

Recommendations from the Conference

Building Partnerships for Sustained Economic Development

Mega Ace Consultancy undertook research on various aspects of Asia's economic development to prepare theme papers for the *Business Action in Asia* Conference which was jointly organised by Commonwealth Business Council (CBC) and DFID on February 1 & 2, 2006 in London, UK. The programme formed the basis for private sector recommendations to be presented at *Asia 2015*, a major conference held on 6-7 March 2006 by DFID, the World Bank and the Asian Development Bank. The *Asia 2015* Conference sought to focus on the future challenges and risks to Asian development up to 2015 and explored how to manage these risks more effectively including through partnerships between Asian countries and the international community. **Prof. Poonam Kumar** presented the concluding report and recommendations at the Conference. The following are the summary of the report and recommendations of the *Business Action in Asia* Conference.

This report on the "Business Action in Asia" conference held in London on 1-2 February 2006, contains the summary and recommendations of the conference for consideration by those attending "Asia 2015" on 6-7 March 2006. The event, organised by the Commonwealth Business Council (CBC) with support from the Department for International Development (DfID) UK, involved 225 participants from 21 countries drawn mainly from business. They were addressed by over 40 speakers, including 5 Government Ministers, 2 High Commissioners and the Secretary-General of UNCTAD, together with many leading business people.

The objective of the event was to work towards "Building Partnerships for Sustained Economic Development", and in line with that aim the conference identified actions needed to sustain Asia's remarkable growth, by Governments and business working wherever possible together. The report begins with a summary highlighting the main areas for action, followed by a fuller account of the priorities identified, conclusions, and action points.

(1) Business Engagement for Sustainable Development

The importance of business engagement and bringing its skills and resources to support economic growth and sustainable development in Asia was emphasised. There is a need for practical mechanisms for sharing experience within Asia and internationally, drawing on best practice and existing centres/networks of activity. To this end, it was recommended to establish a Business Asia Network for Sustainable Development to carry forward a programme of action on:

- networking and sharing of information, knowledge and experience;
- dialogue between business and government on key policy issues arising from globalisation and economic integration with the global economy;
- leveraging relationships between large and small companies;
- leveraging relationships between business and community organisations;
- identifying and disseminating examples of good practice and partnerships;
- focused action programmes in the areas of strengthening the investment climate, infrastructure development, support for SMEs, financial services as products for the poor.

Recommendation 1: A Business Asia Network for Sustainable Development should be set up to share information and experience and carry forward an action programme in the key areas of strengthening the investment climate, infrastructure development, support for SMEs, and financial services as products for the poor.

(2) Sustaining growth and attracting investment: Economic growth has removed hundreds of millions of

people in Asia from abject poverty in the last three decades. The speed and extent of recent growth has been astonishing, but we should not take for granted that it will be self-sustaining. Actions are needed both by Government and business to carry progress forward and to bring the benefits of progress to the poorest regions and individuals. Growth will not be sustainable unless it is inclusive.

Such sustained growth requires enhanced domestic and foreign investment. The private sector looks to Government to create a good investment climate. The essential conditions for business are: good governance; a steady direction of policy; investment in infrastructure; a competitive market environment supported by appropriate competition policy regimes; a transparent and effective regulatory framework; zero tolerance of corruption. The strengthening of the investment climate in many countries can benefit from attention to prioritisation and sequencing of reforms, a stronger focus on implementation, and enhanced public-private dialogue on key issues in investment climate reform.

Recommendation 2: Governments should continue economic reforms aimed at sustainable growth, job and wealth creation and adopt policies to promote inclusiveness, private-public partnerships and wider access to low cost products and services for the poor.

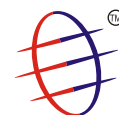
Recommendation 3: In order to enable the private sector to play a full role in economic growth, the investment climate in Asian countries should be strengthened to reduce the cost of doing business, and create a competitive market environment supported by transparent and effective regulation and zero tolerance of corruption.

(3) Trade: Global trade is expanding fast, affecting people in all parts of the world and at all levels. Trade within Asia is growing at nearly three times the global rate. Globalisation, economic liberalisation and more open markets are bringing visible benefits to Asia. Within Asia, regional and bilateral trade agreements are creating new relationships and drawing the countries of the region closer together, with prospects of gain through both sharper competitiveness and closer harmonization. But developing countries in Asia as elsewhere see prospects of great gains from the new round of liberalisation at world level which the Doha Development Round could bring, provided its results do reflect the interests of developing countries, including the poor. More capacity-building is still needed for developing countries to take advantage of the benefits of trade liberalisation.

Recommendation 4: Given the great gains and prospects through trade liberalisation in Asia, Governments should continue trade liberalisation reforms, build stronger trade partnerships between Asian countries, and work for a conclusion of the Doha negotiations in 2006 on terms that give weight to the interests of developing and least developed countries. More capacity building is still needed.

(4) Partnerships for delivery of financial services as

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The Rt. Hon Hilary Benn, Secretary of State for International Development, UK, addressing delegates at the Conference.



The Hon. Mr. Kamal Nath, Minister of Commerce and Industry of India, addressing delegates at the Conference



Prof. Poonam Kumar seen along with Dr. Philip Dews of the ASEAN Regional Business Forum (centre) and Mr. Richard Carden, former Advisor to Director General, DG Trade, European Commission, presently with Mega Ace Consultancy, UK.



Prof. Poonam Kumar presenting the summary and recommendations of the two-day conference.

products for the poor: Provision of a variety of micro-finance products to the poorest is spreading in Asia, with innovative work being done in partnership between commercial banks and micro-finance institutions. The key challenge is how to scale up the level of services and develop a wider range of products tailored to meet the needs of the poor, including credit, savings and insurance. Access to these products will be essential to bring growth and social inclusion for rural populations and the poor. It was recognised that financial services can be provided efficiently to the poor on a commercial basis, and provision of low cost products will only be possible through application of technology. To be successful and attract more private capital and know-how, the micro-finance sector needs strong and enabling regulatory support from Governments and sharing of best practice. For its part, the private sector can leverage technology with innovative solutions to lower transaction costs and provide a wider and affordable range of services. Global banks can assist by arranging access to capital markets at favourable rates. Centres for research can help to harness and share experience in Asia.

Recommendation 5: Governments should take steps to encourage the growth of micro-finance institutions on a commercial basis involving a range of products including credit, savings and insurance, and support them with appropriate regulatory backing. The private sector should apply its expertise to leverage technology for low cost services and products for the poor.

(5) Partnerships for SME development : Small and medium enterprises (SMEs) play a crucial role in the overall development of economies in Asia, accounting for 30-40% of GDP in most countries. Despite this importance, SMEs are vulnerable to the effects of rapid globalisation and face significant challenges for survival and growth. Access to finance and the burden of regulation are key constraints. Measures to support development of SMEs should include establishment of clusters and incubator facilities to stimulate broader local economic development as well as mechanisms to support women's entrepreneurship. The private sector can support development through larger companies involving

SMEs in supply chains to provide access to markets, upgraded technology and improved management practices. This can not only promote diversification of the manufacturing base and accelerate the ability of local suppliers to export high value goods and services, but also help large companies to keep their costs down. Benefits run both ways.

Recommendation 6: Given the crucial role of SMEs in economic development in Asia, accounting for about 40% of GDP in most countries, Governments should adopt policy measures to support SMEs, increase their access to finance, to create an appropriate regulatory framework that does not overburden small businesses, and to create and maintain a competitive market environment. The private sector for its part should create more partnerships between large and small enterprises.

(6) Partnerships for Delivery of Infrastructure : Creating modern infrastructure in developing countries across Asia is a vast operation, calling for funds estimated at \$1 trillion between now and 2010. In order to meet these requirements, it is recognised that the private sector will have to play an enhanced role. As regards physical infrastructure, the major works of creating road, sea and air transport and energy networks, the private sector has an essential role in providing finance and delivery skills.

As regards the infrastructure of social services, in the areas of health, education, water and sanitation, recent experience shows that the private sector can be given a larger role than has been common up till now, and can bring in fresh constructive ideas as well as finance and efficiency. We urge Governments to open up to new forms of partnership in service providing, through better understanding private sector modes of operation. This is not about privatisation, but about models whereby risk and reward can be shared, giving a greater number of citizens access to higher-quality services.

Recommendation 7: In order to develop infrastructure and provide wider access to rural populations and the poor, Governments should take steps to facilitate greater private sector involvement through innovative private-public partnerships and supportive legal and operating frameworks.

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