

**Chairman's Summary of the Second Asian Development Forum**  
**By Takehiko Nakao, Director General, International Bureau, Ministry of Finance**  
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**Acknowledgement**

This second Asian Development Forum deepened discussions on topics taken up at the first Forum which was held in Seoul last November, and discussed new issues. It was a very fruitful meeting. I thank representatives and development experts from 15 countries in and outside of Asia and 3 international organizations (the Asian Development Bank, the World Bank and the African Center for Economic Transformation) for gathering in Tokyo and participating in an active exchange of views, only less than three months after the serious disaster in Japan.

**Session 1: Sharing Asian experiences of economic transformation and the role of ODA**

At this forum, participants reviewed “Asia’s economic development” and examined the development processes. They also shared their countries’ experiences regarding the role of ODA in development and discussed common threads of effective use of ODA.

First, they noted that many Asian countries have developed from low-income countries to middle-income countries or above within only a few decades and have become important development partners for other developing countries. They discussed factors behind such rapid development, including: (1) an open trading system and outward-looking policies, (2) disciplines in macroeconomic policy, (3) institutional strength including an efficient, capable government sector, (4) giving high priority to education, and (5) country ownership in development policy. Regarding the open trading system, participants emphasized that the development of production networks linking Asian industrial clusters and the integration with the world economy have played a key role.

Second, participants agreed that bilateral and multilateral ODA have contributed crucially to Asia’s development. Regarding the role of ODA, in addition to the route for transferring aid money directly to the poor, they stressed the importance of the route in which ODA accelerated economic growth and reduced poverty in recipient countries. ODA supported infrastructure development and technology transfers, thus improved business environment, promoted direct investment and private sector development, and brought about broad-based economic development.

Third, participants noted the importance of making use of ODA consistent with national and sectoral plans implemented under development strategies of recipient countries. They also noted that capacity building, sound institutions and policy environments in recipient countries

were the keys in making aid work effectively.

Fourth, participants noted that for improving aid effectiveness it is equally important to secure the coherence of wide-ranging policies on the side of ODA donor countries. For example, in tandem with ODA, aid providers should promote flows of private-sector resources such as direct investment to recipient countries and should maintain open trade policies for exports from recipient countries.

Fifth, some participants noted that Asian countries had common features and values behind their development. Some others noted that differences among Asian countries were also substantial, and that successful development processes, including those of industrial countries' past experiences, had many common features anyway, rather than Asian experiences being special.

## **Session 2: Addressing remaining development issues and new challenges**

In Session 2, participants discussed how to address the remaining development issues and new challenges.

First, participants agreed that the Millennium Development Goals, or the MDGs, will remain important challenges since poverty still exist in Asia. On how to address these challenges, they emphasized that: (1) the link of ODA to private sector development should be enhanced; (2) ODA should be used effectively to promote development strategies and implement needed reforms in recipient countries; (3) priority should be given to human and institutional capacity building; and (4) agriculture should remain a key sector in order to facilitate the development of under-developed regions and the poverty reduction.

Second, many Asian countries have developed quite successfully and become middle income countries, but they should overcome "middle income country trap" in order to go beyond that stage. From this viewpoint, participants emphasized that: (1) countries should give priority to the role of technological innovation and should accumulate human resources that meet market needs, (2) countries should take advantage of PPP (public private partnership) and other means to strengthen investment so that they can avoid the bottleneck caused by infrastructure shortages, and (3) countries should enhance the productivity of local small and medium-sized enterprises and integrate them into production and distribution networks in a broader region.

Third, participants noted that "social sustainability" including inclusive growth, transparency and accountability, and social stability should be secured along with "environmental sustainability" including responses to climate change and natural disasters, in order to realize sustainable growth, and that ODA should be effectively utilized for that purpose.

Fourth, participants noted that regional cooperation such as Mekong Basin Development and regional economic integration should be promoted to enhance sustainable growth in Asia. They also noted that each country and Asia as a whole should strengthen assistance to under-developed regions that have lagged behind in industrialization and urbanization.

### **Session 3: The role of Asia in the international development assistance community**

In Session 3, participants discussed the role of Asia in the international development assistance community against the backdrop of Asia expanding development cooperation to other regions.

First, participants noted that while Japan has served as a traditional aid provider in Asia since its accession to the Development Assistance Group (predecessor for the OECD Development Assistance Committee (DAC)) in 1960, many Asian countries more recently started increasing their roles as development partners for other developing countries. Korea became a member of the DAC in November 2009 and is now scaling up its capacity as an active new donor. China has long been an important development partner for other developing countries through the South-South cooperation and is now increasing its presence. Countries such as Thailand and India also have participated in the South-South cooperation for many years, and are strengthening their institution as aid providers. These developments are bringing about changes in how the international development assistance community operates and thinks. Asian countries can take advantage of their experiences as developing countries and aid recipients, in order to carry out effective South-South cooperation vis-à-vis neighboring Asian countries and countries in other regions. Some participants noted that South-South cooperation can utilize recent innovations in information and communications to transfer technologies suitable for developing countries. Participants noted that there is a plenty of scope to further strengthen coordination and cooperation among Asian donors to make their contributions to other regions more effective.

Second, participants noted that Asia, when serving even more important roles in the international development assistance community, should give priority to cooperation in tackling such global issues as climate change, natural disasters, depletion of resources, and food security. In this respect, some participants noted that, for climate change, a new international fundraising framework that would differ from traditional aid frameworks should be considered, because climate change has an element of an international public good, and because tackling this challenge should require deeper involvement of various players including private sectors and local governments.

Third, regarding Asian contributions to other regions such as Africa, participants noted the effectiveness of various ongoing approaches including project-type assistance for infrastructure development, technical assistance for agriculture, and on-the-ground training for industrial

cluster development. They also noted that concessional loans taking advantage of abundant savings in Asian countries should remain an important tool for assistance. At the same time, they noted that Asian countries in providing assistance to Africa should pay even greater attention to debt sustainability and alignment with endogenous development strategies of recipient countries.

Fourth, participants noted that Asian countries, when extending development cooperation to other regions, should be mindful of recent aid agendas such as aid effectiveness, results-oriented approach, performance-based aid distribution, transparency and accountability, environmental and social safeguards, dialogue and cooperation with civil society, and harmonization of aid and coordination with other donors with a view to avoiding proliferation of donors and duplication. In this respect, participants expressed their high expectation for the fourth High-Level Forum on Aid Effectiveness that will take place in Korea's Busan in November 2011.

Fifth, participants agreed that, based on Asian countries' own development experiences, Asian countries should more proactively convey their ideas about development to other regions and to the international development assistance community through such opportunities as G20 meetings and MDGs-related forums.

### **Future course**

Participants agreed that this forum, where high-level Asian practitioners in the field of development cooperation, representatives from international organizations and other regions, and development economists meet to share experiences and exchange candid views, could make great contributions to the progress of Asian assistance policy.

As continuation of discussions was viewed very useful, participants welcomed Thailand's expression of interest in hosting the next forum at an appropriate time next year.