countries, small economies and fragile states. Is this correct and what are the implications of this development finance model for poverty reduction and MDG achievement, and for growth? Do we need a more sensitive approach in the Asia region, different to Africa for example?
- How do you see small economies benefiting from regional cooperation and how can regional cooperation be made pro-poor? What is the role of ADB as the regional development bank?

Bilateral donor: *(Lucia Hanmer, Senior Economic Advisor, South Asia Strategy and Operations Division, DFID, London-UK, and NN, AusAid, Australia)*

- While bilateral donors have strongly supported ADB’s move to poverty reduction in the late 1990s through special funds, we can see now declining interest. Are bilateral donors

not interested any more in ADB promoting the poverty reduction agenda in Asia and Pacific? What does this mean for the region?

- There is a general trend among bilateral donors to shift financial and technical support from Asia towards Africa. This is despite the fact the Asia region maintains 2/3 of world poverty, some regions have lower MDG achievements, and that there are huge pockets of poverty even in emerging middle income countries. Would this trend continue and what are the implications for poverty in Asia and Pacific?
- In recent years, new bilateral donors from within the Asia Pacific region have emerged, more private sector funds are available to sustain growth, and partner countries are increasingly successful in solving their own development problems. How can Asia become a new model for a harmonized development assistance system and what is then the role of the traditional bilateral donors in the region?
- Asia is rapidly growing and bilateral development support (even multilateral) is only a small portion of the countries' budgets in the region. At the same time, development assistance comes with experience, knowledge and values that are often worthwhile to be shared. Such knowledge and sharing is also welcomed by governments and local stakeholders as it shows good results on the ground, particularly when it comes to poverty reduction, social development, environment, and good governance. How can bilateral and multilateral development partners work together to scale-up such assistance on knowledge sharing while promoting the country's initiative and capacity?
- Most bilateral donors channel one third or more of their assistance through multilateral banks and institutions. What shall ADB (in comparison to other international development institutions) do to receive more of such funds?

World Bank: (*Jehan Arulpragasam, Country Sector Coordinator for the Philippines*)

- The World Bank has substantially increased its lending in South and East Asia during the last 8 years and has actively overtaken ADB in its lending volume to the region. At the same time, its economic and sector work as well as investments are increasingly supporting pro-poor growth and environment agenda. The World Bank has also increased its flexibility in opening new fields of development assistance such as in social protection, community driven development, anti-corruption, etc. What are the driving forces for such changes in its Asia operations?
- Some World Bank papers are for the need to move its strategic orientation towards supporting social development in middle income countries and pro-poor growth in poorer economies. At the same time, World Banks portfolio reacts to changing realities in Asia by applying at the strategic level a very flexible, and country specific needs. How is your experience in balancing the country-specific needs and the overall institutional strategic directions?
- Operational relevance in changing Asia is also a major issue in the World Bank. What are the current debates?
- In which sector and thematic areas does the World Bank see the key challenges in the region in the next 10 years and what are the consequences for its operational and knowledge work?

UN system: (*Hiren Sarkar, Chief, Chief, Development Policy Section, Poverty and Development Division, UNESCAP*)

- The UN system provides grants and capacity building. With institutions like WHO, UNICEF, the UN General Assembly etc., it is particularly strong in supporting social and governance, peace, and human rights aspects of development. Do you see the need for development finance institutions to remain in social and rural sector and thematic areas?

- In which economic and social sector areas do you see need for further cooperation between multilateral development banks and the UN system?
- Through the MDG agenda, the UN and particularly UNDP has successfully raised awareness for additional development aid to reduce income and social poverty. The picture on MDG results in the region remains however mixed. In which sector is, and in which regions do you see the need for more focused support in Asia and Pacific?
- How can the MDG agenda be better localized and adopted to the changing Asia?
- Is there a role for development banks to address governance and peace issues in fragile economies or shall this more be a donor or UN work?

