

**LTSF Review
Southeast Asia NGO Consultations
Bangkok, Thailand
28 August 2007**

Summary of Discussions

A. Introduction

1. A consultation meeting on the review of ADB's Long-term Strategic Framework with civil society representatives from Southeast Asian developing member countries (DMCs) was held on 28 August 2007 in Bangkok, Thailand. (Participant list attached).
2. The consultations focused on four issues: (i) risks and challenges of the Asia and Pacific region as identified by the Eminent Persons Group (EPG); (ii) ADB's vision and mission to 2020; (iii) strategic options for ADB in addressing the risks and challenges and the relevance of the EPG recommendations on operational priorities to Southeast Asia; and (iv) role of ADB and operational strengths and weaknesses.
3. Participants expressed their appreciation for the opportunity to share their views on ADB's long-term strategy and actively discussed the unique development challenges of the Southeast Asia region and their requirements for ADB's assistance. The discussion is summarized below.

B. Risks and Challenges of the Asia and Pacific Region

4. Participants generally endorsed EPG's diagnosis of risks and key challenges of the Asia and Pacific region, underlining the continuing and fundamental importance of poverty. They also drew attention to the following issues and challenges:
 - i. Gender inequality, i.e. undervaluing the role of women, is a critical constraint on development in the region that requires attention.
 - ii. The impact of globalization on the region is uneven: it not only creates winners, but also losers both within and between countries. It is essential to protect the interests of losers from globalization, and to integrate them effectively into the regional growth and development process.
 - iii. Conflict in its various forms is a key challenge to the stability and development of the region. Conflict and inequality are closely related, as it often arises over unequal access to resources both within and between countries.
 - iv. Therefore most broadly, inequality in its various dimensions is a basic challenge facing the region. It is in many ways a root cause of other challenges identified such as poverty and environmental degradation.

C. ADB's Vision and Mission

5. *Vision and mission:* Participants generally endorsed the existing vision and mission of ADB focused on poverty reduction, but suggested that it should be defined more broadly to include recognition of inequality as a central challenge in the region. Given that ADB is a recognized and valued name in development in the region, and therefore how it phrases its overarching mission can have implications for the DMCs, e.g. setting tone. In this context, participants drew attention to the following issues:

- i. It is essential to understand how poverty is created and leads to increasing disparities. This underlies other key issues facing the region and ADB's role in it.
- ii. Poverty is not about income; it needs to be considered in a more systemic and holistic way. Poverty is about more equal access to resources and services, and the ability for people to meet their basic needs.

D. Strategic Focus and Operational Priorities

6. Participants generally supported the EPG's recommendation for a three-pronged focus on inclusive growth, environmentally sustainable growth, and regional cooperation and integration, as well as the six operational priorities identified by the EPG.¹ They also drew attention to the following issues:

- i. The concept of *inclusive growth* needs further clarification. Framing it as creating a level playing field through greater "equality of opportunity" is important. But is it sufficient given accumulated inequalities in the region that have created unequal capabilities (e.g. access to resources) to "play on a level playing field"?
- ii. *Infrastructure* should be a continuing priority of ADB, but needs to be approached differently with particular attention to project scale. Large infrastructure projects may have macro benefits for an economy, but negative micro impacts on local communities, including creating greater inequalities. It is essential to have effective local participation in the design and implementation of infrastructure projects to minimize negative impacts and increase benefits to local communities. Furthermore, more attention should be paid to small-scale, infrastructure projects that empower local communities, e.g. micro-hydro.
- iii. In *financial sector development* there should be more focus on micro-finance so that local communities can help themselves, including helping to create conditions in the financial sector conducive to micro-finance.

¹ These six sectors are: infrastructure development; financial sector development and intermediation; energy and environment; technology development and innovation; regional integration; and knowledge management.

- iv. *Regional cooperation and integration* is an important part of ADB's operations, but raises a number of issues:
- Subregional cooperation programs of ADB often involve conflict areas in the region. Investment in such areas can either help resolve conflicts through more equal development, or worsen them by increasing existing inequalities.
 - An important objective of regional cooperation should be to protect or help lagging and small economies benefit from globalization, particularly given the role of large countries in the regional integration process.
 - A key part of ADB's focus on regional cooperation and integration should be on labour migration, including the protection of migrant labour.
 - Local communities have had limited benefits from ADB's subregional cooperation programs. It is important to ensure that local communities benefit from regional cooperation in areas such as trade and investment.
- v. *Knowledge* is a key dimension of ADB's contribution to development in the region. Given the relatively small part that official development finance now plays in financing development in the region, a key value of ADB's operations is knowledge and advice that should help drive the utilization of overall financing by DMCs. In this context, ADB has a region-wide perspective to contribute to country-level development.
- vi. To address problems of poverty and inequality, *good governance*, particularly dealing with corruption, has to remain a key ADB priority. Better government increases the likelihood of more effectively addressing such problems.
- vii. *Human resource development (HRD)*, especially education, requires attention and resources as a key element of sustainable development, particularly as related to poverty reduction and inclusive growth. Training and skill development of local people is an important part of a HRD operations including helping them adjust to dislocations caused by globalization and regional integration. People with disabilities are an important and neglected group that should be targeted.
- viii. Investment in *women* has a very high payoff in its development impact, e.g. with respect to MDG, including as a key "driver" of economic growth, and therefore should be a priority in ADB's operations.
- ix. The *private sector* has key role to play in the development process both directly and through public-private partnership. However, it should be a socially responsible private sector that helps address problems of poverty and inequality e.g. by increasing access to technology and services. ADB also has an important role to play assisting governments to ensure an appropriate regulatory environment; and that private sector-initiated projects—including public-private partnerships—are developmentally sound and socially responsible.

E. Role of ADB and Operational Strengths and Weaknesses

7. There is potentially an inherent tension between the “development” and the “bank” role of ADB, particularly in the context of increasing availability of financing in the region, e.g. from China, that provides competition for ADB in its financing role. Is ADB primarily a financial institution, or a development advisory institution in terms of what drives its operations? This is particularly relevant in the case of a crisis when there may be a conflict between the needs of investors, e.g. requiring repayment of loans and therefore fiscal conservatism, and the needs of the poor, e.g. requiring “countercyclical” more investment.

8. ADB as an institution tends to take a “macro perspective” on development and in its operations, with government as its primary partner. There is not sufficient attention to understanding and working with smaller groups and local communities either in terms of responding to their needs or with respect to the (negative) impact of large scale operations, e.g. infrastructure projects, policy reform programs. Yet ultimately poverty and development is local—at the level of particular groups and communities. ADB has to strengthen its capabilities to understand and work at this level, including with civil society, and through more effective public consultations at the grass roots level. This will create more responsive and effective projects and programs. Given ADB’s regional reach, it can also contribute to “best practice” at the community development level.

9. Country contexts and needs differ, requiring both large- and small-scale projects, for example in infrastructure. Therefore ADB should develop –or ensure access to—capabilities for not only large-scale projects, but also for smaller projects at a scale that empower local communities in designing, implementing, and managing such projects.

10. ADB through its policy-lending operations and its association with other IFIs needs to ensure that DMCs retain the necessary fiscal space to spend on their own domestic priorities, particularly human development -- including key social services.

11. ADB needs to take a more integrated approach in its operations to address the problems of poverty and rising disparities. These challenges have many dimensions that need to be understood and addressed in a sequential and/or simultaneous manner. For example, appropriate infrastructure, investment in various dimensions of human resource development, and issues such as land distribution and entitling are all important elements of “inclusive growth” that must be addressed in a strategy aimed at reducing poverty and inequality. This requires a high level of coherence in ADB’s country-level understanding and operations.