

ADB



THE NEW SOCIAL POLICY AGENDA IN ASIA

PROCEEDINGS OF THE MANILA SOCIAL FORUM

A JOINT PUBLICATION OF THE
ASIAN DEVELOPMENT BANK
AND
THE WORLD BANK

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The Strategy and Policy Department of the ADB and the Governance and Social Policy Department of the World Bank would be grateful to receive copies of any reviews or adaptations or translations into other languages.

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FIGHTING POVERTY UNITES

Foreword by: Tadao Chino, President of the Asian Development Bank

THE NEW SOCIAL POLICY AND POVERTY AGENDA IN ASIA

In the early 1970s, more than half the people of Asia¹ lived in extreme poverty, on average, Asians lived only 48 years, and six out of 10 could not read. Today, about a third of Asia's people live in dire poverty, average life expectancy is 65, and 70 percent are literate. And all this happened while the total population jumped from 1.8 billion to three billion. But the Asian miracle was not really sustainable. In many countries development has bypassed the poor. The Asian financial crisis and transition experiences brought vast socioeconomic changes that often reversed the social achievements of years before. These recent difficulties have underscored the sad reality of Asia's massive underclass, nearly one billion people left to toil, always hungry, and often sick.

What then is the new social policy and poverty reduction agenda arising from the Asian economic crisis and the transition experience? The East Asian and the transition countries have in common the need to stabilize the pace of social change in a period when they are facing sudden external (and internal) economic, social, political, and even cultural shocks. From a social perspective, globalization and transition share the same implications: a relatively well developed and comprehensive social system—one that was highly successful in the last 20 years in reducing poverty and improving human development for all—has come under tremendous financial and organizational pressures. Substantial social reforms are urgently needed to adapt those countries' social systems and make them more sustainable within new global trends. Such change can carry a bitter taste. In most countries, it means giving up long-established social privileges. There are many new losers in this globalization process: not only the children, the elderly, and the disadvantaged, but also the urban lower middle class and migration workers.

Development institutions such as the Asian Development Bank (ADB), the World Bank, the United Nations (UN) family, and bilateral donors have invested much money and designed many projects to address increasing unemployment and poverty arising out of the globalization process. Much of our common work has had positive and immediate results for the poor. But we have had to cope also with a lot of new challenges. It is time now to reflect on what the new social agenda for Asia is and how we can improve our responses to it. What are the best tools to address these challenges in a world facing increased international competition, and reduced public funds available for social development? In the face of sudden, deep-going, and long-lasting social shocks during the crisis and increasing problems at the interface between governance and poverty, how should central and local governments, and nongovernment organizations (NGOs) interact? What is then the new role of the private sector—is privatization of social services really improving their quality and with it access to the poor? The Asian crisis and transition experiences show that dependence on the private sector may have been premature. How to react to the new challenges of development finance and external assistance with increasing international competition, reduced public funding, and concentration of money in a smaller number of countries? These are some of the new concerns in development cooperation.

¹ The Manila Social Forum covered only those Asian countries directly affected by the Asian economic crisis 1996-1999 (Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand), as well as by transition (i.e., the five Central Asian Republics of Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan; the four countries in the Greater Mekong Subregion (Cambodia, the Lao People's Democratic Republic, Thailand, and Viet Nam), and the People's Republic of China). Southasia and the Pacific region were not covered in the discussion.

Good governance and more effective delivery of social and economic services for the poor are the center of the new social agenda for Asia. The challenge is to provide adequate structures for inclusive social development. To do so

- more emphasis needs to be given to urban poverty issues, and the interrelations between urban and rural impoverishment must be addressed. At the same time, in some countries such as the Philippines or parts of Central Asia, poverty is heavily rooted in structural weaknesses of the rural economy;
- targeted interventions are urgently needed for particularly vulnerable groups such as street children or unemployed youth;
- rather than merely increasing social allocations, the emphasis in the face of tighter budgets needs to be on rationalizing public social expenditures to better respond to the new social needs and make the social services delivery system more sustainable;
- to be more efficient and demand-driven, the state, private sector, local governments, and civil society need to assume new responsibilities for social protection and social services delivery;
- in the face of urbanization, changing age and family structures, and increased unemployment, informal and formal social safety nets in Southeast Asia, the People's Republic of China (PRC), and the transition economies can no longer provide through prior arrangements comprehensive social protection and insurance against risks and economic crises. Pension reform and health insurance, for example, are emerging as new areas of concern for such economies;
- intra-regional disparities are widening and poverty related tensions are increasing between and within the Asian countries; and
- the regional (multi-country) dimensions of the socioeconomic crisis and its impact on labor markets, remittances, regional health, and national and interregional migration need to be addressed.

Rationalizing social sector budgets; creating a more inclusive formal labor market system; building up new forms of social protection, including health and old age insurance; enhancing the responsibilities and means of local governments to promote social development; more critically assessing what the private sector can do and what it cannot do in the social sphere; and being more aware of the critical interface between governance and poverty. These are some of the topics that were the focus of the Manila Social Forum.

THE MANILA SOCIAL FORUM

From 9 to 12 November 1999, ADB in close cooperation with the World Bank held the Manila Social Forum at the ADB headquarters. The Manila Social Forum was not intended to be just another academic conference spouting dry theories. It was a meeting of practitioners from central and local governments, NGOs, and the private sector. About 250 high-level representatives (including seven ministers, 25 NGO representatives, 24 delegates from external assistance agencies and Organisation for Economic Co-operation and Development [OECD] countries, 41 World Bank staff including two Vice-Presidents, and more than 50 ADB colleagues including the entire senior management) discussed the new social policy agenda in Southeast, East, and Central Asia. Countries covered in the Forum were those whose social fabric is most directly affected by globalization (i.e., the five East Asian crisis countries) and by transition (i.e., from Central Asia, the Greater Mekong subregion [GMS], and the PRC).

The papers presented at the Forum were based on the countries' realities and implementation capacities. It was a refreshing experience to see what really works, and what does not. A highlight of the Forum was the *Meeting with the Filipino People*, that brought together with President Joseph Estrada and Cabinet members of the Philippines, a World Bank Vice-President and many senior staff, and the entire ADB senior management in Mandaluyong's *Garden of Hope* (*Hardin ng Pag-asa*).

The Forum revealed that some of the solutions that were taken for granted before the globalization process really took off in the mid-1990s need to be changed. For example: (i) with enterprise restructuring, divestiture of social and other assets, policies to increase wages and income, and the generation of new education-intensive jobs in the formal sector, labor market issues are gaining more relevance; (ii) social safety nets in Asia are responsive to crises. However, they are not inclusive enough and probably also not sustainable. There is a need for more public systems of risk aversion; (iii) in health and education, rationalizing social expenditures is the major concern. Decentralized service delivery and social expenditure systems was found to best protect against social sector budget cuts; (iv) whereas the private sector has limitations in delivering social services for all, corporate responsibilities can be explored more; (v) there must be increased responsibility for a transparent and well governed state, and increased emphasis on stakeholders such as local governments and NGOs. Also, international finance institutions need to strengthen their good governance activities; (vi) one of the long-term implications of the crisis and globalization process is the inherent contradictions between financial and economic incentives and social orientation. The complexity of infrastructure and agriculture investments need to be considered, and investments in these sectors need to be better linked to social sector and poverty alleviation activities in other sectors; and (vii) in the face of globalization, the private sector and governments are reallocating resources to short-term stabilization of the financial and banking sectors. As a result, necessary social and economic infrastructure investments are being neglected, and support for the real economy is redirected to short-term profit gaining sectors. In this context, multinational development banks may have a new role to address the long-term social and economic implications of the crisis and transition.

THE ADB POVERTY REDUCTION STRATEGY

As an institution whose purpose is the economic development of the region, ADB has always been concerned with poverty. Poverty has economic costs, reduces development potential, and increases inequity. In pursuing its development objectives of inclusive economic growth, equitable human development, and sustainable environment, ADB—in partnership with its clients, private sector, civil society and NGOs, and bilateral and multilateral institutions—has learned much about how to address the various dimensions of poverty.

In November 1999 the Board of Directors announced that poverty reduction shall be the overarching goal of the ADB. From 2001 onwards, all loan projects and all other activities of the ADB have to prove how they contribute to poverty reduction in a given country. With this poverty reduction focus, the hierarchy of ADB's development objectives has changed, and the project classification scheme was revised. Between 1993 and 2000, ADB classified its projects in five strategic development objectives (SDO), i.e., promoting growth, and committed itself to ensure at least 50 percent of its projects have development goals other than pure economic growth. From 2001 onwards, all projects will be redesigned to address the three pillars of the poverty reduction strategy: i.e., pro-poor growth projects, poverty and core poverty interventions, and good governance for poverty reduction. From then onwards, at least 40 percent of ADB public sector lending shall go to poverty and—by 2002—the percentage of core poverty intervention in the overall portfolio of ADB will substantially increase. This means, we will be doing more farm-to-market roads and fewer airports, more

rural health clinics and fewer big power plants. We will be looking for low-tech labor-intensive solutions for production and construction activities. We will be searching for new ways to provide protection when people or economies fall on hard times. And we will try to make all of our work in the social sectors more relevant to the needs of the disadvantaged.

To reduce poverty more effectively, we shall do more work direct with local communities and NGOs. We will also work more closely with the donor community. Donors provide support through finance, demonstration, and advice. But though aid agencies can do a great deal, the main responsibility for reducing poverty rests with countries themselves. That is why good governance is a centerpiece of ADB's new strategy. Good governance is critical to effective delivery of basic services to the poor. Good governance promotes sound management and stops corruption. Get rid of corruption and millions of people would be no longer poor. Corruption hurts the poor most. And it holds back economic development.

ADB will offer a mix of assistance to each country, depending on the specific causes of poverty, the country's and other assistance programs, the institutional setting, and ADB's comparative advantage. For example, where past performance in poverty reduction has been weak, and inequality is rising, the emphasis will be on governance and social development. Cross-cutting priorities such as participation, inclusion of vulnerable groups, promoting gender equity, private sector development, environmental sustainability, and good governance and equitable development will be highlighted in the project designs. In countries where essential reforms have been undertaken, growth-oriented investments will reduce poverty. In each country, the mix and nature of projects will be shaped by a participatory poverty analysis. This will ensure that ADB tackles actual constraints and opportunities for poverty reduction and not merely symptoms.

ADB has a new role if these efforts are to be successful. And this role goes beyond providing funds and financing projects or even financing the poor. Implementing the poverty reduction strategy is the mandate of everybody in ADB on the country programming side, project level, and with regard to cross-cutting dimensions and poverty analysis. The partnership agreement will help ensure that only those projects will be selected that promise the biggest return in terms of poverty reduction. To target the poor as beneficiaries and create a sustainable environment for structurally addressing poverty, the intra-sectoral and macro-linkages of the project will also be considered.

WORKING TOGETHER IN THE INTERESTS OF ASIA'S POOR

The complexity of poverty, the limited resources available, and the need for developing countries to best use the relatively expensive money they get from our loans, all this calls for more cooperation and more options and choices. The topic of poverty reduction and social development, it seems, brings together people with a sincere aim for change.

The Manila Social Forum has seen ADB and the World Bank make a great effort to jointly work with their partners to forge a new social agenda for Asia. It was also a good example of close cooperation between the two institutions, which share the same concerns of sustainable and inclusive development as well as the overarching aim of poverty reduction. We are learning more and more that we need each other to implement this goal, because addressing poverty is much more difficult than promoting economic and environmentally friendly growth through infrastructure, finance and agricultural investment, human development, poverty and improving social development in Asia.

The World Bank has proposed a comprehensive development framework. We support this approach and have already agreed on the Kyrgyz Republic and Viet Nam as the two pilot countries. However, there are also areas of social development where different institutions have different comparative advantages, and where the developing country

governments have good reasons to choose between different offers of support. For example, in Central Asia, ADB and the World Bank have a good cooperation agreement based on the former's long-standing experience in education and the latter's in health.

FROM COOPERATION TO OPERATION

Setting the right strategic focus, attracting support from our partners in the developing and the OECD world as well as the private sector and civil society, and working closely together as two independent institutions, each of which brings its own comparative advantages, are a good starting point for success. However, the challenge is now to operationalize our commitment towards the new social policy and poverty agenda in Asia.

We have to make sure that we do not apply a "one size fits all" approach to poverty reduction. Countries differ in their needs, and so do social groups. The urban poor in Mongolia are very different from the urban poor of, say, Manila. We have to find new ways to maximize the impact of our loans. After all, that is what will count, not conferences or forums. Like all institutions and people, ADB has limited resources. In the face of economic realities and as poverty becomes more complex in the context of globalization and transition, we need new creative and workable ideas to design good projects. Not every project in which the poor are beneficiaries is a good project when it comes to sustainable poverty reduction. And likewise, non-targeted economic growth projects with trickle down effects to the poor can have substantial poverty reduction impact if a more structural approach is taken. Combating poverty is a challenge bigger than simply building roads and power plants. We cannot afford duplications, redundancies, and conflicts in our work. That is, why I would like to emphasize the need for even more cooperation between the two banks, but even more so with all of you.

ADB is situated in Manila. From my window I can see the high-rise skyline of Makati and the squatter area of Mandaluyong. I can see a waste dump, a rice field, and a park. What a city of extremes, like most in Asia—with a few rich people, some ordinary folks, and a lot of poor people living in squalor. Outside the city, there can be found more of the underprivileged. And outside the Philippines, we would find the tragedy of poverty repeated many times over.

Altogether 900 million Asians live on less than a dollar a day, less indeed than the price of a cup of coffee in a restaurant many of us might visit daily. These people have missed out on Asia's boom years. Their plight is simply unacceptable. We can get rid of this scourge. We need to give hope to them, by listening to them, by giving them opportunities, and by empowering them to help themselves. This is what development is all about. It is what drives the development assistance of ADB and the World Bank.

ACKNOWLEDGMENTS

This book is about partnership, and a rededication of the development community to the new social agenda for East Asia for the 21st century. It reflects an important common effort of ADB and the World Bank to join forces and work closely together to meet the challenges for human development that face Asia today.

The crisis that struck Asia in 1997 has proved even more a social than a financial emergency. While Asia is clearly on a road to economic recovery, the social consequences are still unfolding, with serious implications for poverty and governance. The crisis affected virtually every aspect of life, with particularly negative effects for human potential in the short and long terms. Workers left without jobs, fathers and mothers unable to feed their children, and children dropping out of school illustrate this drama. As formal and informal safety nets proved insufficient, social exclusion and violence has increased, with particularly grave consequences for the vulnerable and for poor communities.

Asian countries may well emerge from the crisis with a renewed commitment and greater capacity to fight poverty through more effective social policies. Thus, the challenges of the last three years present an opportunity to reflect on fundamental development policies and introduce strategic reforms in the region to consider the needs of a new social policy agenda. As growth resumes, Asia can shift its development paradigm towards socially inclusive equitable growth, human development, and participatory governance for sustainable poverty reduction.

To address the social challenges that confronted Asia as a result of the crisis, the World Bank, with strong support from ADB, in January 1999 organized a meeting in Bangkok. The Bangkok conference was seen as the first of a regular series to address the social impact of the Asian crisis. We can see now, more than a year later, that the social impact of the crisis has proved less devastating than it appeared when the Bangkok process was launched. However, the discussions in early 1999 did highlight the human significance of the crisis impact and the need to learn lessons from the experience. More important, it underscored the challenge to the complex development partnerships in responding to a new and demanding agenda to put social issues and the battle against poverty back squarely at the center of Asia's development agenda.

Ten months later, the two institutions, this time with ADB in the lead, organized the Manila Social Forum. As a meeting of practitioners who know realities on the ground, the Forum addressed a wide range of topics such as inclusive labor markets, rationalizing social public expenditure through decentralization of social services, the role of the private sector in job creation, governance and poverty, the new challenge of urban poverty, and building up proactive social safety nets. The Forum made abundantly clear that some of the presumptions and paradigms accepted as axiomatic before the globalization process really took off in the mid-1990s need to be changed. It stimulated new thinking on the Asian social agenda coinciding with the beginning of the new millennium.

The Manila Social Forum brought together about 250 people from all sectors of society (high-ranking members of governments, civil society, and the private sector, as well as from academia and international donors). They engaged in an active dialogue to help elaborate a new social policy agenda for the region. The importance of the institutional partnership between the World Bank and ADB is indicated by the active involvement of the senior management of these institutions. These included all three Vice-Presidents and President Tadao Chino of ADB, while the Washington-based World Bank brought to Manila practically

its whole East Asia management staff, including two Vice-Presidents, various country directors, and sector managers. ADB and World Bank also jointly established a web site to support the event. A particularly moving highlight of the Forum was the *Meeting with the Filipino People*, together with President Estrada and many Cabinet members of the Philippines in Mandaluyong's *Garden of Hope*.

Compiling the Manila Social Forum proceedings, this publication offers another example of the two organizations' firm commitment to contribute in partnership to development and poverty reduction in the region. It is also an example of good collaboration and commitment of staff. Above all, we acknowledge the work of Katherine Marshall (Director, Social Policy and Governance, the World Bank) and her staff team (John Clark, Kathrin Plangemann, Louis-Charles Viossat, and Sonya Woo), and particularly Armin Bauer (Economist, Social Development, ADB) with his consultant team and secretariat (John Blomquist, Adel Burgos, and Zuleikha Mulsid as well as Eric Ambata, Graham Dwyer, Jhoanna Gaviño, and Clarisse Molina) in organizing the Manila Social Forum and putting together this publication. The proceedings will be published in two volumes with ADB taking the lead on the first book. The second publication (on Social Safety Nets) is scheduled for distribution in 2001.

It is a fundamental part of our mission to work together to ensure that our efforts are complementary and, individually and collectively, support and enrich the development agenda for the peoples of Asia. We hope that this publication will help policymakers in the Asian and Pacific region address these new social policy challenges. And we also hope that the remarkable human development achievements of the last two decades cannot merely be preserved, but serve as an impetus for stronger socially and economically sustainable development at the beginning of the new millennium.

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ACRONYMS AND ABBREVIATIONS

ADB	-	Asian Development Bank
AIDS	-	acquired immune deficiency syndrome
AMC	-	Asset Management Corporation
APEC	-	Asia Pacific Economic Cooperation
ARC	-	Agrarian Reform Community
ASEAN	-	Association of Southeast Asian Nations
ASEM	-	Asia-Europe Meeting
CARP	-	Comprehensive Agrarian Reform Programme (Philippines)
CDF	-	Comprehensive Development Framework
CU	-	credit union
DAR	-	Department of Agrarian Reform (Philippines)
DENR	-	Department of Environment and National Resources (Philippines)
DMC	-	developing member countries (of ADB)
DSWD	-	Department of Social Welfare and Development (Philippines)
ESCAP	-	Economic and Social Commission for Asia and the Pacific
EU	-	European Union
FCSCU	-	Financial Company for Support and Development
GDP	-	gross domestic product
GMS	-	Greater Mekong subregion
ha	-	hectare
HDI	-	Human Development Index
HIV	-	human immunodeficiency virus
HOMENET	-	International Network of Homeworkers
IBRD	-	International Bank for Reconstruction and Development
IDA	-	International Development Association
ILO	-	International Labour Organization
IMF	-	International Monetary Fund
IRA	-	Internal Revenue Allotment
JBIC	-	Japan Bank for International Cooperation
km	-	kilometers
Lao PDR	-	Lao People's Democratic Republic
LTCM	-	Long-Term Capital Management
MBN	-	minimum basic needs
MODE, Inc.	-	Management and Organizational Development for Empowerment
MOH	-	Ministry of Health

MRH	-	maternal rest homes (Mongolia)
NAPC	-	National Anti-Poverty Commission (Philippines)
NBKR	-	National Bank of the Kyrgyz Republic
NEDA	-	National Economic Development Authority (Philippines)
NGO	-	nongovernment organization
ODA	-	official development assistance
OECD	-	Organisation for Economic Co-operation and Development
PO	-	People's Organization
PRC	-	People's Republic of China
RGC	-	Royal Government of Cambodia
SDO	-	strategic development objective
SHG	-	self-help group
SME	-	small and medium enterprises
SP	-	social protection
SOE	-	state-owned enterprise
SRM	-	social risk management
SSE	-	social services expenditure
UCDO	-	Urban Community Development Office (Thailand)
UN	-	United Nations
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organization
UNFPA	-	United Nations Population Fund
UNICEF	-	United Nations Children's Fund
WHO	-	World Health Organization

Note: "\$" means US dollar, unless otherwise stated.

CURRENCY EQUIVALENTS

(AS OF 4 AUGUST 2000)

Country	Currency	\$ Equivalent
Australia	Australian Dollar	\$1 = A\$1.7
Cambodia	Riel	\$1 = KR3,772
China, People's Republic of	Renminbi	\$1 = Y8.3
European Euro	Euro	\$1 = EUR1.09
Indonesia	Rupiah	\$1 = Rp8,772
Japan	Yen	\$1 = ¥108.7
Kazakhstan	Tenge	\$1 = T141
Korea, Republic of	Won	\$1 = W1,116
Kyrgyz Republic	Som	\$1 = Som46.7
Lao, People's Democratic Republic of	Kip	\$1 = KN7,600
Malaysia	Ringgit	\$1 = RM3.8
Mongolia	Tugrik	\$1 = Tugrik1,033
Philippines	Peso	\$1 = P44.7
Tajikistan	Tajik Ruble	\$1 = TJR899.4
Thailand	Baht	\$1 = B40.8
United Kingdom	Pound	\$1 = £0.67
Uzbekistan	Sum	\$1 = SUM251.0
Viet Nam	Dong	\$1 = D14,090

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