



**SUPPORTING THE ACHIEVEMENT OF THE  
MILLENNIUM DEVELOPMENT GOALS (MDGS)  
IN ASIA AND THE PACIFIC (PHASE II)**



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**A BACKGROUND PAPER  
ON THE CONCEPTUAL FRAMEWORK  
OF THE SECOND REGIONAL MDG REPORT**

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## 1. Background

The Millennium Declaration of 2000, adopted by 189 participating member states, upholds certain fundamental values that are paramount to achieving peace and prosperity in the world, namely, freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility.<sup>1</sup> It further recognises the special needs and problems faced by the least developed, land-locked and small island developing countries and stresses upon the importance of good governance and respect for human rights. The Millennium Development Goals (MDGs) – best seen in the report of the Secretary General of the United Nations in 2001 *Road Map Towards the Implementation of the United Nations Millennium Declaration* – emerge from the Declaration.<sup>2</sup> MDGs are broad-based and comprehensive: they refer to, reducing poverty and hunger; saving children and bringing all those in eligible age-groups to schools; eliminating gender disparity; saving mothers; combating HIV/AIDS; ensuring environmental sustainability; and global co-operation, all within a defined time horizon (for details, see Appendix 1).<sup>3</sup>

The MDGs have to be achieved by 2015; there is, hence, quite much concern and interest among both multi-lateral (the UN system, World Bank, International Monetary Fund, Asian Development Bank) and bi-lateral agencies in supporting and evaluating the performance of individual countries on their achievement (Appendix 2). The concern is particularly high for the poorest countries and those that are presently still some distance from their goals. UNESCAP in partnership with UNDP brought out its first regional report on MDGs in 2003, entitled **Promoting Millennium Goals in Asia and Pacific**, which made an assessment of the status on MDG achievement and the tasks ahead in the domain of public policy and advocacy. It principally focused on poverty reduction in the region, this being one of the prime goals in the MDGs (i.e. 1 and 2). UNESCAP, UNDP and other partners propose to strengthen the regional initiative on different facets of MDG achievement over the next few years. The present report, the second in this series, aims to address issues in building and strengthening institutions which in turn would help achieve the development goals.

*The principal message put forth in this note is that among other factors, appropriate socio-economic, political and other institutions – particularly those that facilitate in economic and social empowerment of the poor – need to be put in place and strengthened to achieve the development goals* In addition to establishing newer institutions, it is equally as important to re-discover existing institutions, social processes and grass-root level innovations, and then find means to integrate the new and existing institutions into a complementary and mutually re-enforcing interlinked structure.

Why institutions? Because functional institutions, along with other factors like rapid growth, aid transfers and so on, form a critical link to achieving MDGs in the less developed countries. As it would be seen later, lacuna with respect to translating ‘resources into growth’ and ‘causing growth to trickle down’, still stay, and it is in this

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<sup>1</sup> See *Millennium Declaration*, New York: United Nations

<sup>2</sup> Item 40 of the provisional agenda, Follow-up to the Outcome of the Millennium Summit, *Road Map Towards the Implementation of the United Nations Millennium Declaration* Report of the Secretary-General, 2001

<sup>3</sup> In all there are eight goals, 18 targets and 48 indicators. A comprehensive discussion could be seen in UNDP’s Human Development Report of 2003. Also see, [www.un.org/documents/ga/res/55/a55r002.pdf](http://www.un.org/documents/ga/res/55/a55r002.pdf) - A/RES/55/2 for other background papers.

context that institutional strengthening and change could bring about the necessary fillip. The UNESCAP and UNDP have already addressed growth and distributional aspects in the first Report (mentioned above), while resource considerations are being addressed in another independent initiative under the aegis of the UN.<sup>4</sup>

## **2. Situation analysis**

On the aggregate, the most probable achievement will be the halving of poverty proportions by 2015 in the region (MDG 1). The overall incidence of income poverty decreased from 34 to 24 per cent of the population in the decade of the 1990s in the region as whole and a secular reduction is expected until 2015.<sup>5</sup> There has, however, been uneven progress towards achieving MDG targets in different countries: according to UNESCAP, six countries have already reached the target of reducing the income poverty (to half, 1990-1999), seven are on their way to achieving it in time, while another 11 might find it not too easy to achieve the target, at least as seen from current data.

Closely linked to poverty is the pervasiveness of malnutrition and hunger. As per the Millennium Project Task Force, the incidence of malnourishment in absolute terms was as high as 214 million in India, 156 million in countries of Asia and Pacific excluding India and China, and 135 million in China (late 1990s). It might not be easy to achieve this MDG target unless the hunger problems of women and children are consciously attended to.

Additionally, problems of uneven distribution of outcomes and/or emergence of newer forms of deprivation within sub-regions of relatively larger countries (e.g. China, India, Thailand and Indonesia) have been observed. This trend is worrisome.

On education, the net primary enrolment rate has remained static at around 93 per cent, with no notable gains in girls' enrolment rates over 1990. While some countries have already achieved full enrolment, on aggregate the region might falter in achieving this target.

On health, the extent of deprivation and vulnerability are particularly acute among children and women in the low-income countries. Out of 44 countries in the region (on which data on child mortality are available), only 18 will in all probability succeed in reducing child mortality by two-thirds while the other 26 are still to show signs that they would achieve the target. Some examples, country wise: UNICEF finds that in India, an estimated 22,000 women die each year during childbirth because of severe anaemia. In Afghanistan, 65 per cent children under the age of five are severely iron deficient. In the Philippines, more than 35 per cent of women aged (15-49) years are iron deficient and more than 500 of them die during pregnancy and childbirth each year, as a result.

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<sup>4</sup> This is an independent task force headed by Jeffery Sachs, supported by the UN. Draft sector reports have been brought out in 2004. See <http://www.unmillenniumproject.org/html/aboutus.htm>

<sup>5</sup> Ready data on performance could be seen at <http://www.developmentgoals.org> and its links. The World Bank Data Base too provides a very comprehensive coverage; in fact the website mentioned here draws liberally on the World Bank data sets. See [www.worldbank.org/data](http://www.worldbank.org/data)

On HIV/AIDS (MDG 6), relatively high prevalence countries in the 1990s (Thailand, Cambodia) have shown progress towards reducing the prevalence, though China or countries in South Asia are yet to show a reversal in trend, albeit that they have smaller proportions of their people suffering from this disease. It is not clear as to how many countries will achieve the target.

Environment (MDG 7) is not discussed here in any detail because ESCAP is engaged in another major initiative relating to it, yet it needs statement that on water, sanitation, afforestation, or even on carbon dioxide emission, the region is unlikely to attain the set targets at the present pace of development.

Finally, on co-operation (MDG 8), a lot of effort is being made to reduce barriers to trade, and it is likely that trade volumes could rise significantly in the region. The same, however, might not hold true for aid transfers unless the lead taken by the Scandinavian countries along with Japan and South Korea to raise the proportions of aid transfers is followed by other donors as well. Finally indebtedness, particularly among poorest countries, is a problem that remains to be addressed. In this regard, there is need to discuss regional and global institutional changes for improving the delivery of aid and its outcomes.

A major challenge before both national governments and international donor agencies is to identify a matrix of development and intervention processes that would help achieve development goals or at least make strides in that direction, particularly in the least-developed countries or geographic entities in the region.

### **3. Conceptual framework**

#### **3.1 Pre-conditions for achieving developmental targets – critical role of institutions**

Among the most vital components in achieving development targets, particularly in low income economies, is sustained economic growth. In fact sustained economic growth in many of East and Southeast Asian countries in the past 2-5 decades has helped them to achieve several targets in human development. However, growth *per se* has not always resulted in a higher distribution of gains to the poor or in the hinterland. This generally holds true not only in large and geographically spread-out countries but in others as well. The composition of growth matters: An inclusive growth process, in which *largest numbers in an economy contribute to the growth process and also gain from it*, alone ensures the maximum distribution of gains. Not all countries or regions within countries have shown significant shifts towards an inclusive growth process in the recent years.

Similarly, international aid could help augment the capacity of recipient countries to exercise policy options that would help them in achieving human development outcomes. There is evidence from the recent decades that external aid matters: the Marshall Plan in Europe; re-construction of Japan and South Korea in the 1940s and 1950s; and later, aid transfers to countries in Southeast Asia during the 1960s, 1970 and 1980s helped these countries to achieve a range of development targets including maintaining high economic growth over prolonged periods and achieving distribution of gains. There is, thus, no denying the role of this *necessary* component in achieving development targets, though aid too might not be a sufficient condition, as seen from experiences of some transitional economies in Southeast Asia or the agrarian

economies in South Asia, where the absorption aid has been slower than in, say the countries mentioned earlier.

*Economic growth or aid transfers do not automatically trickle down; for this to happen, the poor have to become partners in development, for which growth has to be pro-poor, and human development targets are to be pursued in totality to strengthen capacities and rights of the poor.* This note recognises, therefore, that economic targets like growth in national income or policy interventions like development aid *per se* might be necessary but not be necessarily sufficient to achieve targets in human development in today's developing countries. To achieve MDGs, hence, it is important to look beyond *only growth* or *international aid* options, though without undermining their pivotal role.

It is here that *institutions* which help deliver services, shape human behaviour, effectively govern, protect property rights, promote inclusion and dispense justice (to name a few), have to be accepted as paramount in ensuring sustainable growth and better distribution of gains. Institutions are a critical link that could promote *inclusive* and *integrated* socio-economic processes; thereby raise people's participation and incomes and reduce poverty. Institutions also create *equal opportunity and empower people*, especially the poor.

The purpose of this study is to make a case for creation and strengthening of enabling institutions for achieving MDGs.

### **3.2 The concept of institutions and their interface with MDGs**

How to study institutions? In the recent years, the study of institutions has become a well accepted discipline called the 'New Institutional Economics' (NIE). This field of analysis tries to find answers to new questions like, why do people or socio-economic entities take decisions or behave the way they do despite that rationality might dictate otherwise? In the context of development, the same question could be re-phrased as, why are resources allocated sub-optimally, or why are the poor excluded from the distribution of gains? NIE states that individuals and socio-economic entities behave the way they do in accordance with their mental faculties and the (limited) information available to them (or they comprehend). Part of the behaviour is culturally derived, in turn which is a product of inter-generational transfer of knowledge, values and norms. Limited and incomplete information and finite mental capacity underlie the basis of formation of institutions. Institutions are formed to reduce uncertainty in human exchange. It is not that individuals and societies do not grow in time; but then, these result in multiples of outcomes and agents that could co-exist. NIE builds on, modifies and extends conventional economic theory to permit it to deal with an entire range of issues heretofore beyond its acquaintance.

*Definition of institutions:* Institutions could be defined as constraints that human beings devise to shape human interaction.<sup>6</sup> Institutions could mean cultural norms, caste, social sanctions or patriarchy, in the purist sense; alternatively, they might be defined to include organisations as well – financial organisations, educational institutions, law courts or similar entities – in a broader framework. In everyday parlance such a

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<sup>6</sup> Douglas North, the best known proponent of institutional economics and Nobel Laureate, has put forth this definition.

distinction is not maintained; all of these are treated as institutions.<sup>7</sup> Institutions are *endogenous* to a socio-economic-political-cultural system.

There are enabling institutions and there are not too enabling ones. A description could help here. Most developing countries in the region have had a long history: in almost all countries, there has been least 1500-2000 years of civilisation, in some cases more, e.g. China, parts of South Asia. Social institutions have evolved in these countries through many centuries, for governance, carrying out economic activities, ensuring a certain socio-political behaviour, and so on. In most of these countries, institutions of thrift and family values (typically, Asian values) have helped until date in maintaining high savings rates, which along with dexterity have contributed to ensuring high savings and investments even at low income levels. This *Asian* characteristic is an enabling institution. On the flip side, a few older social institutions like caste, gender-based orthodoxy or agrarian relations – which in today's parlance are termed unequal and inefficient – still remain in some parts (albeit in milder forms); they actually co-exist along with the modern ones. These older social institutions are not too flexible to change and they could dampen the effectiveness of otherwise well-meaning modern organisations. For example, locally-based banks or schools are meant to provide their respective services to, say the village communities, but a prevalent casteism or orthodoxy could blunt the effectiveness of these through blocking access; in extreme cases, modern organisations and technologies tend to get co-opted into regressive institutions to maintain the extant, not too just a system. Caste-based orthodoxy, thus, might not be an enabling institution in the contemporary context.

A (non-mutually exclusive) classification of institutions is presented in the accompanying Box 1.

Box 1: Classification of Institutions	
<u>A. Formal and informal</u>	
1. <i>Formal</i> : These would include written rules and codes of conduct that govern human behaviour. E.g. laws, property rights, enforcement characteristics, regulations, checks and inspection, and so on; and 2. <i>Informal</i> : Usufruct rights, social sanctions, norms of behaviour, society-imposed behaviour.	
<u>B. Levels of hierarchy</u>	
1. Institutions related to social structure, e.g. social norms and customs; 2. Institutions related to the rules of the game, e.g. property rights, judicial system; 3. Institutions related to play of the game; e.g. contractual arrangements, business association, etc. and 4. Institutions related to allocation mechanisms; e.g. resource allocation, trade regimes, social security systems, and so on.	
<u>C. Area of analysis</u>	
1. Economic institutions; 2. Political institutions; 3. Legal institutions; and 4. Social institutions	
It is evident that the same institutions could be classified by the extent of formality, hierarchy and area of analysis; in other words, this classification is not mutually exclusive across the three concepts mentioned above.	

**policy outcomes. Desired outcomes are effectively achieved when there is mutual support between different institutions – between formal and informal, between different levels of hierarchy or between areas of analysis (see Box 1) – and compliance**

<sup>7</sup> Nobel Laureate Joseph Stiglitz subscribes to this broad-based definition. See for details, Williamson OE 'The New Institutional Economics: Taking Stock, Looking Ahead' *American Economic Review*, XXXVIII, 3 2000; Jutting J 'Institutions and Development – A Critical Review', Technical Paper No.10, Paris: *OECD Development Centre*, 2003; Bardhan P, Understanding Underdevelopment: Challenges for Institutional Economics from the Poor Country Perspective, <http://www.dse.de/ef/institn/bardhan.htm>, 2004; World Bank 2002 'World Development Report', Washington

levels are high. For example, if formal institutions of property rights are also supported by the usufruct institutions (both at A, Box 1), and that the judiciary too is committed to imparting justice as per the law of the land (B, Box 1), then this enmeshment is supportive to achieving better property rights. To illustrate the contrary case: if formal institutions grant equal property/other rights to all, while customary laws deny equal rights to women, a lot of women could land up not having land and assets. The situation could be worse if guardians of formal law institutions also happen to subscribe to the customary laws.

A pro-active policy is one that strengthens the efficacy and efficiency of enabling institutions, processes and initiatives; in turn which would strengthen the capacity and earnings potential of all sections of the society. Such a policy would effectively contribute to the poor getting integrated into the mainstream and help achieve the MDG goals.

### **3.3 On institutional change in the context of achieving MDGs**

*Institutional change* is a process by which socio-economic, political and cultural systems transform over time to assume a newer architecture. In today's context, a *just and inclusive change* would be one which would enhance induction of larger numbers of people into the societal mainstream. Such a change, in all probability, would allocate resources more efficiently, raise livelihood options for the poor and create opportunities for establishing an environment for superior human development. Such a change would further be expected to promote trade, gender justice and environmental friendliness. *Dynamic* institutions are flexible and they easily adapt to changes emerging from the within as well as without. Changes and transformations in institutions are a continuous process.

In most developing countries, there is scope to bring about a *change process* mentioned above to reach at higher platforms in human development. Examples of the varying situation could be depicted in alternative scenarios presented in Box 2.

#### **Box 2: Alternative scenarios in instilling institutional change**

In some low-human development countries/settings, institutions of service delivery or governance are either absent or they remain obscured; in turn the effectiveness of policies and measures stays low. Example: funds meant for poverty alleviation could easily get diverted to other, non-deserving purposes when mechanisms to channel and monitor them are weak or non-existent. In the context of this example, four alternative scenarios of non-delivery of services or inefficiency, each of which requires institutional change, are presented below:

1. In situations where institutions are not in place, a *change towards establishment of effective formal institutions* (participatory rural development agencies, decentralised branches of banks and grievance redress mechanisms, in this case) is crucial to achieve the target.
- (2) In some situations institutions are not sufficiently decentralised and/or democratic and a highly centralised system might not be efficient in the identification of poor or delivering services to them. A *change towards ushering* a more decentralised, democratic system would be progressive step.
- (3) In many cases there is not enough synergy between informal institutions and formal institutions, so as to create a more enabling process of development. If informal

institutions are more efficient in identifying families below poverty line and formal systems are more efficient in disbursing funds and monitor their use – in the above example – lack of a partnership between the two could create a situation of sub-optimal resource use. *To effect change*, therefore, there is need to *identify enabling components in informal institutions*, and then integrate them with formal institutions; in this case, traditional village councils that have skills to identify the poor could help banks and other fund disbursing agencies in this job.

(4) Finally, there could be elements in the prevalent informal institutions that tend to undermine the efficacy of delivery mechanisms and consequently the outcomes. If, for example, local outlets of banks or disbursement agencies are staffed by personnel whose clan-folk are engaged in usury or similar practices, they would not wish that bank funds should reach the poor. In such cases, *a change to overcome such impediments* could be sought through establishing partnership with *newer agents of change*, for instance civil society organisations like NGOs, Self Help Groups and women's solidarity groups, to implement the programme.

*How do institutions change, or more precisely, how does institutional change occur?* Institutional change can come about through forces from *the within* (e.g. emergence and establishment of private property rights in 17<sup>th</sup> century UK), it could be induced *from the without* (e.g. colonial laws), or it could come about as a result of *a combination of internal and external forces* (present day development efforts) – typically, changes occurring through a joint effort of policymakers, different stakeholders as well as a felt need in society. Institutional changes that come about resulting from forces from the within or jointly from the within and without are more likely to be acceptable to a society, compared to those that come about purely due to external impetus. At times, even a small step towards institutional change – as long as it is acceptable to a society – can help achieve development targets quite effectively (Appendix 3). Factors which influence institutional change in the contemporary context – whether directly or otherwise – are education, health, migration, urbanisation, democratic decentralisation, external exposure, activities of non-governmental agencies, press, strategic partnerships (e.g. between government and civil society groups), transparency and accountability, and affirmative public action.

Not all older institutions are out-dated and not all newer ones are necessarily the most desirable in the context. As stated in the examples above, the most optimal combination of institutions, i.e. those combinations that would help further development goals, needs to be sought.

In sum: Institutional change is about establishing enabling institutions where there are none, making existing ones more efficient and seeking synergies between different types of institutions, all aimed at empowering the poor. Finally, institutional change is about systems of institutions undergoing change rather than single institutions undergoing change. In the context of MDGs, institutional change must happen in a direction that facilitates their achievement.

#### **4 Scope of this study**

It is proposed that the scope of this report be limited to conducting detailed studies on three (maximum four) major institutions. A sample listing of institutions that could be considered is as follows:



1. Institutions of governance, with focus on democratic decentralisation;
2. Institutions of savings and credit delivery, specifically, though not exclusively, of women and poor households, in rural areas;
3. Institutions related with education (and may be health) delivery;
4. Institutions of international co-operation and trade.

In the realm of gender, the study would seek to identify the place of women in governance systems and propose strengthening their position, not only with a view to ensure gender justice but primarily because without women's participation in governance, a certain faculty of human development would stay unattended. Next, in institutions of savings and credit, women have played a dominant role throughout the region; in fact, much of the savings and credit movement might just collapse without women's active participation. Likewise, especially in small trade, women have a major presence not only in Southeast Asia and Far East but also in large parts of South Asia. Finally, women's role in promoting health and education cannot be overlooked. The study will disaggregate all analysis by gender to focus upon these aspects.

Aspects such as the special role of women in facilitating institutional change, and in the process strengthening of their role – in decision making, participation and capacity building, among other aspects – will receive explicit mention in the study.

The geographic span of the studies will be Asia and the Pacific region, and under each institutional heading, there is scope to prepare several cogent case studies. To gain maximum coverage, the studies should be spread across different settings for each institution.

## 5. Objectives

*[Note: the objectives presented here are in conjunction with the tasks to be performed and **not** how the report will be presented. Details of the presentation are laid out in Section 8].*

This research would look at the establishment and functioning of institutions, democratic processes therein, their staffing, transparency, efficiency, equity, impact on MDGs, sustainability, and so on. By definition, these studies will be based on case material drawn from specific country settings. In accordance with the list suggested in the Scope above, the following objectives are proposed:

### 1. To analyse and present cases of successful governance institutions, past as well as present, with focus on democratic decentralisation

Under this objective, there are three tasks proposed:

*First*, a brief presentation on how successful institutional initiatives in Japan, South Korea and Taiwan in the earlier years permitted agrarian reforms, which in turn laid the foundation of industrialisation in these countries. The purpose of this presentation will be to historically seek links of institutions in governance.

*Second*, a case study will be developed on how decentralised marketing institutions in dairy (milk product co-operatives) have helped in the establishment of world's largest, at the same time profit-making, milk marketing co-operative in India (AMUL). This case study will try to highlight on how localisation of institutions and then federating

them has happened, the effectiveness and transparency of the process and how it has helped in reducing poverty and decreasing the financial uncertainty of small producers. A possible second case here is the 'one-product-one village' scheme in Thailand, aimed at creating and strengthening linkages of local production with larger markets. Finally, a possible third case study could be on contract farming; on how it has helped integrate small producers into the market fold – examples from Sri Lanka, Southeast Asia.

*Third*, study of how 'good governance' institutions could be strengthened at decentralised levels with the help of e-governance (and other electronic means) – cases of e-environment from Malaysia (MDG 7), HIV/AIDS surveillance in Sri Lanka (MDG 6), ICT and health care in Thailand, are possible examples that could be elaborated upon.<sup>8</sup>

The first two of these could also help illustrate how new growth options have been created at the decentralised level, the so called 'bottom-up' approach to development, while the third would make a case for aligning with modern technologies for poverty alleviation.

## 2. To analyse and present cases of successful credit institutions in rural/semi-urban areas

Under this objective, effort will be made to highlight upon credit institutions created 'by and for' those who in the conventional sense are un-bankable persons and groups – rural poor, urban poor or women's groups. The study will analyse the strengths (actually, SWOT) of these institutions in terms of their social organisation, effectiveness in savings mobilisation, democratic decision-making, strengthening the role and status of women, efficiency, equity, making usury institutions redundant, (political and economic) empowering of the poor, and so on.

As and where possible, production linkages of credit activities will be identified and assessed to determine the impact of credit on incomes; this will help recreate the so called 'bottom-up' approach to development. Application of ICT and other technologies in enhancing the effectiveness of these institutions will also be highlighted. Studies under this sub-head will further try to assess possibilities of replicating the experiment(s) elsewhere; not only the whole of it, but its elements as well. Examples: could methods used by credit unions for identifying the poor also help in similar exercises carried under other targeted anti-poverty programmes; alternatively, could these unions become delivering agencies for anti-poverty credit packages as well?

Study areas: Grameen Bank, Bangladesh; SEWA, India; Indonesia

## 3. Institutions of health and education delivery

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<sup>8</sup> Regional Human Development Report *Promoting ICT for Human Development in Asia 2004: Realising the Millennium Development Goals* (UNDP/APRI: New Delhi) provides many examples of the use of ICT for human development.

It is well known that primary education, inexpensive and effective health care services, child survival, smaller fertility rate, and higher status of women are closely related. At least two MDGs address this link. Some countries/locales have achieved better results on this link along with a higher growth performance (Thailand, Malaysia, China), while others have achieved good results at low and slow-growing incomes as well (Sri Lanka, Kerala, Tamil Nadu – India). Studies under this heading will aim to unfold institutional structures that permit achievement of better goals under both high and low growth scenarios.

The case studies will concentrate upon the quality of service delivery mechanisms at macro, meso and micro levels on the one hand, and determine how demand for services has been sustained at the local level on the other.

Study areas: China, Thailand, Malaysia, Bangladesh (BRAC – for NGO experience), Sri Lanka

#### 4. Institutions of trade and co-operation

The globalisation process and international co-operation initiatives that they give rise to are complex: they bring about fundamental changes in the structure and functioning of socio-economic and political systems, both within and across countries. Managing this process more effectively requires informed participation in rule-making at the international level on the one hand, and reconciliation of international commitments and national priorities on the other. These processes are bringing about radical changes in the way countries formulate policies, and in their institutions, at the national level.

More effective participation in, and conduct of, international negotiations, particularly those with legally binding and irreversible commitments such as those under WTO system, require institutional reforms that permit a national multi-sectoral participatory process stretching across a wide spectrum of government agencies.

Furthermore, as these agencies are becoming more complex, strategies and policy objectives could conflict each other across sectors. Mechanisms for promoting a holistic dialogue, participation and consultation among stakeholders – planners, sector-specific officials, business interests, development practitioners, academia and civil society advocacy groups – are required. International commitments will then be seen as means for locking-in economic reforms packages on bottom-up mechanisms. This would also improve the way international commitments are viewed and accepted.

*First*, what is the link between trade policy reform and institutional reforms?

*Second*, which trade policy reforms promote better institutional arrangements?

*Third*, what are the institutional arrangements that permit pro-poor trade policy reforms?

*Fourth*, following from the first question, how can the present trade liberalisation negotiations under the Doha Round, in which market access opportunities for exports particularly in agricultural products from developing countries are expected, help the poor get integrated into the larger trade sphere?

Answers to questions (1)-(3) will be drawn from experiences in the region. The last question will be more an argued case rather than being a real life example.

Study areas: Thailand, Malaysia (palm oil), China (manufacturing), India (for software)

## **6 Methodology**

This study is rooted in case studies, both at macro and micro levels. The following framework is envisaged:

1. The study will assess the macro policy framework that permitted some of the said institutions to flourish – both historically as well as at present.
2. The study will determine how infrastructure and technology have helped in the success of some of the stories.
3. The study will identify the democratic process that instils a larger people's participation.
4. The study will highlight upon the kinds of public-private and other partnerships that finally formed a 'winning combination' at local levels.

Effort will be made to present a vertically integrated picture of linkages between institutional arrangements. Next, policy implications of these success stories will be drawn with a view to present prescriptive proposals.

## **7. Expected outputs and limitations**

This study will consist of several case studies of successful institutional arrangements, processes and initiatives that have been successful from the point of view of achieving development targets. Thus, in addition to the main report there might be a series of technical papers as well, each having a 'stand-alone' value. A constraining factor might be availability of data and information. Effort should be made, nevertheless, to obtain latest reports and performance sheets in the case studies.

## **8. Outline of the report**

The presentation of this report will be such that *the report will look like an advocacy document* rather than a treatise on institutions. It will present the Asian story in the context of institutions and the challenges ahead. The case studies detailed in the *Objectives* above will be interwoven into a larger thematic design.

### **I. Introduction**

Statement of the problem (issues in achieving MDGs – a regional/sub-regional picture of Asia); followed by the story of aid, growth, and the need to go beyond these into the realm of institutional change

### **II. The state of MDG achievement in the region – taking stock**

### **III. Institutions and development**

This chapter will provide instances of good institutions and development achievements, and establish an association between them, seen from existing data and studies. In essence, this chapter will also be the Asian Story. The chapter should also bring out how institutions shape the development path through strengthening different economic and social processes.

### **IV. Establishment and promotion of institutions for achieving MDGs**

This chapter will present findings from case studies. It will examine three broad aspects:

- 1) Identifying and promoting the more-enabling institutions, processes and innovations, particularly those that promote interests of the poor located in more remote locales – this section will present all the success stories [i.e. (1)-(4) in Section 5], replete with replication possibilities and advocacy messages;
- 2) Establishing partnerships between private and public institutions, between formal and traditional institutions, between macro and local formations, between international organisations and national partners, and so on – here, aspects of partnerships seen from the case studies will be put forth to analytically present what works and what not;
- 3) Role of external agents: NGOs, training, capacity building, information agencies, technology (ICT), and so on – once again, data from the case studies will be liberally drawn upon.

**V. The task ahead:** Challenges before multi-/bi-lateral agencies, national governments, civil society organisations and others, nature of advocacy material needed, data needs, etc. will be presented.

### **Statistical Appendices**

### **9. Readership**

The main audience for this report is expected to be policy makers, other government officials, industry and labour leaders, civil society members, international donor agencies and other opinion makers.

## **Appendix 1. Millennium Development Goals**

<b>Goal 1: Eradicate extreme poverty and hunger</b>	Target 1: Halve, between 1990-2015, the proportion of persons whose income is <PPP\$1 a day Target 2: Halve, between 1990-2015, the proportion of people who suffer from hunger
<b>Goal 2: Achieve universal education</b>	Target 3: Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary education
<b>Goal 3: Promote gender equity and empower women</b>	Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and at all levels of education not later than 2015
<b>Goal 4: Reduce child mortality</b>	Target 5: Reduce by 2/3, the under-five mortality rate
<b>Goal 5: Improve maternal health</b>	Target 6: Reduce by ¾ bet. 1990-2015, the maternal mortality ratio
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
	Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
<b>Goal 7: Ensure environmental sustainability</b>	Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
	Target 10: Halve by 2015, the proportion of people without sustainable access to safe drinking water
	Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
<b>Goal 8: Develop a global partnership for development</b>	Target 12: Develop further an open, rule-based predictable, non-discriminatory trading and financial system
	Target 13: Address the special needs of the least developed countries – includes tariff and quota free access to least developed countries' exports; enhanced programme of debt relief of HIPC and cancellation of official bi-lateral debt; and more generous ODA for countries committed to poverty reduction
	Target 14: Address the special needs of land-locked countries and small island states
	Target 15: Deal comprehensively with with debt problems of developing countries through national and international measures in order to make debt sustainable in the long run
	Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth
	Target 17: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
	Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications

## **Appendix 2: Summary messages seen from selected reports on MDG achievement for the Asia-Pacific Region**

### **1. Global Monitoring Report: IMF-World Bank/ other reports of Fund-Bank, and (<http://www.worldbank.org/MDGs.htm>)**

*These reports agree that the Asia-Pacific region as a whole will in all likelihood achieve goals of more than halving the number of persons below the income poverty line in the period 1990-2015, though they admit that most other targets, particularly those in environment and health are unlikely to be met. Their main concern is towards low income and transitional economies, though many of the messages might apply to others as well, in part or full.*

The principal messages are the following:

1. To strengthen market institutions where they are weak and create conditions for the private sector to grow so as to provide a boost to incomes and reduce unemployment – this will mainly apply to countries where large populations are yet not fully integrated into the larger market systems and institutions of market regulation are yet to be effectively put in place;
2. To raise the rate of economic growth – particularly in those economies that have not grown beyond 3-4% annually in the last decade;
3. To increase transparency and accountability in the public sector;
4. To slash tax exemptions so as to raise public revenues – set standards for this;
5. To raise expenditure on human development – invest in people (public expenses on education should be at least 5-6% of GDP; on health 5%);
6. To enhance quality of service delivery, particularly in the health and education sectors – targeting education, health (incl. HIV/AIDS) and social assistance;
7. To raise expenditure on infrastructure – specifically that which preserves environment and increases Human Development, e.g. water, sanitation, transport – to increase to 3.5-4% of GDP in lower income countries, and 2.5-4% in lower-middle income countries;
8. To ascertain macroeconomic stability – particularly inflation control and currency stability;
9. To speed up implementation of Monterrey partnership – primarily with respect to increasing and providing better quality aid and resource transfers from donors to poor countries, and also genuinely pursuing targets in freeing trade (Doha Round);
10. To initiate and/or deepen the PRSP process in countries where the incidence of poverty is still large.

**2. Asian Development Bank (ADB Review, June 2004: Millennium Development Goals – Will Asia and Pacific Achieve Them?; *Millennium Development Goals in the Pacific*, ADB, Manila, 2003; and <http://www.adb.org/MDGs/initiative.asp>)**

*The biggest challenge in the region, despite rapid growth witnessed in the recent years, is poverty alleviation – there is emphasis on strengthening the national development framework rather than follow international standards alone. ADB's [Long-Term Strategic Framework for 2001-2015](#) (LTSF) responds to the development challenges of the Asia Pacific region and the requirements of the MDGs. The [Medium-Term Strategy for 2001-2005](#) which sets specific priorities for ADB's operations based on the LTSF is also well aligned with the MDGs.*

Main messages:

1. To mainstream MDGs in the country strategies of individual countries (low income countries and countries that are still some distance from MDGs);
2. Within countries: to combat corruption and promote good governance; if necessary, create institutions of good governance – low income as well as low-middle income/middle income countries;
3. To engage different stakeholders and partners within countries in the development process;
4. To raise human and systematic capacity building, promoting of scientific skills, training;
5. To increase options for raising new resources – also establish targets for resources in terms of, say the percentage of GDP in the form of taxes;
6. To create capacities within countries for monitoring and evaluation and measuring progress on MDGs and policy analysis (esp. low income countries).
7. Between countries and within regions of countries: To promote more transfers of technology, seek better use of science and technology for raising production and for human development (e.g. employ superior technologies for agricultural development);
8. Between countries: To increase the flow of both trade and investments in addition to aid flows –within and beyond regional cartels.

**3. Chronic Poverty Report 2004-5 (Chronic Poverty Research Centre, University of Manchester, Manchester, 2004)**

*This report primarily focuses on identification and measurement of poverty – which according to the report, is as vital as policy formulation.*

1. Chronic poverty is multidimensional – e.g. by nutrition, health, water, illiteracy. Many different people suffer such poverty and deprivation: people who are discriminated against, stigmatised or 'invisible'; socially-marginalised ethnic, religious, indigenous, nomadic and caste groups; migrants and bonded labourers; refugees and the internally displaced; or disabled people or those with ill-health (especially HIV/AIDS). In many contexts poor women and girls, children and older people



(especially widows) are likely to be trapped in poverty – this itself highlights the different dimensions of poverty.

2. Dynamics of chronic poverty has to be understood for effectively addressing it through policy intervention
3. Social exclusion, regional exclusion, weak governance, cultures of poverty and poor international co-operation are among the many reasons for persistence of poverty.
4. An all-round approach, in which mainstreaming the anti-poverty agenda, is proposed. Use of the PRSP framework in addition to pursuit of MDG-based system is identified as approaches. In fact, as for the approach, the approach is to push any process as possible, that helps alleviate poverty in a country.

#### **4. Millennium Project (<http://unmillenniumproject.org/html/aboutus.htm>)**

*The underlying logic in this report is to stress upon higher growth targets with a great deal of policy follow-up on achieving MDGs; they will not happen on their own. It is important to set standards for each policy at micro levels and have monitoring processes in place.*

1. To target, for addressing poverty, is vital – identifying hunger spots, creating public action for hunger alleviation, aligning critical policies to support hunger alleviation objectives;
2. To increase public investments in basic needs, increase emphasis on rights for women and other excluded groups, promote rural development through raising small farmer productivity, increase productivity in marginal lands, promote competitive business environment;
3. To concentrate on girl child education, raise monitoring and accountability standards for ensuring better participation in education, deploy more resources to primary (universal) education, reach out to families in which children are not in schools;
4. To build functional health systems with focus on emergency obstetric care, link neo-natal and maternal mortality strategies;
5. To Combine health with nutrition initiatives;
6. To ensure community participation strategies, ensure women's participation and gender rights;
7. To develop and synchronise strategies for environmental protection and maintaining bio-diversity with strategies of services provision in, say water and sanitation.
8. To promote access to genetic resources to all parties on mutually agreed terms;
9. to enhance exchange of information, scientific research and socio-economic analysis.

### Appendix 3 Some instances of successful institutional change in the recent times

S. No	Country	Strategy	Outcome
1	China – land reform	Land re-distribution and reform (incl. reform in 1978)	Increase in production, incomes, household level food security, averting droughts
2	India (Karnataka)- land registration	Computerisation of land records (state initiative), 1990s	Reduced time in land registration, immediate availability of registered papers with photo identity of buyers and sellers; Security of tenure
3	Bangladesh – meeting credit needs	Extending credit to poor and un-bankable, social organisation of poor (Grameen) – 1976-till date	Economic and social security and political voice for the poor, increasing incomes and productive capacities of the poor
4	Bangladesh – primary education	Informal education (linked to Grameen) (BRAC) – till date	Increased school enrolment among children in rural areas and the poor,
5	Japan – old-age pension	Combining formal and informal pension scheme (government, community partnership) – current	Better coverage of older people, better services at relatively cheaper prices
6	China – agricultural production	Rice bowl system – this has options for intensifying rice productivity – 1970s/1980s	Food security ant national and household levels; better distribution
7	India – dairy production	System of collective milk marketing (AMUL) – 1960s till date	Increase small producers' income; raise production; increase forward and backward linkages
8	India (Gujarat) – Organising poor women	Extending social and legal security among informal sector workers (SEWA) – 1970 till date	Minimum wages; legal protection; increased health coverage, old age pension; protecting right to work
9	Cambodia – public action	GO-NGO partnership on combating HIV/AIDS (extensive use of media) – 1990s	Reversal in trend in the spread of the disease
10	Sri Lanka – social services	Decentralisation in social service delivery to permit better utilisation; better targeting – till date	More educated and healthy population; control on fertility rates; longevity
11	Sri Lanka – agricultural production	System of contract farming with food processing companies – 1980s till date	Assured marketing for small producers and pre-determined prices
12	Malaysia – environment	System of environment monitoring using electronic technologies – current	Superior surveillance, and maintenance of environment
13	Thailand/India – TRIPS (under WTO)	Design and application of IPR to manufacture cheap	Drugs available at 10% of the otherwise prevailing costs

		(bulk) anti-retroviral drugs for HIV/AIDS patients – 1990s (current)	
<b>14</b>	Malaysia – capital and money markets	Unified market regulation for securities (as against state-level controls earlier); 1993-till date	Control of excessive outflow of foreign exchange in volatile times (late 1990s)
<b>15</b>	Thailand - credit	System of informal collateral transactions using land titles – 1980s till date	Borrowers can access private credit without going through expensive and lengthy procedures
<b>16</b>	India – credit	Creation of Regional Rural Banks – 1970s till date	Reduce overhead costs in extending credit to farmers
<b>17</b>	India (Gujarat) – technology dissemination in rural areas	Gathering innovative and inexpensive practices in raising agricultural and rural productivity and disseminating these; current	Dissemination of appropriate technologies, use of efficient electronic media for rural development; increased and more certain incomes, reduced drudgery
<b>18</b>	Thailand/India – public representation	Laws enacted to effect electoral reforms – current	More fairness in electoral process
<b>19</b>	Bangladesh – legal aid	Maduripur Legal Aid Association; current	Dispense inexpensive and quick justice at the community level to women; high acceptability and compliance of judgements
<b>20</b>	Cambodia/Bangladesh	Mobile phone connectivity – 1990s – current	Connectivity at distant and remote locales; in the process: better knowledge to farmers about markets, health services, government policies
<b>21</b>	Cambodia	Extending radio/TV network – current	Remote dwellers not having electricity or roads are able to avail of radio/TV run on battery sets – this enables them to know about laws and government schemes
<b>22</b>	Thailand/India	Laws enacted on right to information – current	Better and more transparent governance