

ADBI Advisory Council Information Note: **STRATEGIC ISSUES FOR ADBI**

22 September 2005

1. This note provides a response to several issues raised by Advisory Council (AC) members at the April 2005 AC meeting in Tokyo.
2. The April 2005 AC meeting considered a Discussion Note prepared by ADBI staff on *A Long-Term Research Specialization for the ADB Institute* (8 April 2005). During the meeting AC members also commented on various other strategic issues affecting ADBI work. In response to these comments, four issues are addressed below:
 - The ADBI's role in supporting comparative work in the Asia-Pacific region
 - A new cross-cutting specialization for ADBI
 - A flagship report for the 2007 ADBI annual conference
 - ADBI's approach to networking in the Asia-Pacific region.

Background

3. In recent meetings, both the ADB Board and the AC have commented on the strategic priorities that should inform the work of ADBI. On a number of occasions both members of the ADB Board and AC members have emphasised the following:

- ADBI should look to ways to increase the focus of the Institute's work.
- The four existing theme areas (poverty reduction, regional cooperation, private sector development, and governance) are appropriate.
- It would, however, be useful to identify a specific area of specialization, perhaps cutting across these themes, in which the Institute could aim to develop an international reputation.
- A key strength of a regional agency such as the ADB Institute is its potential to work on comparative policy issues across the Asia-Pacific region, and also to contrast experience in the Asia-Pacific region with regional experience from elsewhere.

4. At the AC meeting in April it was suggested that the Institute might aim to produce a high profile, flagship study based on an important policy topic. It was noted that this report could be presented at the ADBI annual conference in 2007 that will mark the Institute's 10th anniversary. A number of possibilities were discussed for the focus of this flagship study although no consensus was reached on what the area should be. Possibilities mentioned included issues relating to:

- regional resource scarcity
- regional cooperation
- role of civil society

- demographic and employment trends.

Subsequent discussions with stakeholders have further widened the range of possible topics that might be selected for examination in a flagship report or as an area of specialization for ADBI.

5. Bearing these points in mind, this note proposes a number of changes. Taken together, over time these changes will hopefully serve to respond to the main issues raised by ADBI stakeholders.

Moving towards a focus

6. In order to move ADBI work towards a greater focus, two changes will be incorporated in the next Three Year Rolling Work Plan (2006-2008) to be presented to the ADB Board in December 2005. First, the introductory section of the Three Year Rolling Work Plan will include a section stressing that a key role for the Institute will be conducting comparative policy-relevant research across the Asia-Pacific region and between Asia and other regions (principally Latin America in the immediate future). It will be recognised that standalone individual country work may also be done (for example by ADBI Visiting Researchers) but the general expectation will be that country work will be covered by ADB country Technical Assistance. This approach is in line with the ADBI charter. A statement along these lines would help reinforce what has already become general practice in ADBI's work.

Recommendation 1: A section be included in the 2006-2008 Three Year Rolling Work Plan which emphasises that a key role for the ADBI will be conducting comparative policy-relevant research across the Asia-Pacific region and between Asia and other regions (principally Latin America in the immediate future).

Specialization

7. Second, whilst it seems appropriate to now move towards developing a greater specialization in a particular area that can cut across the four existing main theme areas it would seem best if such a specialization did not dominate all of the work carried out in the Institute. Rather, a proportion of ADBI's overall work (say up to 30-40% over time) might fall in the specialization area.

8. The previous Discussion Note on *A Long-Term Research Specialization for the ADB Institute* (8 April 2005) observed that there is a wide range of topics that might be considered as possible areas of specialization. Some key criteria to consider in determining such a choice were set out. Bearing these criteria in mind, and having consulted with various stakeholders, the broad area of *Infrastructure for Regional Cooperation* suggests itself as an appropriate niche for the ADB Institute in which to build up a specialization for the medium-term future.

9. A specialization niche of *Infrastructure for Regional Cooperation* brings together two key areas of ADB work: infrastructure and regional cooperation. The ADB has traditionally supported a wide range of activities in the infrastructure area. In recent years, since the mid-1990s, international bilateral aid donors as well as the multilateral development banks have tended to move away from project activities in traditional infrastructure areas (such as transport, power, and water supply) towards social sectors

(such as education, health and governance). However, there are now clear signs of a resurgence of interest in infrastructure in developing countries.

- In March, for example, a major report on *Connecting East Asia: A New Framework for Infrastructure* was jointly launched in Tokyo by JBIC, the ADB and the World Bank. The *Connecting East Asia* report drew attention to emerging infrastructure needs in developing countries in the Asia-Pacific region.
- Similarly, in recent months, a number of governments in the Asia-Pacific region-- PRC, India, Indonesia, and Thailand, to name just a few--have announced policy initiatives designed to promote significant increases in investment in infrastructure, including through the promotion of much-discussed 'private-public partnerships'.
- In recent statements President Kuroda has emphasised the priority that the ADB should give to supporting infrastructure development in Asia. For example, in an interview with CNN (18 June 2005), President Kuroda noted that to promote economic integration there is a need to "to promote infrastructure cooperation among countries in the region".
- At the July G8 meeting at Gleneagles in Scotland, G8 leaders highlighted the links between global energy demands and policies noting the very large investments that will be made in energy infrastructure during the next 25 years. The Gleneagles Communiqué noted that the G8 leaders would invite both the World Bank and other MDBs to increase dialogue with borrowers on energy issues.

The resurgence of interest in infrastructure issues in the international community suggests that an emphasis on this topic would support both ADB's work as well as provide useful studies to support public policy in the Asia-Pacific region.

10. The second key area of ADB work that a specialization on *Infrastructure for Regional Cooperation* would support is regional cooperation. Regional cooperation in the Asia-Pacific has been a traditional area of ADB activities. Indeed, regional cooperation is specifically mentioned in the ADB Charter (Article 2) as an agreed function of the Bank's work. Moreover, since taking office in February, President Kuroda has listed regional cooperation and economic integration as key issues now facing the Asia-Pacific region. An emphasis on regional cooperation in ADBI activities would therefore harmonize well with the current overall work of the ADB.

11. In fact, the ADB Institute has already sponsored a significant amount of work on infrastructure-related topics during the past few years (Box 1). Specific infrastructure sectors covered include ICTs, water, transport and power, while broader papers have discussed such issues as regulatory frameworks, links between infrastructure and poverty, and cross-border infrastructure investment issues. In ADBI's research activities, both ADBI staff and various Visiting Researchers have produced papers and have taken part in ADBI conferences relating to infrastructure. In CBT work, infrastructure-related work undertaken during the past year or so includes topics covered in five workshops as well as NARBO network activities (<http://www.adbi.org/partnership.narbo/>).

BOX 1: Recent and current ADBI work on infrastructure: selected examples

1. Ted Tschang and M.G. Quibria, *Information and Communications Technology and Poverty: An Asian Perspective*, Research Paper No 12, January 2001.
2. John Weiss, *Infrastructure Investment for Poverty Reduction: A Survey of Key issues*, Policy Brief No 5, June 2003.
3. Support for the regional Network of Asian River Basin Organisations (NARBO); MOU signed in March 2003; provision of Secretariat facilities; support for several regional conferences.
4. Manabu Fujimura, *Cross-border Transport Infrastructure, Regional Integration, and Development*, Discussion Paper No 16, November 2004.
5. Christopher Findlay, *Models for Infrastructure Regulation*, Discussion Paper No 18, December 2004
6. Deunden Nikomborirak, *Private Sector Participation in Infrastructure: The Case of Thailand*, Discussion Paper No 19, December 2004.
7. Vishvanath Desai, *Obstacles to Private Power Investments in India*, Discussion Paper No. 20, December 2004.
8. ADBI 2004 Annual Conference: *Infrastructure and Development: Poverty, Private Sector Investment, and Regulation*, Tokyo 2004; various papers presented at the conference.
9. CBT course programs, 2005, including the following: (a) *Integrated Water Resource Management*, April, Colombo; (b) *Managing Sustainable e-Community Centers Workshop*, May, Agra; (c) *Managing Regional Public Goods Workshop*, June, Bangkok; (d) *Cross-border Infrastructure Development, Trade and Investment Workshop*, August, Almaty.
10. *Transport Infrastructure and Poverty Reduction Workshop*, July, ADB HQ Manila, combined Research and CBT activity.
11. Peter Warr, *Road Development and Poverty Reduction: The Case of Lao PDR*, Research Paper No 64, April 2005.
12. David Parker and Colin Kirkpatrick, *Infrastructure Regulation: Models for Developing Asia*, Research Paper No 60, January 2005.
13. Various CD-ROM reviews, including the following: (a) Cap-Net: Integrated Water Resources Management (IWRM) Tutorial; (b) Cities Data Book -- Urban Indicators for Managing Cities; (c) Mekong River Awareness Kit (RAK); (d) Review of Comprehensive Water Resources Management in Japan: Shared Lessons for Monsoon Asia; (e) Upgrading Urban Communities -- A Resource for Practitioners; (f) Water E-course Modules; (g) Water, Sanitation, and Health Electronic Library -- 3rd Edition.
14. Anoop Singh, *Barriers to FDI in the Indian Power Sector: Identifying Regulatory and Policy Solutions*, proposed study for 2005

12. As a step towards preparing this paper for the Council, consultations were held with selected ADB Departments. Overall, there was strong support from the ten Departments consulted for the proposal that ADBI focus on the area *Infrastructure for Regional Cooperation* (Box 2).

BOX 2: Main responses received from ADB Departments.

ECONOMICS AND RESEARCH DEPARTMENT

...fully endorses Infrastructure for Regional Cooperation as the proposed area of specialization ..

PRIVATE SECTOR OPERATIONS DEPARTMENT

...fully supports the initiative ...

EAST AND CENTRAL ASIA DEPARTMENT

The proposed topic fits well ... we can endorse the proposed area of specialization ...

MEKONG DEPARTMENT

In general, we support the proposed specialization which marries regional cooperation and infrastructure ... giving focus on infrastructure is expected to further boost implementation of the Greater Mekong Subregion 3Cs [connectivity, competitiveness and community].

OPERATIONS EVALUATION DEPARTMENT

... as a strategic specialization it provides the ADBI with a focus in establishing a work program relevant to the needs of the Asia Pacific region and with ADB's corporate objectives.

PACIFIC DEPARTMENT

... endorses the proposed area of specialization ...

OFFICE OF REGIONAL ECONOMIC INTEGRATION

... strongly endorse *Infrastructure for Regional Cooperation* as the specialization area for ADBI.

REGIONAL AND SUSTAINABLE DEVELOPMENT DEPARTMENT

... endorse the proposed ADBI area of specialization ...

SOUTH ASIA DEPARTMENT

... support this proposed effort to narrow-down and deepen the area of focus for ADBI.

SOUTHEAST ASIA DEPARTMENT

... fully supports the proposed focus ... which is extremely relevant to our country and regional level programs.

13. Looking ahead, the broad theme of *Infrastructure for Regional Cooperation* provides ample scope for a wide range of interesting studies (Box 3). In addition, ADB Departments also provided a range of specific suggestions for possible collaborative work between ADB and ADB Institute (Box 4). It would be useful therefore, as a step towards operationalising the proposed specialization, to develop a number of detailed individual research proposals. A selection of these proposals could conveniently be brought to together to underpin the flagship study suggested for the annual conference in 2007.

Recommendation 2: As a step towards operationalising the proposed specialization, a number of detailed research proposals be planned; these proposals might be consistent, as appropriate, would some of the broad sets of issues suggested in Boxes 3 and 4.

Recommendation 3: A flagship study be prepared for the ADBI 10th anniversary conference in 2007 on the theme of "Infrastructure for Regional Cooperation"; this study might aim to draw on some of detailed research proposals suggested in Recommendation 2.

BOX 3: Infrastructure for regional cooperation--some possible areas for study

TOPICS

- Do infrastructure bottlenecks hamper trade and investment in Asia?
- Infrastructure in Asia: Where will the money come from?
- Does infrastructure determine production chains across Asia?
- FDI in infrastructure in Asia.
- Infrastructure and human needs: forecasts of the demand for infrastructure.
- How do structures of infrastructure markets vary across the region?
- Regulatory practices: lessons from the rest of the world.
- Regulatory practices: different approaches in the Asia-Pacific region.
- Pricing issues and subsidies.
- How does infrastructure pricing policy affect national budgets?
- Maintenance in infrastructure; what can be done about neglect of maintenance?
- Equity and poverty aspects: how to ensure that infrastructure benefits the poor.
- Governance and management in infrastructure.
- What are the prospects for private-public partnerships?
- How can Infrastructure be provided for rural development and small island countries?
- Tendering and infrastructure across Asia: how can policies be improved?
- Macroeconomic issues: How growth increases demand for infrastructure; How supply bottlenecks in infrastructure hamper overall growth.

SECTORS (main ADB sectors)

- Energy -- electricity (generation, transmission, distribution, rural electrification), gas.
- Transport -- road, rail, shipping, ports and harbors, airports.
- Telecommunications -- ICTs.
- Water -- including sanitation, rural and community water supplies, dams.

BOX 4: Research suggestions received from ADB Departments

ECONOMICS AND RESEARCH DEPARTMENT is currently undertaking a major study on Long-Term Scenarios for Regional Growth and Trade ... In this regard, infrastructure as an instrument to improve trade efficiency will play an important role ... ADBI could contribute significantly by carrying out cross-country studies on microeconomic issues that are heavily data-based.

PRIVATE SECTOR OPERATIONS DEPARTMENT would like to discuss ... how [this Division] can collaborate with ADBI ... to ensure that private sector development in infrastructure is considered.

EAST AND CENTRAL ASIA DEPARTMENT: One area [for collaboration] may be for ADBI to study actual or program experiences of infrastructure for subregional cooperation and integration.

MEKONG DEPARTMENT: ...there could be opportunities for cooperation and collaboration between MKRD and ADBI ... for example, if the Mekong countries decide to establish a regional cooperation platform to integrate power generation markets, linking distribution infrastructure across borders and setting up a crucial regulatory body ... a whole range of relevant issues could be researched ...

OPERATIONS EVALUATION DEPARTMENT is increasingly undertaking a range of broader evaluation studies ... aspects of these would contribute to this strategic specialization ... Equally, OED anticipates that it would be able to draw ADBI work on this topic to strengthen evaluation findings.

SOUTH ASIA DEPARTMENT: ... further thought [could] be given to creating even higher focus. SARD's suggestions are the following.

- ... the subject of *financing for implementation of the agreed project* is an important issue
- ADBI could consider ... focusing on providing deep analytical studies on policy and economic aspects of cooperation for infrastructure financing.
- ... ADBI ... [could] add further value by widely disseminating the results of its studies.

SOUTHEAST ASIA DEPARTMENT: We see a number of ways in which collaboration is possible.

1. The question of financing infrastructure looms large in our countries ... An exploration of infrastructure finance options in the BIMP-EAGA region, and in other areas of Eastern Indonesia and Southern Philippines would be of great relevance.
2. We are extremely interested in the link between infrastructure and competitiveness in Southeast Asia, and would welcome research that explores these links in a regional cooperation framework ... cross-border effects on competitiveness would be very interesting ...
3. ASEAN has endorsed a number of key infrastructure action plans in transport, energy and ICT ... We would welcome ADBI partnership with ASEAN in organizing research and training that is linked to these action plans ...

Networking

14. At the April 2005 meeting, AC members stressed the importance for ADBI of strengthening links with other research and public policy institutions in the Asia-Pacific region. In particular, AC members suggested that more might be done to establish institutionalised links between ADBI and a core group of research and public policy professionals at different levels of seniority.

15. It is the policy of ADBI to strengthen links with development partners wherever possible. In the research area, during the past two years numerous external researchers have visited the ADBI to work on specific projects as Visiting Fellows. There are at least 15 researchers who have visited twice or more during this time and considerably more who have visited just once from a range of institutions. In addition, there have also been partnership activities with ADB HQ researcher staff members in relevant fields (such as microfinance) and a stream of Visiting Researchers selected on a competitive basis have spent time at the Institute. Similarly, in other areas of the work of the Institute there is much collaboration with external partners. A wide range of both public and private sector partners provide co-financing, mostly in kind, in the Capacity Building and Training work of the ADBI (Box 5).

16. Given current staff resource constraints, it is difficult for the ADB Institute to successfully further extend this current system of ad hoc networking. The present arrangements intentionally avoid entering into specific formalized long-term relationships with individual researchers or institutions. This approach provides the ADB Institute with appropriate flexibility that allows for changes both in research priorities and in the arrangements that are made for research workers who visit ADBI. It also needs to be borne in mind that no ADBI research or CBT professional staff members have tenure in ADBI; there are therefore practical considerations which make it difficult to guarantee outside staff long-term links with the Institute given the nature of internal ADBI staff turnover.

Recommendation 4: The current flexible system of networking which involves numerous links with both public and private sector partners be continued; where possible, the ADBI should explore appropriate opportunities for longer-term relationships with partner organisations depending on the resource implications of each proposal.

BOX 5: Selected examples of collaboration with external partners and networking

Activity	Partners
CAPACITY BUILDING AND TRAINING	
Implementing E-Government Course, May 2004, Bangkok	UN Economics and Social Commission for Asia and the Pacific (UNESCAP), Microsoft Corporation (MS), IBM (International Business Machines Corporation), French Government
Improving E-Learning Policies and Programs Workshop, August 2004, Manila	ADB, UN Educational Scientific and Cultural Organization (UNESCO), MS, IBM, Australian government, Korean Government
Promoting E-Business and Commerce in Developing Countries Workshop, September 2004, Tokyo	MS, IBM, Electronic Commerce Promotion Council of Japan, United Nations Conference on Trade and Development (UNCTAD)
Integrated Water Resource Management Course, April 2005, Colombo	ADB, JWA, International Water Management Institute, MRC, Korea Water Company, Sri Lankan Government
Managing Regional Public Goods Workshop, June 2005, Bangkok	ADB, World Health Organization (WHO), International Organization for Migration (IOM), Association of Southeast Asian Nations (ASEAN), Thai Government
Developing Bond Markets in APEC Towards Greater Public-Private Sector Regional Partnership Conference, June 2005, Tokyo	ADB, Asia-Pacific Economic Cooperation Business Advisory Council, Pacific Economic Cooperation Council, MS, IBM
RESEARCH	
Book project on Regional Development in the Philippines	Researchers, University of the Philippines and Australian National University
Banking sector study: Indonesia and the region	Research Department, Bank Indonesia
Study on poverty targeting at the village level in India	Chief Economist, National Council of Applied Economic Research, Delhi, India.
Study on development in north-east PRC	Development and Research Center, Beijing
Comparative research Asia- Latin America. LAEBA program Annual Conference.	Inter-American Development Bank, Washington
Conference on 'Eradication of Poverty: progress and the road ahead'	UNDP, New York-ESCAP, Bangkok