

Pro-Poor Growth & Development Cooperation: Experience & Lessons from Asia

Authors' Workshop

October 31 – November 1, 2012
Seoul, Korea



INTRODUCTION

Organized jointly by the Korea Development Institute (KDI) and The Asia Foundation, the “Asian Approaches to Development Cooperation” (AADC) dialogue series brings together development experts and government officials from the Asia region and beyond to share perspectives and to facilitate mutual learning between and among “emerging” and “traditional” development actors. After a planning meeting in December 2010, KDI and The Asia Foundation convened three workshops over the course of 2011 in Kuala Lumpur (March), Colombo (June), and Seoul (September). The 2011 dialogues culminated at the Fourth High Level Forum on Aid Effectiveness (HLF-4) in November in Busan, Korea, the world’s largest and most important gathering for discussing issues of international development and foreign aid. The conference edition of “[Emerging Asian Approaches to Development Cooperation](#),” authored by participants in the AADC series, was released at the HLF-4.

In 2012, the AADC dialogues focused on the theme of development cooperation and pro-poor, inclusive growth. Over 40 participants convened in both New Delhi (March) and Beijing (June) for the fifth and sixth meetings in the dialogue series. The Research and Information System for Developing Countries (RIS), a think tank affiliated with the Government of India’s Ministry of External Affairs, and the China Agricultural University served as the local host, respectively. Countries participating in the New Delhi and Beijing meetings included Australia, Cambodia, China, Germany, India, Indonesia, Japan, Korea, Laos, Malaysia, Nepal, the Philippines, Sri Lanka, Thailand, the United Kingdom, and the United States.

The Seoul authors’ workshop, as well as a public conference hosted by the Korea Development Institute School of Public Policy and Management, followed the Beijing meeting. Building on these successes and the growing interest in Asian perspectives on development and aid effectiveness, events hosted by the Australian National University (ANU), the Australian Agency for International Development (AusAID), and the Lowy Institute for International Policy were also held in Sydney and Canberra in November 2012.

OBJECTIVES OF DIALOGUE SERIES

- To clarify and raise awareness of how Asian development actors operate: their objectives, principles, motivation, and funding levels.
- To contribute Asian views to the international dialogue on development cooperation effectiveness and architecture, particularly in connection with follow-up to the HLF-4.
- To promote mutual interest, learning, understanding, and opportunities for collaboration between and among development partners.

OVERVIEW OF AUTHORS' WORKSHOP

Hosted by KDI, the Seoul authors' workshop provided a forum for focused discussion on the forthcoming publication, *Inclusive Growth and Development Cooperation: Experiences and Lessons from Asia*, which draws from the past year's dialogues in New Delhi and Beijing. The publication will include chapters on conceptual frameworks concerning pro-poor and inclusive growth, examples of country strategies, and development cooperation approaches to inclusive growth. At the workshop, participants shared comments and critical analysis of each draft paper.

Dr. Oh-Seok Hyun (President, Korea Development Institute) and **Dr. Gordon Hein** (Vice President, The Asia Foundation) opened the workshop. Reflecting on the past year of discussions, they extended their appreciation to the authors for their contributions to the publication and expressed their commitment to pursuing continued partnership in addressing poverty reduction and global development.



Participants' presentations can be accessed via [KDI's website](#).

KEY TERMS

AADC	Asian Approaches to Development Cooperation
HLF-4 / "Busan"	Fourth High Level Forum on Aid Effectiveness
KDI	Korea Development Institute
OECD DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
PPG	Pro-poor growth
SSC	South-South cooperation
SME	Small and medium-sized enterprises

PRO-POOR & INCLUSIVE GROWTH

In this session, experts provided an overview of important concepts, frameworks, and historical debates relevant to pro-poor and inclusive growth.

Moderated by **Dr. Wonhyuk Lim** (Director of Global Economy Research, Center for International Development, Korea Development Institute), the session featured:

Dr. Manmohan Agarwal Senior Visiting Fellow, Centre for International Governance Innovation

Dr. Juzhong Zhuang Deputy Chief Economist, Economics and Research Department, Asian Development Bank

Dr. Sachin Chaturvedi Senior Fellow, Research and Information System for Developing Countries



Dr. Manmohan Agarwal discussed the historical role of migration and remittances in poverty reduction, particularly in the late 19th and early 20th centuries. At that time, migration flow primarily of unskilled workers from Europe to countries in the New World, especially the United States, raised wages but seemingly had little impact on living conditions. Current migration raises incomes and growth rates. However, again regions with most remittances had the least improvement in living standards. Poverty and accompanying effects are concentrated in South Asia and Sub-Saharan Africa. Growth in South Asia has not raised living standards whereas growth has been lacking in Africa. Prospects for growth are not very favorable, so new strategies to tackle poverty are needed.



Dr. Juzhong Zhuang presented his paper entitled “Confronting Rising Inequality in Asia,” based on the thematic chapter he co-led for *Asian Development Outlook 2012*, the Asian Development Bank’s annual publication that discusses a macro-economic outlook and long-term development challenges for developing Asia. The region’s rapid economic growth has brought significant reductions in absolute poverty but has also led to rising inequality in many countries. Dr. Zhuang discussed the various drivers and ramifications of the phenomenon. He highlighted the need to address this looming development challenge via efficient fiscal policies that reduce inequality in human capital, interventions that address lagging regions, and policies that make growth more employment friendly.



Dr. Sachin Chaturvedi outlined the international community’s approaches to poverty reduction over the years, ranging from past structural adjustment programmes to contemporary efforts focused on inclusive growth. Against the backdrop of this complex landscape, he pointed to effective lessons that can be drawn from South-South cooperation (SSC). He discussed the history of SSC and a vision for a “development compact” that captures elements of engagement between traditional aid providers and partners from the South. In such a compact, development assistance works at five levels—trade and investment, technology, skill upgradation, lines of credit, and grants. Dr. Chaturvedi also advocated for sector-wide approaches and the importance of the agriculture sector. He concluded with recommendations for both OECD countries and emerging economies to consider when addressing inequality.

Session discussion topics included: regional comparisons of economic performance and poverty reduction; implications of low tax revenue in many Asian countries; foreign direct investment; the role of the private sector in fostering economic growth; long-term workers versus temporary workers without social benefits or quality training; the importance of country-specific strategies; drivers of lack of inclusiveness; inequalities of opportunity (*e.g.*, access to finance and quality education); and the impact of liberalization on inequality in the region.

COUNTRY STRATEGIES FOR INCLUSIVE GROWTH

These sessions focused on specific country strategies working to ensure that growth benefits are more widely shared. Each presentation included an overview of the country’s growth, inequality, and poverty trends; analysis of relevant drivers (*e.g.*, globalization, skill-biased technical change); discussion of policy issues (*e.g.*, broad-based growth versus pro-poor targeting, empowerment versus redistribution); and assessment of the country strategies’ effectiveness and future challenges.

Moderated by **Dr. Sachin Chaturvedi** (Senior Research Fellow, Research and Information System for Developing Countries) and **Dr. Cielito F. Habito** (Professor, Department of Economics, Ateneo de Manila University), the sessions featured:

Mr. Chou Heng	Senior Policy Specialist, Cambodia Rehabilitation and Development Board, Council for Development of Cambodia
Mr. Prabodh Saxena	Joint Secretary (Multilateral Division), Department of Economic Affairs, Ministry of Finance, India
Dr. Cielito F. Habito	Professor, Department of Economics, Ateneo de Manila University, Former Secretary of Socioeconomic Planning, Philippines
Dr. Pungky Sumadi	Director of Financial Services and Monetary Analysis, Ministry of National Development Planning (Bappenas), Indonesia
Dr. Sangui Wang	Professor, School of Agricultural Economics and Rural Development, Deputy Director of Advanced Institute for Sustainable Development, Renmin University of China

Ms. Anthea Mulakala /
on behalf of **Dr.**
Sulochana Nair

Country Representative, Malaysia and Regional Advisor, Donor Relations, The Asia Foundation / Dean, Graduate School, Binary University College, Malaysia

Dr. Wonhyuk Lim

Director of Global Economy Research, Center for International Development, Korea Development Institute



Mr. Chou Heng provided an overview of economic development in Cambodia, the status quo of inequality and exclusion in the country, and the government's efforts to address these challenges. He noted that the government has emphasized development of human capital and enabling conditions in its strategy for inclusive growth. Mr. Heng discussed the parallel importance of land reform, rural infrastructures, and quality of local governance. He also underscored the need to diversify the economy. After taking stock of Cambodia's progress in fostering inclusive growth, Mr. Heng set forth a framework for actions that included commentary on the urgent need for a more active state role.



Mr. Prabodh Saxena outlined India's history and growth trajectory, current social and economic realities, and multipronged strategies to achieve growth amidst persistent poverty and inequality. After analyzing drivers of these challenges, he described the government's past and current policies targeting inclusiveness. These programs include entitlements in areas such as education and labor. In addition, Mr. Saxena discussed the role and changing profile of external assistance in India. Emphasizing the coequal nature of growth and inclusiveness, he closed by assessing India's progress in addressing poverty and inequality. He also commented on future opportunities and challenges.



Dr. Cielito F. Habito presented his paper entitled "In Search of Inclusive Growth: The Philippine Agenda." He discussed the Philippines' lagging growth and perverse growth-poverty reduction experience compared to the country's Southeast Asian neighbors. Obstacles to high and inclusive growth include a tight fiscal situation, inadequate infrastructure, weak investor confidence, and a limited industrial base. Key elements of the Philippine Development Plan 2011-2016, which seeks to overcome these challenges, include boosting tax efforts, addressing infrastructural inadequacies, and strengthening small and medium-sized enterprises (SMEs). While Dr. Habito noted optimism and progress in the Philippines, he also cited the remaining need for structural changes, strong competition policy, SME expansion, and public investments in health and education going forward.



Dr. Pungky Sumadi provided an overview of Indonesia’s inclusive growth strategy and related development cooperation efforts. To provide context, he first discussed regional developments that led to institutional overhaul and substantial change in Indonesia’s economic and social development policies. The 1997 financial crisis proved to be a pivotal turning point. The government’s response to its devastating impact involved various political, legal, and macro-economic reforms. Dr. Sumadi referenced the National Program for Community Empowerment (PNPM) as a core element of the country’s inclusive growth strategy and noted the important role of international cooperation in rebuilding the Indonesian economy. He also commented on Indonesia’s support for South-South cooperation initiatives.



Dr. Sangui Wang presented his research on economic growth, inequality, and poverty reduction in China. Referencing China’s remarkable progress that has lifted 600 million people out of poverty over the past three decades, Dr. Wang discussed ways to disaggregate this data. He analyzed varying rates of income growth for different income quintiles and base unit levels (*e.g.*, household, village, county, national average) across different time periods and concluded that growth is not pro-poor in most time periods. Factors impacting income growth and distribution in China have included land and human capital resources. Dr. Wang outlined several economic and social policy adjustment suggestions that would better target remaining gaps in poverty reduction efforts. These recommendations included provisions for improved rural health services, extended compulsory basic education, and tax exemption and financial services for rural households and SMEs.



Ms. Anthea Mulakala (on behalf of **Dr. Sulochana Nair**) provided an overview of Malaysia’s growth and poverty reduction trends. Despite great progress, pockets of poverty persist, and the country faces the “middle income trap” due to factors such as lack of high-skilled labor. Various national plans have sought to address these challenges over the years. Most recently, the New Economic Model launched in 2010 aims to move beyond race-biased practices of previous plans and to transition Malaysia to high-income country status by 2020. In this context, Ms. Mulakala conveyed Dr. Nair’s recommendations for poverty reduction efforts in Malaysia. These included the need to address relative, rather than absolute, poverty; to conduct more systematic and targeted demographic analysis; and to support strategies driven by the private sector and civil society.



Dr. Wonhyuk Lim presented on the past accomplishments and future challenges of inclusive growth efforts in Korea. He first discussed relevant conceptual and policy issues, including debates surrounding *ex ante* empowerment versus *ex post* redistribution. He then provided an overview of Korea's overall development experience, pointing to human resource development and export-oriented industrialization as drivers of early growth. In addition, Dr. Lim highlighted the Saemaul Undong (New Village Movement) as an important agent of local community empowerment that worked to address urban-rural inequality in the 1960s. He referenced Korea's strong domestic value chain as a critical element of the country's international competitiveness and discussed Korea's relative global positioning in areas such as sectoral employment and social expenditure.

Session discussion topics included: the respective roles of various stakeholders in fostering economic growth (*e.g.*, domestic government, private sector, external donor community); the importance of the quality of growth; SMEs (*e.g.*, strategies to increase their competitiveness, response to liberalization, relationships with large corporations); regional growth disparities within a country; sectoral impact on poverty reduction (*e.g.*, manufacturing versus agriculture); controversies surrounding community targeting programs in multiethnic countries; urban versus rural inequality; the relationship between affirmative action and the middle income trap; and nationwide industry and sectoral shifts (*e.g.*, textiles to electronics).

DEVELOPMENT COOPERATION APPROACHES TO INCLUSIVE GROWTH



In these sessions, development cooperation experts provided perspectives on how their respective countries work to promote pro-poor and inclusive growth in partner countries. Presentations included discussion on the selection of sectoral and regional priorities and modalities; implementation, monitoring, and evaluation strategies; and case studies.

Moderated by **Mr. Peter Beck** (Country Representative, Korea, The Asia Foundation) and **Dr. Siriporn Wajjwalku** (Dean, Associate Professor, Faculty of Political Science/Department of International Relations, Thammasat University, Thailand), the sessions featured:

Dr. Siriporn Wajjwalku

Dean, Associate Professor, Faculty of Political Science/Department of International Relations, Thammasat University, Thailand

Ms. Woojin Jung

Senior Researcher, Korea Institute for Development Strategy

Mr. Go Shimada / Mr. Masahiro Tawa (absent)

Director, Research Program Division, JICA Research Institute / Senior Advisor to the Director General, Operations Strategy Department, JICA

Mr. Adrian Ng’asi / on behalf of **Dr. Michael Crosswell**

International Economist, Bureau for Policy, Planning, and Learning, Office of Donor Engagement, USAID / Senior Economist, Office of Policy, USAID



Dr. Siriporn Wajjwalku used case studies to discuss Thailand’s development cooperation approaches to pro-poor growth. She sought to analyze development cooperation’s contributions to pro-poor growth at the grassroots level, as well as the challenges faced in promoting such projects in rural areas. Beginning at the conceptual level by discussing donors’ potential niche roles in fostering pro-poor growth, Dr. Siriporn compared grassroots projects supported by a traditional donor (Japan) versus a non-traditional donor (Thailand). Factors impacting success and challenges for each project included the donors’ varied experiences, the capacity of local and community leaders, the participatory nature of the process, and realistic goal-setting.



Ms. Woojin Jung presented her paper entitled “Pro-Poor Aid Delivery: From Concept to Practice.” She examined what pro-poor aid delivery means, what dilemmas donors face, and what can be done to make aid more pro-poor. She used three levels of poverty reduction strategies to guide her analysis: “micro” (address local needs directly, such as through provision of food and water), “meso” (address community development via inclusive but indirect actions), and “macro” (create enabling environments). Ms. Jung conducted a case study of the Korea International Cooperation Agency (KOICA), highlighting an example of a project in Cambodia. She closed by presenting action plans that would support more effective application of Korea’s development cooperation programs in the areas of poverty reduction and pro-poor growth.



Mr. Go Shimada presented “inclusive and dynamic development” as JICA’s vision since the agency’s inception in its current form in 2008. He cited human security—defined as the condition of freedom from fear and want—and Japan’s own developmental experience as the foundation for JICA’s work. Given that industrialization characterized Japan’s growth trajectory, Japan’s approach to inclusive growth has focused on structural transformation for economic diversification and competition, including productive employment as a means to improve the lives of socially excluded groups, among other things. As many Asian countries share development patterns, Mr. Shimada pointed to South-South cooperation as a highly relevant tool for mutual learning, and welcomed recommendations for strengthening inclusiveness in JICA’s operations.



Mr. Adrian Ng'asi (on behalf of **Dr. Michael Crosswell**) discussed the role of inclusive growth in United States bilateral development assistance programs. The chapter described the evolution of U.S. approaches to inclusive growth and development cooperation, as well as outlined seven development objectives of the 2011 USAID Policy Framework. These include, among others, food security, global health, and sustainable and broad-based economic growth programs. The chapter and presentation also highlighted three major U.S. programs that target inclusive growth. The first, Feed the Future Initiative, is part of a larger international effort based on formal international agreement initiated in 2009 in L'Aquila, Italy. In addition, the initiative joins resources from ten U.S. agencies with programs aimed at reducing poverty, hunger, and malnutrition. The Millennium Challenge Account, which aims to reduce poverty through economic growth, funds country-led proposals via large-scale grants on a five-year compact. The newest initiative, the Partnership for Growth, was launched in 2010 in a few select countries, committing the U.S. government to elevate broad-based economic growth as a top priority based on a number of important principles to meet its objectives and goals.

Session discussion topics included: aid versus development effectiveness; the need for improved access to domestic value chains and financing mechanisms, particularly for rural development actors; domestic government responsibilities versus donor roles; donor niche areas (*e.g.*, local leadership development, local NGO support); various entry points for donors and their relative impact (*i.e.*, micro, meso, macro); the role of a country's historical development experience in its development cooperation approaches; limitations of donors and the importance of local actors; varying standards and visions for impact assessment; case study selection and research methodology; factors critical to project sustainability; evolving global partnerships; the relevance of infrastructure to the poor; conceptual definitions (*e.g.*, pro-poor growth, poverty reduction, human security); and the need to draw development effectiveness lessons over many decades of work.

FUTURE DIRECTIONS

KDI and The Asia Foundation are currently developing a program for a third year of the AADC dialogue series. These 2013 dialogues will examine climate change and low carbon development, highlighting Asian expertise, strategies, and development cooperation approaches and providing a forum for South-South knowledge exchange. Meetings will be held in Korea, Thailand, and Vietnam.



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