

ADBI Welcomes Masahiro Kawai, New Dean

In January, ADBI welcomed Masahiro Kawai as its next Dean. “I would like to see ADBI become a leading institute in Asia and the Pacific for the creation of knowledge on long-term structural issues for economic development and provide effective development strategies and capacity building. From Tokyo, ADBI will expand a network of partner institutions to effectively address the development challenges faced by the Asia-Pacific region.” says Mr. Kawai, who took over from former Dean Peter McCawley.

“ADBI has embarked on the study of Infrastructure for Regional Cooperation, which is vital for economic development and poverty reduction.” The new focus area of specialization, he adds, “will be reflected in many of ADBI’s activities in 2007 and with the publication of a flagship study.” Mr. Kawai has worked extensively on this area; before assuming his position at ADBI,



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Masahiro Kawai,
Dean, ADBI

he served as Head of ADB’s Office of Regional Economic Integration (OREI) and concurrently Special Advisor to the ADB President in charge of regional economic cooperation and integration.

Prior to becoming the head of OREI in October 2005, Mr. Kawai was a Professor at the University of Tokyo’s Institute of Social Science. He also worked as Deputy Vice Minister of Finance for International Affairs of Japan’s Ministry of Finance from 2001 to 2003, and before that as Chief Economist for the World Bank’s East Asia and the Pacific Region from 1998 to 2001. ■

ADB Annual Meeting: Ageing Asia

ADBI will hold a seminar on *Ageing Asia: A New Challenge for the Region*, in conjunction with the Asian Development Bank’s 40th Annual Meeting of the Board of Governors to be held in Kyoto, Japan from 4 to 7 May 2007. A half-day workshop on Ageing will follow at ADBI on 8 May. The panelists for the seminar will include Professor Charles Horioka of Osaka University, Professor David Canning from Harvard, and Dr. Ralph Bryant of the Brookings Institution. Other leading international researchers will also gather to address various policy issues, and Government leaders—including Finance Ministers and central bank governors—together with civil society groups and journalists from around the world will be at this meeting. ■

View details at www.adb.org/AnnualMeeting/2007/default.asp.

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Thanks and Warm Wishes to Former ADBI Dean Peter McCawley

In January, ADBI bid farewell to Peter McCawley, who had served as Dean of the Institute since early 2003. Mr. McCawley brought with him extensive academic and government experience in Asian economic affairs. Before coming to ADBI he had worked as an adviser on foreign aid and international economic issues to the Australian Government and various international agencies.

Looking back on his four years at ADBI, Mr. McCawley says he thinks the Institute's goals have become clearer. He feels that both internally and externally, relations with staff and stakeholders are well-based. Challenges remain, of course, but worthwhile progress has been made in both of these key areas. "Internally, for example, arrangements such as our regular brown bag luncheons are now a well-established feature of ADBI activities," Mr. McCawley explains, "and externally our relations with our colleagues in ADB HQ and with various partners in the Asia-Pacific region are on track."

ADBI's various electronic outreach activities—the web, news, and reviews—have also

developed well during Mr. McCawley's tenure as Dean. These activities improve the Institute's efforts across the region in sharing development knowledge.

A key challenge for the Institute, as Mr. McCawley sees it, is to continue its efforts to develop a solid reputation in an area of specialization. ADBI's current area of specialization is Infrastructure for Regional Cooperation. By continuing to do work on this topic, he believes that the Institute will build up a name for work in an area that is relevant to the activities of the Asian Development Bank and important for the Asia-Pacific region.

After returning to the Australian National University in Canberra, Mr. McCawley plans to finish off the work he has been doing at ADBI on the Asian tsunami. Several other projects await him, including editing several issues of the *Bulletin of Indonesian Economic Studies* and writing articles and books on the Indonesian economy and development across the Asia-Pacific area. ■

The Asian Tsunami: Lessons Learned

More than two years have passed since the effects of a tsunami devastated countries from India to Africa on 26 December 2004. ADBI has been undertaking research into the effectiveness of the post-tsunami recovery programs in several countries in Asia. This research has been led by Peter McCawley, former Dean of ADBI.

On the second anniversary after the tsunami hit, an article by Mr. McCawley was printed in the *Asahi Shimbun*, a Japanese-language newspaper. The article highlighted important successes and useful lessons from the first set of the study results on Sri Lanka.

An encouraging success in Sri Lanka—despite the lack of previous experience with such a devastating tsunami—was the impressive response of local institutions when the crisis struck. Within a

day, many areas were able to mobilize medical aid, food, and other relief supplies at the local level.

The experience of Sri Lanka also points to three other key lessons.

1. Governments and communities must **respond quickly to disasters**.
2. **Simple actions are often the best**. Examples include immediate cash payments.
3. **Reconstruction costs are likely to soar**, so planners must allow for substantial increase in building costs.

Learning from these lessons will prepare governments and communities around the world to better cope with future disasters. ■

For further information on ADBI's Sri Lanka case study, see www.adbi.org/research-policy-brief/2006/06/13/1894.tsunami.recovery/. Additional case studies on Indonesia and Thailand will be posted soon.

■ ADBI ANNUAL CONFERENCE 2006 ■

Infrastructure for Regional Cooperation

Infrastructure investment promotes regional integration, which in turn encourages regional cooperation, including cooperation in infrastructure development. This process creates a virtuous cycle that supports development. With this in mind, ADBI has chosen “Infrastructure for Regional Cooperation” (IfRC) as its new area of specialization.

The Institute’s annual conference in Tokyo on 8 December 2006 focused on this initiative. Over 100 participants attended the conference held at ADBI. To kick off the effort in preparing the Institute’s flagship study on IfRC, the conference included discussion sessions on several aspects of the topic. Sessions explored issues such as the role for development banks in building Asia’s



The conference kicked off the effort in preparing the Institute’s flagship study on Infrastructure for Regional Cooperation.

infrastructure, the extent to which infrastructure promotes regional growth and cooperation, the role of transport infrastructure, and the relation of governance and finance to infrastructure.

Several presenters noted that infrastructure means not only hardware like ports, roads, and telecoms, but also software such as legal and regulatory structures. For regional cooperation, a key benefit of improved infrastructure—both hard and soft—is that it lowers barriers to trade by reducing trade costs such as transport charges, customs delays, and excess inventories.

Four broad issues require attention for infrastructure to be improved in the Asia-Pacific region. One issue is access: people across the region lack access to water, sanitation, energy, and roads. Cheaper and simpler ways to provide access to these should be explored. Another issue is finance. Finance can be provided from the public or private sector, or can be self-financed by utilities from revenue flows. A third issue is the pricing of infrastructure services such as utilities and travel: fees must be enforced for sustainability, but these prices must be set with respect to costs, not international benchmarks. Finally, governance and management issues must be addressed to make infrastructure more productive. This will increase the returns to investment. ■

Read the conference report at www.adbi.org/event/2039.annual.conference.2006/.

■ LAEBA CONFERENCE IN SEOUL ■

Scholars Focus on Role of Regional Infrastructure

For its third annual conference held in November 2006 in Seoul, Republic of Korea, the Latin America Asia-Pacific Economics and Business Association (LAEBA) brought scholars together to explore the question of the role for regional infrastructure in fostering regional cooperation and integration. Sessions focused on conceptual and policy perspectives on regional infrastructure, financing infrastructure and trade facilitation, regional transport costs as trade costs, and case studies of regional integration projects in Asia and Latin America. ■



ADBI Senior Research Fellow Jayant Menon presented results from a country case study involving infrastructure and trade.

Conference papers available online at www.adbi.org/event/2007.3rd.laeba.conference/.

RECENT RESEARCH PUBLICATIONS

Two-volume Corporate Governance Set Proves Popular

Although all the Asian bank supervisory agencies have introduced regulatory reforms to encourage the development of good corporate governance policies in banking institutions since the 1997 financial crisis, not much is known about the success of these policy reforms. This study, presented in two volumes, addresses the issue of corporate governance practices in the banking institutions of Indonesia, the Republic of Korea, Malaysia, and Thailand from 1998 until 2003.

The first volume is about the practice of corporate governance of commercial banks in post-crisis in Asia. The 2nd volume provides theme papers, which are revised versions of the papers presented at the seminars “Corporate Governance of Banks in Asia” held in Tokyo in June 2004 and January 2005. They deal with such topics as financial safety nets, bank ownership and governance quality, market discipline of banks, financial incentives for bank directors, and banks’ risk management practices. ■

Key findings:

Ingredients for effective boards

Results from the study’s survey of bank board members indicate that they are now more cognizant about their roles in enhancing board effectiveness. For producing effective boards, the following ingredients were suggested—some of them widely supported and others more contentious.

- Select well-qualified board members
- Promote boardroom culture that encourages discussions of alternative viewpoints
- Provide adequate and timely information to the directors
- Provide education programs for their professional development
- Have formal annual CEO evaluation by the board
- Separate CEO from board chair position
- Link compensation more to bank performance

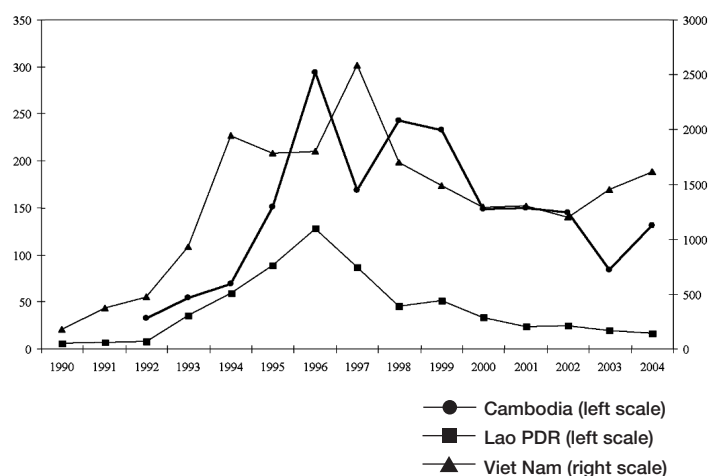
Read or download the books for free at www.adbi.org/book/2006/09/12/1991.corporate.governance.banks.vol1/.

Mekong Region: Foreign Direct Investment

This joint study with ADB examines the trends, patterns, and economic impacts of foreign direct investment (FDI) in the Greater Mekong subregion’s three transitional economies: Cambodia, Lao People’s Democratic Republic (Lao PDR), and Viet Nam. Although FDI inflows to these countries have not yet returned to pre-Asian crisis levels, continued policy reforms and improvements in the investment climate have seen them stabilize or strengthen since 2000 (see Figure).

The study finds that FDI has played an important role in promoting GDP growth, exports, employment and productivity improvement in all three countries. In addition to discussing short-term changes to spur growth in FDI, the study presents ways for countries to get better-quality FDI by addressing the longer-term deficiencies in the investment policy and business environment. Without improvements to infrastructure, human capital, and legal, judicial, and administrative structures, investment will be largely short-term.

FDI in Cambodia, Lao PDR, and Viet Nam, 1990–2004 (US\$ millions)



Investors “operating with their bags packed” are unlikely to share the firm-specific knowledge that would give FDI its catalytic impact. ■

Read or download the book for free at www.adbi.org/book/2006/10/23/2053.mekong.direct.investment/.

RECENT RESEARCH

Building Microfinance Capacity using ICT

Microfinance provides opportunities for poor and low-income people, but its biggest stumbling block is the shortage of personnel capable of operating sustainable institutions—not lack of funds.

In a continuing effort to address this constraint, ADBI and the World Bank's Tokyo Development Learning Center collaborated again in 2006 to offer the third blended distance learning Microfinance Training of Trainers Course. Using CD-ROMs, distributed classrooms through videoconferencing, online tutoring, and e-discussion, the course has so far trained over 1100 participants in over 51 countries and accredited over 120 trainers.



Entrepreneurial activities supported by microfinance, like this business of making ornaments and accessories from sea shells, can improve the livelihoods of poor and low-income people.

Courtesy of Asian Development Bank

Course valued highly by participants

Participants have evaluated the course favorably. “The most attractive point is the opportunity to interact with speakers who are experts in the field,” says one participant. This opportunity combined with online tutoring makes for rapid learning progress.

Localization planned to reach rural participants

In 2007, the course will be offered not only in English, but also in Chinese and other local languages. “Over 80% of participants stated that if the course was offered in local languages it could better reach those working with the poor,” explains Sununtar Setboonsarng, course organizer.

Localizing the course into Chinese is a priority because the PRC has a large rural poor population and an underdeveloped microfinance sector. The World Bank Institute in the PRC and Consultative Group to Assist the Poor (CGAP) are enthusiastic about this innovative course and are adding their support to the localization plan in the PRC. Improved capacity will help microfinance institutions meet the vast demand by the poor for their services. Capacity built through the course will also help donors such as the Asian Development Bank to implement projects more smoothly. ■

View course sessions as archived webcasts at www.adbi.org/event/1840.microfinance.blended.learning/.

Organic Agriculture Addresses Multiple Aspects of Poverty

Two-thirds of the world's 800 million poor are involved in agriculture and the majority of them live in marginal areas where organic practice may be more appropriate than high-external input agriculture. Meanwhile, organic products are enjoying increased global demand and premiums of 10% to 300%, with consumers spending to express views on concerns for food safety, environment, and poverty.

ADBI's ongoing research aims to quantify the impacts of organic agriculture in the context of the Millennium Development Goals (MDG) to support policy design for the sector.

Preliminary findings show that organic agriculture provides farmers with a high level of profitability due to lower input cost, a higher sustainable yield, and premium prices. The increased income allows them to spend more on education and health, with benefits reaching



This mixed garden in Sri Lanka is one example of the potential of organic farming to improve biodiversity and food security.

daughters as well as sons. Furthermore, organic agriculture eliminates some common health risks to poor and often illiterate farmers, who are often exposed to improper use of pesticides. ■

Read preliminary findings at www.adbi.org/discussion-paper/2006/09/07/2000.mdgs.organic.agriculture/.

RECENT CAPACITY BUILDING AND TRAINING

ADBI's 2006 CBT Program focused on strengthening policy development and management capacity for development programs in the Asia-Pacific region under 4 priority themes: **poverty reduction, regional cooperation, private sector development, and governance.**

Focusing on Poverty Reduction

Nearly two-thirds of the world's poor are in the Asia-Pacific region, predominately in rural areas. Of these, almost two-thirds are women. CBT offered a number of courses in 2006 that profiled how development policy can take advantage of advances in ICT to increase access to information for the rural poor, improve access and quality of education for those in remote locations, and broaden the scope for entrepreneurial initiatives for women. Courses explored how community information centers, e-learning policies, and e-business development can be employed to support poverty reduction.

The E-Learning Policies Distance Learning Program is one of six courses offered by ADBI under this theme. Initiated in October 2006, it was completed in mid-January 2007. Over 300 government officials and teachers, primarily from the Asia-Pacific region, were enrolled. The program presents how computer courseware can

Information and communication technology can increase access to information for the poor and improve access to and quality of education.



Courtesy of Asian Development Bank

complement traditional education processes, improve learning content, and support the management of teaching-learning processes, as well as increasing access. ■

Read more about the E-Learning Policies Distance Learning Program at www.adbi.org/event/1940.elearning.policy.2006/.

Supporting Regional Cooperation

Regional cooperation to stimulate “inclusive growth” is being pursued on a number of important levels in the Asia-Pacific region—capital markets, trade, and regulation and investment in physical infrastructure. Capital markets play an important role in mobilizing savings to finance both production and infrastructure investment needed for regional economic development. In Asia, the savings ratio is much higher than that in other regions yet only a very small percent of the total Asian cross-border portfolio is directed to other capital markets in the region due to underdevelopment and inefficiencies.

In October 2006 ADBI, in collaboration with the Organisation for Economic Co-operation and Development (OECD) and the Government of Japan, organized a two-day roundtable to discuss the current state of financial market integration in

Asia, the progress in capital market reforms, and the main development issues and challenges ahead. With the participation of 57 government officials and financial sector experts from 13 ADB developing member countries the roundtable discussions centered on critical policy and regulatory reforms necessary to foster greater capital market integration. Summary conclusions emphasized the need for increased corporate governance requirements and the convergence of accounting standards to enable expansion and further development of capital markets in the region, as well as ensure the integrity and efficiency of the markets and protection of investor interests. ■

Read or download papers and presentations from the 8th Round Table on Capital Market Reform in Asia via www.adbi.org/event/1742.capital.market.reform.2006/.

RECENT CAPACITY BUILDING AND TRAINING

Advancing Private Sector Development and Public-Private Partnerships

Expanding private sector activities is a vital element of the strategic development approach to achieving greater economic growth and poverty reduction in Asia and the Pacific region. ADBI's CBT program focuses on capacity building activities which enable reforms and strengthen the policy environment to ensure the right conditions for businesses to flourish, and promotion of public-private partnerships.

In May 2006, a 5-day seminar entitled "Cluster-Based Industrial Development" was organized by ADBI in collaboration with the Viet Nam Institute for Industry Policy and Strategy, and the support of the Foundation for Advanced Studies on International Development, Japan International Cooperation Agency (JICA), and United Nations Industrial Development Organization (UNIDO). For the 30 government officials from Cambodia, Lao People's Democratic Republic, and Viet Nam,

Industrial clusters offer shared services, which can enable enterprises like this paper factory near Hanoi, Viet Nam to be more competitive.



the seminar explored how a cluster-based approach to industrial development effectively supports growth of small and medium-sized enterprises, and what catalytic role governments need to take on to ensure an enabling policy environment is in place for their establishment. Successful experiences with cluster-based industry development in China and India, as well as in other countries in the region, were profiled. ■

View presentations and other materials from the Cluster-Based Industrial Development Course at www.adbi.org/event/1641.clusterbased.industrial.development/. Followup seminar to be offered in Tokyo in March 2007.

Strengthening Public Sector Governance

Governments are responsible for ensuring efficient use of public resources and sound management of social and economic development programs. ADBI's CBT program in 2006 has focused on profiling policy developments and ICT advancements that support improved public financial management and enable greater government accountability and transparency.

In September 2006, ADBI organized a regional seminar on Improving Governance of Public Sector Enterprises. State-owned enterprises (SOEs) have an important role in supplying essential goods and services to the public in many ADB developing member countries. Difficulties associated with trying to achieve commercial as well as social objectives, and lack of sufficient management autonomy, have constrained the ability of SOEs to perform effectively and efficiently. Government officials from over 15 ADB developing member countries met in Tokyo to evaluate the role of SOEs in the current economic development environment, and to prioritize policy and regulatory reforms required to

For information on governance courses offered by ADBI

- **Improving Governance of Public Sector Enterprise**—Read seminar information and summary of proceedings (to be published) at www.adbi.org/event/1534.improving.governance.soe/
- **Tax Conference: Tax Reform and IT Infrastructure**—Find presentations and more via www.adbi.org/event/2004.tax.conference.2006/
- **Capital Market Reform in Asia: 8th Round Table**—View conference papers via www.adbi.org/event/1534.improving.governance.soe/

improve SOE performance and corporate governance. International best practices and lessons learned were presented and regional experiences were shared.

ADBI in partnership with ADB, the Ministry of Finance, Japan and OECD, also hosted the 16th Annual Tax Conference in October 2006. With the participation of representatives from tax policy and administration agencies from across the Asia-Pacific region, the conference served as a forum to profile developments in tax policy reform that support trade liberalization and improved harmonization of international tax policy and administration approaches. The conference also provided an opportunity for participants to be briefed on ICT advancements that enable major improvements in tax administration management and efficiency. ■

CALENDAR

www.adbi.org/calendarofevents/

29–30 January □	Workshop on the Role of Infrastructure in Reducing Trade Costs (Tokyo)
5–16 February □ □	Pilot Course on Workforce Development: Computer Courseware Development (Kathmandu, Nepal)
13–15 February □	Customs DG-Commissioner Meeting on Trade Facilitation (Tokyo)
28 February □ □	International Symposium on Economic and Financial Response to Environmental Problems (Kyoto, Japan)
14–20 March □ □	Industrial Development Planning by Local Governments: Cluster-Based Development Approach Policy Seminar (Tokyo)
2–6 April □	Chief Information Officers' Training Course (Tokyo)
16–20 April □	Tax Administration Course (Chiang Mai, Thailand)
30 April–31 July □	E-Governance 2007: A Distance Learning Course
3–4 May □	East Asia Conference on Competition Policy and Development (Hanoi, Viet Nam)
7 May □	Seminar on Ageing in East Asia (Kyoto, Japan)
8 May □	Seminar on Ageing in East Asia (Tokyo)
14–18 May □	Private Sector Participation in Physical Infrastructure (Tokyo)
28 May–1 June □ □	International Conference on Information and Communication Technology in Basic Education (Xining, People's Republic of China)

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