

2002 YEAR IN REVIEW

Over the period 1999–2002, research at the ADB Institute in Tokyo was guided by the Development Paradigm Matrix. Work under this framework has been completed and the paradigm’s synthesis book was published in early 2003. A key conclusion of this work has been that all aspects of future long-run development in all developing member countries (DMCs) will be very strongly influenced by the international economic environment, including in some areas closer regional ties, although the nature of such effects will vary between countries at different stages of development.

Begun in 1999, the **Asian Policy Forum (APF)** has been the flagship activity of the Institute in creating and disseminating its high-level policy work. During 2002, two cycles of APF activity were undertaken. Both of these focused on policy issues in the People’s Republic of China (PRC) with a view to applying the stock of knowledge developed by the Institute in its earlier work to the specific case of the PRC. One (the third APF cycle since commencement) covered “Sequencing Domestic and External Financial Liberalization in PRC”. The policy recommendations from this work, which are based on an innovative risk-based approach to sequencing, were developed at four brainstorming workshops in the PRC and at the Institute. Draft policy recommendations based around a seven-point set of interrelated proposals were first presented at the ADB Annual Meeting in May 2002 in Shanghai and shortly afterward in ADB itself at a staff seminar. To widen dissemination, the policy recommendations were translated into Chinese.

The fourth APF cycle going into 2003 is on “Corporate Governance in PRC, with Particular Reference to Banks”. As part of this work, a major research study has been commissioned from a team at the Chinese Academy of Social Sciences (CASS) on the corporate governance of Chinese banks. In addition as a further input into the fourth APF, another team developed a database on governance issues in large state-owned enterprises (SOEs). The highlights from both these APF cycles were presented at the Institute’s anniversary conference in December 2002. In addition to this new work, in January 2002, there were a number of dissemination presentations in India, including TV appearances, for the earlier cycle of APF activity on the topic of “Designing New and Balanced Market Structures in Postcrisis Asia”.

In addition to the APF activities, specific seminars have been held both at the Institute and at in-country venues:

- Aging and International Capital Flows (with Hitotsubashi University, March)
- Capital Market Reform in Asia (Organisation for Economic Co-operation and Development Round Table Series, April)
- Synchronized Recession and Policy Coordination in Asia (April)
- How to Strengthen Banks and Develop Capital Markets in Post-Crisis Asia (with Keio University, June)
- Modeling the Impact of PRC's Liberalization Policy (Bali, Indonesia, July)
- Latin America and Asia Pacific Business Association Panel (with the Inter-American Development Bank under a joint cooperation agreement, July)

Since **publication of knowledge products** began in January 1999, the Institute has produced over 50 research papers (formerly the Working Paper series) and a number of other policy recommendations and technical background papers (all downloadable at www.adbi.org/publications, together with more than 60 capacity building and training [CBT] executive summaries). Shortened policy-focused versions of some research papers are available as part of the more accessible and reader-friendly Research Policy Brief series, which debuted in May 2002.

Twenty original research papers appeared in 2002. In the area of financial markets these include: an assessment of banking sector reforms in India; an analysis of the impact of India's financial reforms on patterns of corporate financing; an analysis of the extent and implications of the system of interlocking directors in the prewar Japanese banking sector; an examination of the extent of equity market development in the PRC; a discussion of Taipei, China's banking sector problems and lessons from Japanese experience; and an analysis of bank lending and corporate financing in the PRC.

In the area of poverty reduction, the Institute's research and published papers cover: work on the theory of famines as applied to India, PRC, and Democratic People's Republic of Korea; a reexamination of the causes of the East Asian miracle and its consequences for poverty reduction; a macro-modeling study of the financial crisis in Indonesia and its impact on poverty; and an analysis of the efficiency and poverty impact of policy interventions introduced to achieve antipoverty objectives. Other published studies relate to pension reform in Singapore, the degree of exchange rate co-movements and business cycle synchronization between the Republic of Korea and Japan, and a study on export competitiveness in several countries of the region in the immediate precrisis period.

During 2002, new administrative arrangements affecting the Institute came into operation as part of ADB's adoption of a **Knowledge Management Framework**. As one of the direct providers of knowledge within the ADB family, the Institute is represented on ADB's Knowledge Management Committee. This Committee discusses

issues of relevance to the generation and dissemination of knowledge by ADB and, specifically, will coordinate the programs of research and training from knowledge-providing departments, including the Institute. In 2003, the planning cycle of the Institute and its Advisory Council is expected to be brought into line with that of ADB, so that a three-year horizon will be introduced for indicative plans, while annual activities will be planned in the first half of a year for implementation in the following year.

Institute work in the area of **poverty** has proceeded in logical stages. Initially, the general relation between growth and poverty reduction was examined in two important surveys that have pointed to both theoretical expectations and practical outcomes (Working Paper 17 and Research Paper 33). These have been followed up by detailed consideration of particular aspects of poverty—the relevance of information and communications technology (ICT) for poverty reduction (Working Paper 12), the causes of famine with reference to PRC, India, and Democratic People's Republic of Korea (Research Paper 31), and the impact of the financial crisis on poverty in Indonesia (Research Paper 35). In addition, the trade-offs between efficiency and poverty reduction were considered for a range of possible policy interventions (Research Paper 36).

The 2002 **CBT programs** had broad coverage of development paradigms for Asia, including poverty reduction and governance, the strengthening of the financial and exchange rate systems, the sustainability of Asian competitiveness, and new challenges for the public sector. The Institute completed 16 CBT activities this year. Progress has been made on the pilot project for interactive online and CD ROM e-learning modules. Approximately 10 CBT executive summaries of proceedings were produced in 2002. Considering the personnel and financial resources available to the Institute, as well as the activities of competing organizations and past comments from the Advisory Council, it is considered appropriate to increasingly focus the Institute's CBT programming. This is expected to be achieved by structuring programs around poverty reduction—ADB's overarching goal—and by addressing either governance or regional integration, which are key operating objectives of ADB. Future CBT programs will, therefore, be more in-depth and based on the following three main pillars: poverty reduction (including pro-poor economic growth and social protection), governance, and regionalism.

The new Dean appointed in September 2002, and the Institute's Advisory Council will set the direction of future work.