

SUMMARY OF DISCUSSIONS
IDA14 Opinion Leaders Consultation
Hanoi, Vietnam
July 9, 2004

Fourteen opinion leaders from IDA borrower countries in Asia met with donor and borrower representatives to discuss their experiences with three special themes that were selected by Deputies at the first IDA14 meeting: 1) private sector development, 2) partnership at the country level, and 3) growth strategies. The active discussions were chaired by Dr. Tan Tay Keong, Executive Director of the Singapore International Foundation. The opinion leaders represented Bangladesh, Cambodia, India, Indonesia, Mongolia, Nepal, Pakistan, Sri Lanka, Timor-Leste, and Vietnam. Of these, seven were NGO leaders, three were private sector leaders, and four were government officials.

SESSION I: PRIVATE SECTOR DEVELOPMENT

1. There was broad consensus that the private sector is an “engine of growth,” and hence private sector development (PSD) is a major priority in economic development. Participants discussed specific PSD strategies, emphasizing that providing an enabling investment climate, particularly through macroeconomic stability and a well-functioning regulatory framework, is a top priority. They also emphasized that this is an area where the government has the major responsibility, and where donors have an important role to play. The importance of providing infrastructure was stressed, while noting the need to prevent wasteful investments.
2. Participants pointed out the potential role of public-private partnerships (PPPs) in economic development, and both successful and unsuccessful cases were discussed. A well-functioning regulatory framework and strong capacity of the public sector were agreed to be necessary for the PPP to work. Donors can play a useful role in putting this into place.
3. There was broad consensus on the need for a private sector role in provision of social services, although the actual division of labor between the public and private sectors would vary from case to case.
4. Capacity building was mentioned as a major priority, both for the private sector and the government. Donors can play a useful role in supporting this as well.
5. Small and Medium Enterprises (SMEs) play a major role in economic development, but there was active debate on the question of whether SME investments should be supported with concessional funds. Participants had different views on this question. Some speakers supported the use concessional funds, citing such issues as lack of access to long-term credit, and high transaction costs. Other speakers expressed caution, referring to the possibility of tapping non-concessional sources (IFC, local banks) rather than concessional sources, perverse incentives to the private sector that subsidies may provide, and the need to look at the track record of such programs and projects.

SESSION II: PARTNERSHIP AT THE COUNTRY LEVEL

1. Participants noted that coordination among donors, and between donors and recipient governments, is necessary to increase aid efficiency and effectiveness.
2. Participants emphasized the importance of country-level ownership. Development priorities should be set by national governments, and efforts should be government-led. In order for governments to take leadership and for coordination to take place, there is a need to develop institutional capacity to coordinate and implement reforms.
3. There was broad consensus that Poverty Reduction Strategy Papers (PRSPs) are a good step towards coordination, harmonization, and country-driven frameworks for development. Opinion leaders shared experiences with PRSPs, which varied from country to country. Ways to further improve the PRSP process were also discussed, including broadening participation and coordination with annual budgets, and strengthening results monitoring.
4. Participants discussed a move to general funding as a way to give ownership to countries, although it was acknowledged that this is not always possible due to lack of capacity or institutional constraints in recipient countries.
5. Participants discussed the use of local consultative groups as an effective means of country-driven development and involvement of civil society.
6. Participants noted that IDA has a strong knowledge base and has successfully taken a leadership role in many countries. However, IDA should also build on knowledge and experience other donors have to offer, and be willing to be a follower in some cases.

SESSION III: GROWTH STRATEGIES

1. Participants affirmed that government commitment to growth-generating policies is important. Participants also noted though that growth is necessary but not sufficient for sustained poverty reduction. The benefits of growth must percolate down to the poor for economic development to bear fruit. Governments should be encouraged to explore strategies for growth with equity.
2. Trade was pointed to as a major engine for growth, but development of exports and opening up of markets is not easy and warrants donor support.
3. Participants noted that PRSPs and Poverty Reduction Support Credits (PRSCs) have been instrumental in promoting policy reform designed to spur growth.
4. Knowledge capital was pointed to as critical in development work. Data availability will help in targeting in project design, implementation and monitoring. Donors can play a strong role in growth by providing analytical support.
5. Participants also stated that human development is important for growth, and the development of people through education, training and empowerment is a long-term process. Asia has an abundance of labor with a propensity for hard work and a strong desire for education, so human capital development could be a strong engine for growth for societies in Asia, as well as other developing countries.