

ADB ADVISORY COUNCIL: MEETING IN TOKYO, 27 APRIL 2010

On Tuesday, 27 April 2010, the first meeting of the Advisory Council (AC) in 2010 took place at ADBI. The meeting was attended by:

Mashiko Aoki

Eric Girardin

Gang Fan

Andrew MacIntyre

K.M. Chandrasekhar

Jong-Wha Lee

Mr. Aoki was selected as the chair of the meeting.

Victor H. Frank, Jr. died on 6 April.

On behalf of the AC, the Chair paid their respects to the invaluable contributions made by Dr. Frank to the work of the institute.

STRATEGIC DIRECTIONS

Dean Kawai outlined his strategic directions to make ADBI visible in Asia as the premier think tank. Guided by the advice of the AC, ADBI will continue to align its strategies and priorities with those of ADB while retaining enough flexibility to respond to emerging global and regional issues. Greater integration between the research and CBT arms will be pursued. Wide dissemination and getting ADBI work cited in important publications and by the region's high-level policymakers remains a top priority; drawing upon all the latest technological resources and networking outlets available.

He also explained that ADBI began to actively seek funding from ADB member countries, in addition to Japan, to support ADBI research and CBT activities.

Mr. MacIntyre had the impression in his time on the AC that considerable progress has been made in achieving the key objectives of becoming aligned with ADB and recognized as a sound and reliable source of knowledge and knowledge sharing. All

three arms of ADBI are working well together but he believed that it could and should go even further.

ADBI's goal to become the premier institute is a fine aspiration, but with that a tension will come. To be at the very forefront, ADBI has to consistently say extraordinary things that catch the attention or change the way people think. That is challenging for anyone to do and very hard for an international organization to do successfully. Mr. MacIntyre wondered how ADBI could try to navigate those tensions.

Mr. Gang Fan mainly focused on the future. Subject to any institutional imperatives, ADBI might want to consider trying to get more funds from the private sector. He observed that the Chinese Ministry of Finance may not seek this kind of funding and that starting up a program and funding are important to each other. If programs are good and challenging then ADBI should be able to get private sector interest for funding them.

Mr. Girardin recalled that twice the AC advised ADBI to do certain things and it more than delivered on them. Regarding the flagship study on *Infrastructure for a Seamless Asia*, a former AC member, Dr. Ali, proposed the important subject which the whole AC endorsed. ADBI turned this project into a great success. He recalled that Dr. Frank was first to propose the Global Financial Crisis (GFC) study and it has become ADBI's second major success. Yesterday's meeting about the outcome of the GFC was very interesting and ADBI staff and the attending AC members received some good feedback.

Mr. Girardin advised that ADBI's prospectus may perhaps put more eye-catching intellectual products in its shop-front window by way of publications, books, journal articles, number of website hits, and growth progressions.

Mr. Chandrasekhar complimented ADBI's knowledge creation and the high level of effective teamwork being displayed. Substance is important in output for which ADBI must take the credit. ADBI should think more about the involvement of the private sector in funding. For instance, as a follow up for the infrastructure work, the next stage could be how to foster PPPs in the regional context. Partners from different countries could collaborate and the private sector might become interested in this.

Contributions from all interested countries should be required. He would talk to the authorities within the finance ministry and asked that ADBI continues to send any relevant papers to his attention.

Mr. Lee paid full compliments on excellent achievements. The strategic directions are fine and there has also been good collaboration with ADB headquarters. He shared his experiences of prioritizing within ERD in the wake of limited financial resources.

Mr. Lee felt the AC has witnessed substantial progress in the last several years. He was very impressed by the list of participants at events. It is a good idea to mix more research with CBT events. He also agreed with the idea of more private sector funding.

Dean appreciated the AC's sincere support. In his opinion ADBI has made great progress but every year something new and extraordinary must be done. There is a need to make clear that ADBI is always viewed as an Asian think tank that is supporting sound ways for Asian economic development and progress. The institute must also be an advocate for DMCs. As for the new ideas and directions, we have to recall that we are not a UN-based type organization and our basis must always be sound economic analysis. We have to continue to find our real comparative advantage in the increasingly complex global knowledge competition.

In delivering the Seamless Asia and GFC programs ADBI needed to offer quality. There is always the goal of getting high-ranking officials to value the quality of the institute's work. ADBI wants major policymakers in the DMCs to recognize that it is producing high-quality products.

The Dean went on to explain that the first target for diversification of funding must remain the public sector, although private funding is a future possibility and we must cautiously start experimenting with modalities such as cost recovery.

RESEARCH AND CBT

Mr. MacIntyre suggested ADBI might try to do more cross-fertilization and reinforcement across the three arms. By combining maximum productivity gains will be achieved. A common mistake is chasing more knowledge productivity, but it is better to link research ideas with training and outreach. Many other think tanks

frequently under invest in outreach. Of course writing any book is just the first step—getting important people to read it is always going to be much harder.

None of us is an expert in all of the projects ADBI is doing. So perhaps it could help the AC if a little more was said on what is already out there in the field and what should be the aspiration for the project. Mr. MacIntyre appreciated that ADBI wasn't duplicating work already done, but he wanted to understand more keenly the degree of differentiation. He recommended trying to locate an intended study product firmly within its market.

He also commented that he was wary of changing editors each time with a new journal edition.

Mr. Gang Fan considered that all research projects are important and the CBT work was good. But what is the specialization of the institute? And how can ADBI distinguish itself from the rest? He believed the real comparative advantage and mandate should be regional cooperation and integration—not global or country-level work. Therefore, he would recommend increasing the percentage of regional issues in total research output. That is ADBI's special value and no other can really do the same thing.

But for CBT this approach will have to be modified slightly. From capacity building perspectives, ADBI may want to focus more on country specific issues while exploring more collaboration, through joint programs or events, with various knowledge partners and other expert institutions, such as the OECD.

Mr. Gang Fan likes the current idea of the journal and would suggest allowing the implementing team to experiment with what might be the best and most practical system for balancing guests with permanent editor. In his analogy, one really needs an engineer as the editor to pull the journal locomotive out of the station and keep it running on time.

Mr. Girardin congratulated the research department for coming up with another impressive list of projects.

On the new flagship projects: what would be the particular Asian issue to explore for low carbon growth? This study might need to be refocused as there is no mention of traditional pollution. In his view SO₂ and micro particles pose more immediate and

urgent health threats than carbon emissions. Mr. Girardin urged the institute to think about adding this as a priority point.

Regarding the ASEAN-PRC-India study, what are the pressing issues, such as the trickle down of growth and inequalities? Just as with the *Infrastructure for a Seamless Asia* study, this planned study is again very large and ambitious. ADBI staff manage such projects well, but this proposal might benefit from more focus and identification of a common thread among the targeted countries. The scope of the project will evolve over time.

With CBT, the institute has come up with another impressive list of events that meet the many changing requirements of DMCs. But as an obvious key lesson from the crisis, ADBI may want to concentrate more on capacity building for regulators on macroprudential issues. ADBI may also want to explore collaboration with the African Development Bank and sharing its knowledge with countries from that continent.

As for the journal, he suggested taking a closer look at the *Asian Economic Papers*, which is very similar to the current concept. Mr. Girardin said it would be necessary to differentiate further the journal's aim, especially refocusing it on the initial AC proposal which was to provide a shop-window for ADBI's work in research, conferences, and guest lectures.

Mr. Chandrasekhar observed that the institute has taken on so much work already. But bearing this in mind, he would like to suggest a greater refocus on the rural sector, particularly rural demand and its role in strengthening the economy and rural infrastructure. Asians need to share their experiences on this key issue. ADBI appeared to be doing well on water and microfinance programs, but greater efforts should be made to enhance capacity on issues such as employment, productivity, and infrastructure, including public private partnerships.

As to barriers to trade within the region, consider more those which are non-tariff. Increasingly they come to look like governance issues, so ADBI would also need to look at processes and procedures that tend to delay development or market opening activities. He suggested to try linking and sharing results from experiments in various countries. One useful idea could be closer association with large industrial associations, such as bringing them together on a common platform to promote regional cooperation. Also ADBI should be aware that there is substantial expertise at the OECD on tax policy issues too.

Mr. Chandrasekhar further recommended more CBT on multilateral trade issues, particularly the dispute resolution mechanism, which could be useful for DMCs. He also would like ADBI to collect information on innovation and rural technology issues. All these suggestions would depend on the time and resources made available in years to come.

Mr. Lee noted that the research activities are well organized along ADB priorities and the newer projects are soundly structured. He reiterated that there was always scope for synergies and joint work with ERD, particularly on the two flagships. In this regard, he mentioned that ERD was starting to shift its research focus to long-term development issues including Asia's GDP growth projections beyond 2030.

He raised a point on the timeline and roadmap for studies. In his opinion, while they usually generate much useful inputs, it is often hard to incorporate everything received and stay within the delivery deadlines. Generally, he felt the timelines between the two were quite close. However, he understood ADBI would be aiming for two flagship projects running at essentially the same time.

The journal should have a long-term and permanent managing editor, but could have alternating editors. The road will be hard because good journals are evaluated by the number of citations they receive and the target must be the social science citation indexes. It could take a lengthy period to get regular citations going strongly.

Mr. Aoki expressed himself generally satisfied with the planned journal format as described but recommended that ADBI should try to differentiate the project rather than to copy the Brookings approach.

He was impressed by the 50,000 downloads for the *Infrastructure for a Seamless Asia* online book. It has become a good resource that should be promoted in ADB/ADBI conferences at every opportunity.

Mr. Aoki would like to see the Dean remain as the main editor and bring in a co-editor for each special edition. He supports the idea of naming it ADBI's e-journal, so people can readily see how it primarily exists online and how to find it. A special issue organized with NBER or European think tanks could also help generate new readership lists.

Concerning the plans for the ASEAN-PRC-India study, he agreed with other AC members that the rural aspect along with demographics is going to remain paramount. For instance the issue of rural-urban migration is of the utmost importance. Because of the rise of the PRC, this phenomena should attract much attention. He recalled Greg Clark's argument that, if there is no migration from agriculture, productivity increase in agriculture can only lead to population growth due to an increase of longevity, but not an increase in per capita income. Professors Hayashi's and Prescott's studies on the pre-WW II Japan economy also shows that Japan lost about 60% of realized per capital income growth due to the restraint of migration. Now it is estimated that the PRC will have to see 200-300 million people move from the rural to the urban sectors. But this possibility poses many problems like congestion, urban management, and environmental problems. Also we should not forget that rural population still constitutes 90% in Viet Nam and 50% in India. This could be a very important issue to investigate.

Dean welcomed these rich suggestions and reacted with detailed responses to the issues raised by the AC.

Director Research noted in connection with the point on associating with industry, that ADBI does have a combined research and CBT policy dialog with them on regional FTAs.

Director CBT added that CBT would be looking at the various issues suggested by the AC for possible inclusion into its future program and that private sector has been invited to participate in CBT events as relevant. One example is the upcoming workshop on corporate environmental management where industry and trade associations are being invited to attend.

Mr. Gang Fan wanted to elaborate his views on the important topic of the low carbon study. From the PRC's point of view, this is primarily a country-level problem, but perhaps one focus could be on how Asian countries might want to cooperate in a pioneering way. For instance, how Japan with its environmental technology can transfer it within the region to set a promising example for other regions.

Messrs. MacIntyre and Aoki believed such an approach could play well to the ADBI's strength in regional integration.

Mr. Gang Fan worried that too much concentration on traditional pollution would not be new and could end up repeating studies already done.

Mr. Girardin clarified that what was needed was not just fundamental research on pollution, but how to translate it into policymaking and implementation.

Dean explained that the views of Messrs. Girardin and Gang Fan were not inconsistent as a country-based environmental approach would naturally support wider carbon-mitigation policies. In this way they support each other in a co-beneficial approach.

OUTREACH

Mr. MacIntyre praised the outreach work and said it is reliable and trusted. On electronic outreach, ADBI possibly has the best practice in the region for knowledge creation and sharing. The investment in the dollars is good value. In closing, he wondered whether the experiment with Twitter outreach would end up reaching the audiences that matter.

Mr. Gang Fan wanted to know whether ADBI maintained a Wikipedia page. He knows that college graduates first port of call for knowledge is usually there. It is much more important now than it used to be.

Mr. Girardin was happy to be tracking the great rates in growth over his terms here. But why not show the even stronger 60% rate of growth, he suggested. ADBI needs to do full justice to its own great successes.

Both **Messrs. Chandrasekhar and Lee** echoed these sentiments of job well done.

Mr. Aoki wanted to associate himself with Mr. MacIntyre's comment. He also spoke of his own experience with web broadcasting and real-time "tweeting" during presentations and talks by experts.

Principal Staff Smith thanked the AC members for their comments and praise. She was unsure if Twitter is reaching the right followers, but if only a few young researchers are gaining from it, that might be justification enough to experiment further with it. Twitter is just one tool to help disseminate ADBI's work.

ADBI has no Wikipedia page yet, but it is being considered as it would have to regularly moderated and checked for slanderous or vandalized postings. In the future, the bigger growth numbers will be highlighted as referred to by Mr. Girardin.

Dean ended the meeting by saying he was pleased that the AC members were satisfied with the progress of the outreach work and initiatives. He and the whole ADBI staff sincerely want to implement what was recommended by the AC.