

**NEAT Working Group
on East Asian Poverty Reduction**

**Report
(Final)**

Beijing, China

10 July 2015

Introduction

The NEAT Working Group Meeting on East Asian Poverty Reduction sponsored by NEAT China was held in Beijing on 10 July 2015. Twenty five scholars from 11 of the ASEAN+3 countries participated in the meeting. Brunei and Vietnam were absent.

The theme of this Working Group Meeting is “Enhancing Regional Cooperation on Poverty Reduction in the Context of post-2015 Development Agenda”. Poverty is usually measured as either absolute or relative, with the former characterized by severe deprivation of basic human needs while the latter being an index of income inequality. Although East Asia has seen the most impressive reduction in absolute poverty during the last two decades, poverty remains a major obstacle toward a region of prosperity. According to World Bank, about 350 million people in Southeast Asia, almost 44% of the world’s poor, still live in absolute poverty. And the income inequality in East Asia rose by over 20 percent in the past 20 years, which has aggregated the imbalance in economic development within and between the regional economies.

The NEAT Working Group on East Asian Poverty Reduction is oriented towards three specific goals. First, share information and expertise. Second, examine existing regional cooperation mechanisms and practices against the backdrop of the forthcoming post-2015 Development Agenda. The purpose is to build on the achievements of the past and find out the challenges in advancing the agenda. Third, produce practical and specific policy recommendations on poverty reduction and sustainable development.

The Working Group Meeting consists an opening session, 3 discussion sessions and a wrap-up session. The three discussion sessions focus on the following topics:

1. Poverty reduction in East Asia: experiences and lessons
2. Regional cooperation on poverty reduction: progress and challenges
3. Policy recommendations: ideas, institutions and practices

The following parts attempt to summarize the presentations and discussions of all sessions with a highlight on policy recommendations.

I. Country-specific experiences and lessons

Despite its stellar economic growth and rapid social progress, East Asia as a whole still faces the challenge of poverty alleviation. For regional countries, although the nature of their poverty and the extent of their poverty rates are not comparable, their experiences—“War on Poverty”—can be shared.

China's achievements in poverty reduction have been well recognized by the world, especially in the reduction of the rural poverty, the improvement of rural infrastructure and social undertakings, and intra-county economic development. China's successful experiences include capacity-building of the poor, leading role of the governments at all levels, social participation, social security building, and the development-oriented programs. Despite the progress, problems and challenges also loom large, for instance, the huge size of poor population, regional imbalance, wealth gap, and catastrophic natural disasters, etc. In the coming five years, China is going to carry out a set of new policies featuring accurate targeting, database building, monitoring and evaluation, etc.

Indonesia has made remarkable achievements in economic development and poverty reduction. Lessons learnt from the experiences are as follows. First, poverty reduction should always be a government priority in improving social welfare of the people. Second, poverty reduction requires promoting rapid economic growth. Third, encouraging entrepreneurship serves as one of the strategic ways to foster wide participation of people in all economic activities, which is of great importance to economic growth with quality. Fourth, essential efforts to drive entrepreneurship include providing better infrastructure and embracing entrepreneurship education from primary school to university.

In Malaysia, the incidence of poverty has declined from 50% in 1970 to 0.6% in 2014, due to the implementation of five strategies such as economic growth through New Economic Policy, large poverty reduction expenditure, rural development, education and employment promotion, and expansion of social policies and programs. Income inequality or relative poverty has become a big challenge for sustainable development and hence the focus of the government's policy-making.

Poverty reduction is at the top of the agenda of the government, private sector and NGOs in Myanmar. The private sector is expected to play an increasingly important role in poverty reduction. The participation of private sector can benefit the poor as producers, consumers and workers. Poverty reduction in Myanmar may be achieved through international cooperation.

Cambodia has experienced a certain degree of poverty reduction ever since 1990. Key factors influencing poverty in Cambodia include economic growth, labor productive gap between agricultural sector and non-agricultural sector, education, health services, water and sanitation. In order to help the poorest in rural areas, Cambodian government has taken a series of important measures such as initiating the Identification of Poor Household Program and National Social Protection Scheme, creating more jobs through encouraging more international and domestic investment, strengthening secondary education, and providing technical vocational training.

In the Philippines, poverty situation has been improved though not significantly.

Despite economic growth in recent years, income inequality and regional disparity have continued to persist. There are many contributory factors to this trend including vulnerability to shocks, low level of education among the poor, lack of productive jobs even among the highly educated, less access to credit, low budget and poor targeting system as well as lack of sustainability of government programs, and logistical challenges. Measures have been taken to address the problems such as the implementation of various social protection programs including the Conditional Cash Transfer program, K to 12 Basic Education program and agricultural insurance program tied with credit, and good governance initiatives of the government, among others.

Absolute poverty rate of the ROK is very low thanks to the rapid economic growth and successful policy instruments such as heavy investment in human and physical capital, effective family-planning policies and systematic social safety nets. However, relative poverty rate has been on the rise since 1997. Challenges remain significant in terms of the increase in the working poor, low fertility and aging population, and family structure. Hence, policies and measures at 4 levels deserve high attention, namely, continuous economic growth, expansion of public assistance, promotion of the motivation to work, and education and job-skill training.

Singapore's poverty problem is basically relative poverty. Singapore's approach to poverty reduction features strong emphasis on eradicating the root causes of poverty, which involves maintaining continuing economic growth and full employment on one hand, and supporting human resources development through education and training on the other. The government has developed such bare minimum social security provisions as public housing for 80% of the population and enrollment of all workers into compulsory pension scheme.

Lao PDR suffers 27.6% poverty rate and increasing income inequality. Poverty reduction is its primary objective. Practical measures have been taken by the government, among which the establishment of Poverty Reduction Fund and the National Committee for Rural Development and Poverty Eradication is of great significance. Progress has been made in reducing poverty rate and improving infrastructures in rural areas.

II. International and regional cooperation: progress and achievements

Poverty reduction in East Asia has been and will be guided by ideas developed by the United Nations (UN), the Millennium Development Goals (MDGs) in the past 15 years and the Sustainable Development Goals (SDGs) in the coming 15 years. Cooperation on poverty reduction in East Asia falls into two categories, namely, international cooperation led and promoted by international institutions such as the UN, the World Bank Group (WB) and the Asian Development Bank (ADB), and

regional cooperation with ASEAN-centrality. Progress has been achieved through multi-tiered mechanisms in absolute poverty reduction, rural infrastructure construction, agricultural productivity, and human resources development.

1. The UN and the Post-2015 Development Agenda: from MDGs to SDGs

The UN plays a key role in international cooperation on poverty reduction. The Millennium Development Goals (MDGs) were established in 2000, including eight anti-poverty targets to be accomplished by 2015. Since then, enormous progress has been made. According to the UN report, global poverty continues to decline; more children than ever are attending primary school; child deaths have dropped dramatically; access to safe drinking water has been greatly expanded; and targeted investments in fighting malaria, AIDS and tuberculosis have saved millions of lives.

The MDGs have helped end poverty for some, but not all. The Sustainable Development Goals (SDGs) as the core of a new sustainable development agenda must finish the job and achieve the goal of a life with dignity by 2030. The SDGs consists of 6 parts:

- dignity: to end poverty and fight inequality;
- prosperity: to grow a strong, inclusive and transformative economy;
- justice: to promote safe and peaceful societies, and strong institutions;
- partnership: to catalyse global solidarity for sustainable development;
- planet: to protect our ecosystems for all societies and our children; and
- people: to ensure healthy lives, knowledge and the inclusion of women and children.

In sum, the SDGs are to end poverty, transform lives and at the same time protect the planet.

2. International and regional cooperation promoted by the WB and the ADB

The goal of the World Bank in East Asia to “end extreme poverty within a generation” and to realize “common prosperity”. It has built partnership with regional countries in promoting inclusiveness and empowerment, employment and private sector-driven economic growth, governance and mechanism, infrastructure facilities and urbanization, climate change and disaster management. By the end of 2014, the WB had provided a total of US\$35.79 billion in interest-free loan and grant to the poorest countries and middle-income countries in East Asia. These funds facilitated the implementation of nearly 30 poverty-reduction programs.

Since 1999, the ADB has prioritized “reducing poverty” in its work, promoting pro-poor inclusive growth, environmentally sustainable growth and regional integration. The ADB’s Long-term Strategic Framework (2008-2020) focuses on infrastructure, environment (including climate change), regional cooperation and integration, financial sector development and education. It has committed US\$47

billion to infrastructure projects in transport, energy, water, sanitation and rural community in the Asia Pacific.

3. Regional cooperation with ASEAN centrality

ASEAN has played a leading role in East Asian cooperation in poverty reduction, especially in building institutions and making initiatives. In 1997, the Senior Officials Meeting (SOMRDPE) and Ministers Meeting (AMRDPE) on ASEAN Rural Development and Poverty Eradication were set up and the Framework Action Plan on the ASEAN Rural Development and Poverty Eradication was developed, identifying the cooperation targets and priority areas in ASEAN's poverty eradication, rural prosperity and development promotion. So far, ASEAN has implemented two 6-year Framework Action Plans on the ASEAN Rural Development and Poverty Eradication. And the framework for cooperation from 2016 to 2020 is under development. Besides rural poverty reduction, narrowing the development gap has also been prioritized in the building of ASEAN Community. The Initiative for ASEAN Integration (IAI) was adopted in 2000.

Since 2007, poverty reduction has been an important area for cooperation among ASEAN Plus Three (APT) countries. Established in 2008, APT Senior Officials Meeting on Rural Development and Poverty Eradication convenes annually and serves as a crucial platform for experience- and knowledge-sharing. At the same time, various initiatives and programs have promoted human resource development and capacity building. In recent years, reducing poverty and narrowing development gap have become priorities in APT cooperation. China proposed "the Initiative for Poverty Reduction Cooperation in East Asia" at the 17th APT Summit on 13 November 2014, which is expected to give a fresh impetus to the regional cooperation on poverty reduction.

In their respective partnership with ASEAN, China, Japan and ROK have made great efforts in eliminating poverty and narrowing development gap. The China-ASEAN Forum on Social Development and Poverty Reduction has become an institutionalized platform for sharing experiences in poverty reduction and development. The China-ASEAN Action Plan on Comprehensive Food Productivity Enhancement and China-ASEAN Plan on Advancing Rural Development have promoted agricultural infrastructure construction, comprehensive agricultural development, and ASEAN human resources development. China has trained nearly 400 ASEAN government officials in 28 workshop sessions on poverty-reduction in the past 10 years. Between January 2000 and May 2015, Japan International Cooperation Agency provided a total ODA of about 81.5 billion yen to help Vietnam, Cambodia, Laos and Myanmar carry out 119 programs under the framework of IAI. In 2006, a US\$70 million Japan-ASEAN Integration Fund was set up to support the economic integration of ASEAN. The Japan-Mekong River Cooperation 2012 Tokyo Strategy pledged an ODA of 600 billion yen and outlined three pillars for promoting the industrialization

process and people's livelihood in the Greater Mekong sub-region. From 2003 to 2007, the ROK provided about US\$5 million ODA to ASEAN for the implementation of IAI. In 2009, the ROK promised to double its official development assistance to ASEAN by 2015, and to enhance its sharing of economic and social development experience with ASEAN by sending more volunteers. The ROK has also helped narrow information gap in ASEAN.

III. Poverty-reduction in the context of the post-2015 Development Agenda: problems and challenges

Despite the achievements and progress, regional cooperation in poverty reduction remains a daunting task for the long-term goal of building an East Asian community. In the context of the post-2015 Development Agenda, regional cooperation in poverty reduction has to deal with both existing problems and new challenges in sustainability, financing, institutionalization and coordination.

1. Sustainability

Sustainability is a major challenge in regional cooperation on poverty reduction. The post-2015 Development Agenda affirms the links between poverty reduction and sustainable development. It requires that growth should reduce poverty and inequality while also protecting the eco-system, and that institutions should be more resilient to shocks and better able to maintain the progress they have made.

In East Asian cooperation on poverty reduction, the investment in sustainable development has been inadequate. Capacity building has yet to be prioritized. For instance, APT cooperation in human resources development, especially in skill and vocational-training, is project-based rather than institutionalized. Many cooperative projects, especially agricultural technology demonstration projects, lose momentum once the technical experts of the aid-providing countries are withdrawn. Poor infrastructure in many parts of the region is also a major obstacle toward sustainable development.

Increasing non-traditional security threats pose a serious challenge to poverty reduction and sustainable development, to which the poor are the most vulnerable. Conflict, natural disasters, climate change and environmental crisis can strip away decades of development gains. The 2007-08 Asian financial crisis increased the number of the poor in 23 Asian developing countries by 21 million in 2010. The 2007-08 world food crisis forced over 100 million people back to starvation and increased the number of hungry people in Asia to 526 million. Besides, many of those who have escaped poverty remain vulnerable to quickly slipping back when faced with a major setback to their health, assets or employment prospects. Therefore, capacity and resilience building of individuals and institutions in mitigating

non-traditional security risks is extremely important.

2. Funding and financing

There is huge deficiency in funding for poverty reduction and sustainable development. According to the Asia Development Bank (ADB), there is at least an annual demand for US\$8 trillion for infrastructure development in Asia, while the official assistance is far from enough. Moreover, SDGs are broader than MDGs and the realization of the latter needs the paradigm shift of development finance from official development assistance to multi-channel financing which attaches much greater importance to private resources and other new factors. For example, although official development assistance is still a main resource for infrastructure construction, the private investment, domestic resources and emerging economies and their initiatives are becoming increasingly important for development cooperation.

3. Institutionalization

A higher-level framework for institutional cooperation that can mobilize multiple actors and work for substantive result is yet to be put in place. At present, the APT cooperation on poverty reduction is at the Senior Officials Meeting (SOM) level and based on projects. The SOM takes place annually for experience- and expertise-sharing. Projects are of different themes and varieties and lacks synergy or integration, which have significantly reduced the effect of cooperation. Moreover, there is no information-sharing network that can release, monitor and analyze the poverty data and poverty reduction policies in the region. Therefore, institutionalization is needed for APT countries to conduct practical consultation and taking substantial actions for poverty reduction.

4. Coordination

How to involve and coordinate the participation of all parties and stakeholders is a major challenge for APT cooperation on poverty reduction. In the ongoing regional cooperation, governments and ODA still play the main role while the participation of other actors remains far from enough or effective. Some projects or programs, because of the lack of social or market participation, failed to achieve the desired goals. Besides, there is neither regular coordination among existing cooperation frameworks and mechanisms nor policy coordination among regional countries, which sometimes can lead to a waste of resources or seriously affect the effectiveness and efficiency in poverty reduction cooperation. So on the one hand, the resources for poverty reduction are still limited; on the other, it is not rare to see the overlap and duplication of poverty-reduction projects.

In addition, how the emerging factors and actors should be harmonized with the existing international framework of development is another challenge in future

cooperation. Emerging economies are already key players in international development. They are also providers of financial resources. And a huge amount of money is needed for infrastructure in the region for poverty reduction and sustainable development. The Asian Infrastructure Investment Bank (AIIB) initiated by China is a useful additional source for infrastructure improvement. But how the existing institutions are going to coordinate with the AIIB, especially in terms of the loan conditions, is a question.

IV. Policy recommendations: sustainability, integrity and capability

In the context of the post-2015 Development Agenda, East Asian regional cooperation in poverty reduction shall not only eliminate absolute poverty, narrow development gap and promote economic growth, but also incorporate the new notions of sustainable development so as to achieve comprehensive and balanced goals of economic development, social justice, environmental protection and good governance.

In order to achieve these goals, regional cooperation on poverty reduction should be inclusive, recipient-oriented, and pragmatic. Inclusive means both absolute and relative poverty should be reduced. Inclusive also means more social or market participation in reducing absolute as well as relative poverty. Recipient-oriented means that cooperation programs should be customized to meet different conditions, development levels and models. Pragmatic means efforts should be made to produce tangible benefits out of poverty reduction projects to increase effectiveness and efficiency of cooperation.

Based on the past experiences and new challenges, the following policy proposals are made to achieve the above-mentioned goals, which attach great importance to sustainability, integrity and capability-building in regional cooperation on poverty reduction.

1. Further institutionalize APT cooperation on poverty reduction.

- **Establish an APT Ministers Meeting on poverty reduction.** An APT Ministers Meeting on poverty reduction should be established, which shall be held at least once a year as the major mechanism for policy coordination and decision-making in regional cooperation on poverty reduction. In order to give full play to the Meeting, supporting mechanisms should also be put in place as soon as possible.
- **Develop a post-2015 Action Plan for APT Poverty Reduction Cooperation.** Being in line with the post-2015 Development Agenda and aiming at the SDGs in the region, the Plan should identify specific goals, strategic roadmap, priority areas, timetables and implementing measures regional cooperation on

poverty reduction and sustainable development for the 2016-2030 period.

- **Set up an APT Task Force for poverty reduction.** An APT Task Force should be set up at an early date to conduct joint study and to provide intellectual support for official cooperation. The Task Force composed of leading experts from APT countries shall carry out relevant research by phases according to the Action Plan and report to the Ministers Meeting.

2. Innovate financing models and integrate emerging sources and actors.

- **Realize paradigm shift of development finance from official development assistance to multi-channel financing.** Great importance shall be attached to private investment, domestic resources and emerging economies and their initiatives. Although official development assistance is still a main resource for financing poverty reduction and sustainable development, it is important to leverage and catalyze private flows and domestic resources.
- **Explore the feasibility of establishing an APT Development Fund.** One option can be making good use of the APT Cooperation Fund. The Development Fund can be used for regional cooperation projects on poverty reduction and sustainable development.
- **Promote the coordination among relevant international institutions in regional infrastructure development,** for instance, the Global Infrastructure Facility of the WB, the ADB and the AIIB.

3. Build development partnership and integrate regional efforts in poverty reduction.

- **Build effective and interactive public-private cooperative partnership (PPP).** Encourage extensive participation of public and private sectors, civil society, and non-governmental organizations in regional poverty reduction and development projects.
- **Nurture a win-win development culture** between the donors and beneficiaries under multilateral governance frameworks.
- **Develop regional network among development and poverty reduction agencies with national focal points.** Regional networking should be built and strengthened with a view to better coordinating and allocating resources and practices under various mechanisms.
- **Set up an APT Forum for Social Development and Poverty Reduction.** The Forum should bring all parties concerned and convene annually to share experience and exchange views on further promoting poverty reduction and sustainable development.
- **Set up a database for ASEAN+3 poverty reduction,** where regional countries can constantly update information, release policies and track the process of poverty reduction at national and regional levels. Updated information and accurate data is very important for planning and

policy-making in poverty reduction.

4. Strengthen capability-building through education, training and pilot projects.

- **Further promote regional cooperation on education and training, especially vocational-education and skill-training.** Such training and education programs should be regularized, well planned and guaranteed by regional cooperation fund. Sustainable and inclusive development in the region cannot be achieved without the capability-building of the poor population.
- **Further promote higher education in sustainable development to build intellectual reserve for long-term regional cooperation and community building.** The advanced economies in the region shall provide scholarships and degree programs concerning poverty reduction and sustainable development to less developed ones. The degree programs for poverty reduction and sustainable development should, among other, include course in entrepreneurship.
- **Carry out village-level pilot projects.** Rural poverty reduction is a major challenge for most regional countries. At the 17th APT Summit in 2014, China promised to fund Village-level Demonstration Program for Cooperation on Poverty Reduction. Such programs have been proven effective in China's domestic practice, which have improved the basic infrastructure of villages and hence equipped the villagers with basic capabilities and conditions for development. Village-level pilot or demonstration projects should be developed and supported by regional countries to lift a large number of our people out of absolute poverty, and prepare them for sustainable development.

Conclusion

The year 2015 will witness the declaration of the establishment of ASEAN Community, and the world embarking on the ambitious post-2015 Development Agenda process. At this critical juncture, it is essential and pressing for East Asian countries to get thoughts into shape and take actions to strengthen regional cooperation on poverty reduction. Poverty will never end for both developing and developed countries. APT countries should further consolidate political will, increase investment, and make integrated efforts to build a region oriented toward prosperity, good governance and sustainable development.

Appendix: List of Participants of the NEAT Working Group Meeting on East Asian Poverty Reduction

List of Participants

Cambodia

Poch Sovanndy

Deputy Director General of Planning, Ministry of Planning, Cambodia

Indonesia

Paulus Kindangen

Professor, Faculty of Economics and Business, Sam Ratulangi University

Carolus Paulus Paruntu

Associate Professor, Chairman of the ASEAN Study Center

Sam Ratulangi University

Japan

Juichi Inada

Professor, Senshu University

Korea, the Republic of

Hyung-Jai Choi

Associate Professor of Economics, Korea University

Laos

Sonexay Vannaxay

Deputy Director General, Institute of Foreign Affairs

Malaysia

Muhammed Bin Abdul Khalid

Director of Research, Khazanah Research Institute

Myanmar

Thuta Aung

Senior Research Fellow

Myanmar Institute for Strategic and International Studies (ISIS)

Philippines

Christian Mina

Supervising Research Specialist

Philippine Institute for Development Studies (PIDS)

Singapore

John Wong

Professorial Fellow, East Asian Institute

National University of Singapore (EAI, NUS)

Thailand

Piyapong Boossabong

Lecturer, College of Politics and Governance, Mahasarakham University

Vietnam

Nguyen Thuy Minh

Researcher, Diplomatic Academy of Vietnam

China

Wei Ling

Professor of International Studies, Director, Institute of Asian Studies, CFAU

Li Xin

Director, Division of International Exchanges

International Poverty Reduction Center in China

Liu Yonggong

Professor, College of Humanities and Development
China Agricultural University

Xu Jin

Program Officer, Division of International Exchanges
International Poverty Reduction Center in China

Ji Ling

Deputy Director, Institute of Asian Studies, CFAU

Guo Yanjun

Associate Professor of International Studies
Deputy Director, Institute of Asian Studies, CFAU

Cui Haining

Associate Professor, Institute of Asian Studies, CFAU

Han Zhili

Associate Professor, Institute of Asian Studies, CFAU

Li Fujian

Research Fellow, Institute of Asian Studies, CFAU