



Technical Assistance Report

Project Number: 48375-001
Research and Development Technical Assistance (RDТА)
December 2014

Five Decades of Asian Development

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
ERD	–	Economics and Research Department
PRC	–	People's Republic of China
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

Vice-President	B. N. Lohani, Knowledge Management and Sustainable Development
Chief Economist	S. Wei, Economics and Research Department (ERD)
Deputy Chief Economist	J. Zhuang, Office of the Chief Economist, ERD
Team leader	J. Felipe, Advisor, ERD
Team members	R. Hasan, Assistant Chief Economist, ERD M. Magadia, Operations Assistant, ERD J. Zhuang, Deputy Chief Economist, ERD J. E. Zveglich. Jr., Assistant Chief Economist, ERD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Methodology and Key Activities	4
C. Cost and Financing	5
D. Implementation Arrangements	5
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	8
3. Outline Terms of Reference for Consultants	9

RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48375-001	
Project Name	Five Decades of Asian Development	Department /Division	ERD/EROD
Country Borrower	REG	Executing Agency	Asian Development Bank
2. Sector		ADB Financing (\$ million)	
✓ Multisector	ADB's corporate management, policy and strategy development		0.75
		Total	0.75
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities	No gender elements (NGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Regional	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Sovereign Research and development technical assistance: Technical Assistance Special Fund		0.75	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	
9. Effective Development Cooperation			
Use of country procurement systems			No
Use of country public financial management systems			No

I. INTRODUCTION

1. In 2017, the Economics and Research Department (ERD) of the Asian Development Bank (ADB) will commemorate ADB's 50th anniversary with the study *Five Decades of Asian Development*. Its main purpose is to assess Asia's development from the mid-1960s to the present and outline key challenges for the future. This analysis is very important, both for ADB as a knowledge institution, and for its member countries as they seek to implement relevant development lessons. The design and monitoring framework is in Appendix 1.¹

II. ISSUES

2. The publication in 1968 of Nobel laureate Gunnar Myrdal's major work "Asian Drama" coincided with the beginning of ADB operations. Myrdal painted a very pessimistic view of the prospects of seven South and Southeast Asian countries: India, Indonesia, Malaysia, Myanmar, Pakistan, the Philippines, and Sri Lanka.² Decolonization, which began in the years following World War II, brought very positive expectations. At that time, it was argued that colonialism was the cause of poverty in these countries. As a consequence, it was expected that the end of colonialism would enable economic progress and reduce the gulf between rich and poor nations. It was thought that the "advantages of backwardness" would play a significant role as the technologies of the Industrial Revolution were at their disposal.³

3. However, these expectations were not realized during the two decades following the end of World War II. Despite government efforts and international assistance, per capita output hardly rose in these countries, and the gap with the developed world increased. By the mid-1960s, there was a recognition by economists that their profession had failed to convincingly explain differences in economic growth rates between countries.

4. Myrdal believed that traditional power structures were likely to persist, and that, in the absence of change, rapid economic development was unlikely. He also believed that governments in the region were unable to enforce the discipline needed to implement their development plans. Myrdal doubted that faster agricultural development would take place without radical land distribution, although he acknowledged such distribution would be difficult. He also believed that industrialization would be restrained by shortages of foreign exchange resulting from poor export prospects, inward investment, and foreign aid. He favored economic planning, but was aware of the extensive corruption and waste in the region. Finally, Myrdal argued that education, health, and population control should be given greater priority. Overall, Myrdal thought that economic development could not advance, and much less succeed, in poor nations without social reforms to motivate millions of people to become workers.

¹ The technical assistance first appeared in the business opportunities section of ADB's website on 16 October 2014.

² Malaysia, Myanmar and Sri Lanka were known at that time as Malaya, Burma and Ceylon, respectively. Events of this period include the split of Singapore from Malaysia in 1965; General Park Chung-hee's seizure of power through a military coup in the Republic of Korea in 1961; and the Great Leap Forward (1958–1961) and the Cultural Revolution (1966–1976) in the People's Republic of China (PRC).

³ The expression "advantages of backwardness" refers to the fact that countries below those at the technological frontier do not need to invent the technologies that are already publicly available in the market. An example is the machinery that developed-country companies invent (e.g., for construction). Developing countries have to buy it and learn how to use it, but not invent it.

5. Although Myrdal's work was praised as a tour de force in economic development, it was also deemed unduly pessimistic.⁴ It was received in Western industrialized nations with discomfort, for fear that Myrdal may have implied that the millions spent on development following the end of World War II had been wasted, and that aid-financed industrialization projects were enclaves. Likewise, it caused consternation in developing Asia for fear that Myrdal may have implied that Asians were responsible for own underdevelopment.

6. In fact, Asia has changed dramatically since the mid-1960s, and its remarkable economic progress has gained global admiration, in particular as a group of East Asian economies registered historically unprecedented growth rates that lifted millions of people out of poverty.⁵ However, it is important to stress that there have been significant differences in the achievements of Asian economies. For example, in 1960–1965, India, Indonesia, and the Republic of Korea had similar gross domestic product per capita (in purchasing power parity terms), Indonesia being the highest. Between 1966 and 1996, Indonesian living standards grew much more rapidly than India's, while the growth in living standards in the Republic of Korea surpassed those in both India and Indonesia. The result is that the Republic of Korea transitioned from a lower middle-income into a high-income economy in just 26 years (during 1969–1995), more rapidly than any other economy in history.⁶ The great achievements made by East Asian economies gave rise to the hope that other less-developed economies could achieve similar success. Myrdal clearly underestimated the potential for exports and investment, and seemed unaware of the potential of high-yielding seeds for rice and other food grains being developed in places such as Mexico and the Philippines. Overall, he took too static a view of traditional societies. Today, less-developed countries in Asia continue to seek to emulate the successful East Asian economies.

7. During the five decades following ADB's inauguration in 1967, Asia and the Pacific has undergone significant changes. For example, ADB's first President Takeshi Watanabe recalled in his diary (published in English in 1977) challenges of Asian development as a rationale for the creation of ADB: (i) large, low-productivity agricultural sectors; (ii) the imperative to industrialize; (iii) the need for technical assistance (TA) and know-how; and (iv) high population growth. Some of these remain, and others have emerged (e.g., inequality and environmental degradation).

8. Likewise, while development economics was an emerging field in the late 1960s, it is now a well-established field within economics, and some eminent development scholars have been awarded the Nobel Prize (e.g., Lewis, Myrdal, and Sen). Development economics is an applied field, and policy recommendations to developing countries by both international organizations and scholars have changed significantly during this period, with important debates on key themes such as balanced growth versus big push, the stages of development, rent-seeking, inflation, unemployment and underemployment, wage rigidities, migration, rural markets, the resurgence of growth in the form of the endogenous growth models, the role of markets and governments in development, and the importance of governance issues.

⁴ Agreement with Myrdal's assessment—in particular, with his recommendations—was not universal. An early criticism of the *Asian Drama* was that it provided an in-depth analysis of what was wrong, and not of how Asia's problems could be solved.

⁵ These are Hong Kong, China; Japan; the Republic of Korea; Singapore; and Taipei, China. By comparison, Indonesia, Malaysia, and Thailand have achieved much more limited success.

⁶ Only Taipei, China matches this record. Both India and Indonesia are still lower middle-income economies. J. Felipe, U. Kumar, and R. Galope. 2014. Middle Income Transitions: Trap or Myth? *ADB Economics Working Paper 421*. Manila.

9. Although much has been written about Asia's success during the last five decades, assessments have often been biased, highlighting East Asia's success. Only Japan and four more recently industrialized economies—Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China—have achieved high-income status. A cursory analysis of the region suggests that a distinguishing feature is its tremendous heterogeneity. While Japan and the four more recently industrialized countries are high-income economies—known as the Asian miracle—the rest of the countries in the region are middle- and low-income economies. Even Indonesia, Malaysia, and Thailand, which did well up to the mid-1990s, have apparently lost momentum, with much slower growth after the 1997–1998 financial crisis. Moreover, agriculture remains a very large employer across the South Asian subcontinent, and even in the People's Republic of China (PRC), Indonesia, the Philippines and Thailand, it still employs about a third of all workers. Finally, it has also been observed that many Asian countries are experiencing a transition from agriculture into low-productivity services (the largest employer in many Asian countries), rather than industrializing. It appears that industrialization of the type undergone by the Republic of Korea in the 1970s is not taking place in most Asian countries today. Instead, many countries are undergoing “premature non-industrialization,”⁷ which leaves no obvious alternative strategy for developing into high-income economies. Overall, the performance of most of Asia since the mid-1960s has not been miraculous. This applies to large economies (e.g., Bangladesh, India, Pakistan, and the Philippines); the small economies of Southeast Asia (Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam); countries in Central Asia that were part of the former Soviet Union; and the Pacific island countries.

10. A consensus is emerging in the literature that, given the difficulties that many countries will likely face in their quest to industrialize in the 21st century, economic transformation in many parts of developing Asia may continue taking the form of a shift toward services. While the impact of the revolution in information technology will be significant, and will positively impact productivity,⁸ technological progress will continue to have extreme labor-saving impacts in some areas, at least in the short to medium term. This will be disruptive. If this results in significant shares of employment being concentrated in low-productivity activities, the implication is that employment will be increasingly polarized, with a few workers taking “good” jobs and a large majority performing labor-intensive activities that pay low wages.⁹ This does not mean that technological development is bad for Asia, as it clearly drives progress, but the challenges for many governments will be enormous. They will need to be aware of the implications of this development model and act accordingly to mitigate problems—for example, by focusing on raising productivity and increasing the employability of less-skilled workers.

III. THE RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact will be improved policy formulation in ADB DMCs. The outcome will be improved understanding by DMCs of Asia's development since the mid-1960s, and of future

⁷ J. Felipe and A. Mehta. 2014. Manufacturing matters....but it's the jobs that count. *ADB Economics Working Paper 420*. Manila.

⁸ E. Brynjolfsson and A. McAfee. 2014. *The Second Machine Age*. New York: W.W. Norton & Company. See also McKinsey Global Institute. 2013. *Disruptive Technologies: Advances that will transform life, businesses and the global economy*. May. This report argues that there are 12 potentially disruptive technologies with important implications for employment. These are mobile internet, automation of knowledge work, internet of things, cloud technology, advanced robotics, autonomous and near-autonomous vehicles, next-generation genomics, energy storage, 3D printing, advanced materials, advanced oil and gas exploration recovery, and renewable energy.

⁹ T. Cowen. 2013. *Average is Over*. Dutton. See also *The Economist*. 2014. Wealth without workers, workers without wealth, and The Great Third Wave. 4 October.

challenges. There is a wealth of material regarding this subject; the distinctive feature of this project will be the aim to discuss how Asia's development experience has impacted the fields of development economics and growth. To accomplish this project, we expect to collaborate with scholars of repute.

B. Methodology and Key Activities

12. The TA will have two key outputs with separate delivery dates: a high-level conference, and a book. The conference, planned for 2015, will serve as a venue for scholars, policy makers, and ADB staff to exchange ideas and incorporate these into the book's outline. As noted in para. 1, the main purpose of this project is to assess Asia's development since the 1960s and outline key challenges for the future. Fifty years is a long enough period to assess the region at large and make a balanced and systemic assessment of what has really happened in Asia in terms of development, and why.

13. The book will have two main sections. The first will look at Asia's development since the mid-1960s and address two topics: (i) how views regarding Asia's development prospects have evolved over each decade following the founding of ADB, and (ii) how Asia's development has influenced and shaped development thought. This analysis will provide the overall framework to discuss specific topics (e.g., agriculture, industrialization, the export-led growth model, inequalities, environmental degradation, and infrastructure), as well as the historical development of ADB's developing member countries (DMCs).

14. The second part of the book will outline and discuss key challenges regarding the region's future over the next decades (through 2050). The situation today is very different from that in the 1970s and 1980s, when a number of Asian economies achieved very high growth rates. As observed in para. 10, labor-saving technological progress is now making industrialization very difficult, and the possibility exists that many Asian countries may transition directly from agriculture into low-productivity services, without experiencing large-scale industrialization. It is also possible that some of the new technologies developed (e.g., in the area of energy) favor Asian developing countries, and these thrive as a result. This could stem from significant changes in the types of products and services produced and/or demanded as a consequence of increasing awareness of the high carbon footprint of many industries (and possibly restrictions placed on carbon emissions to avoid the negative effects of climate change). The second part of the study will then explore the implications of these development models for wages, employment, and income distribution, and address issues such as: (i) options for the less-developed countries of the region, (ii) the proportion of Asia's available labor that will find productive work, (iii) whether new activities being developed will provide such work, and (iv) whether middle-income countries are progressing to high-income status. It is important to note that ADB has published several studies addressing these issues.¹⁰ While the proposed and previous studies will overlap in some areas, this study will have a greater focus on the past 50 years.

15. Reputed scholars, policy makers, and development practitioners will be identified to contribute to the book output. They will be invited to a high-level conference to discuss Asia's development record since the mid-1960s and assess the challenges ahead. The conference will be held in Manila in mid-2015. The framework and chapters to be included in the book will be

¹⁰ ADB. 2011. *Asia 2050: Realizing the Asian Century*. Manila. This study looked into the future of the region under scenarios, one of which was the possibility of falling into the so-called middle-income trap. ADBI and ADB. 2014. *ASEAN, PRC, and India. The Great Transformation* is a publication that is also forward looking.

drawn from the conference outcomes. Reputed scholars will be hired as international consultants to contribute chapters in the book. In coordination with ADB's Department of External Relations, the book will be co-published with a top publisher such as Cambridge University Press or Oxford University Press. The book is targeted for publication by April 2017 to be launched at the 2017 Annual Meeting, which will commemorate ADB's 50th anniversary.

16. ADB staff may have to travel as resource person(s) and provide support services for one or possibly two workshops or meetings to be held in 2016 to discuss work progress. These meetings will be with the international consultants who will be hired to write the book chapters.

17. ERD will hold regular roundtables with relevant departments to update, discuss progress with, and get feedback from relevant departments.

C. Cost and Financing

18. The TA is estimated to cost \$750,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V).

D. Implementation Arrangements

19. ADB will be the executing agency and the Office of the Chief Economist, ERD, will be the focal point. The TA is expected to start on 20 December 2014 and will be completed by 31 July 2017.

20. The TA will require 10 international consultants with expertise on development, specifically in Asia, who will be invited to participate in the high-level conference in Manila in mid-2015 to brainstorm on the book. The other two international consultants will be engaged as editors of the book. Resource persons will be engaged to participate in the high-level conference to share their knowledge on Asia's development. Finally, two national consultants will be hired to provide technical and statistical support in the preparation of the book. The terms of reference for consultants are in Appendix 3. Lump-sum engagement will be applied to international consultants. For national consultants, the time-based engagement will be used. The consultants and resource persons will be engaged as individuals by ADB in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time)

21. The book will be launched at the 2017 Annual Meeting and will be disseminated to other development institutions, think tanks, and relevant policy makers in DMCs.

22. Disbursements under the TA will be in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis for Five Decades of Asian Development, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Improved policy formulation in ADB DMCs</p>	<p>By 2020:</p> <p>At least three DMCs incorporate different analyses in the book into their development plans.</p>	<p>Government development plans and policy announcements</p>	<p>Assumption</p> <p>Policy makers in DMCs, scholars, and think tanks appreciate and recognize the quality and relevance of the book.</p>
<p>Outcome</p> <p>Improved understanding by DMCs of Asia's development since the mid-1960s and the future challenges</p>	<p>By 2020:</p> <p>Policy makers cite the book in various pronouncements.</p> <p>The book is widely cited in various publications and reviewed favorably.</p>	<p>Department of External Relations media monitoring reports</p> <p>Development journals and other research materials</p>	<p>Assumption</p> <p>The book will gain the attention of policy makers in DMCs, scholars, and think tanks.</p> <p>Risk</p> <p>Unforeseen changes in the global or regional political and/or economic environment undermine the relevance of the book's analysis.</p>
<p>Output</p> <ol style="list-style-type: none"> A high-level conference to discuss Asia's development record during the last 50 years and the region's future challenges, to be held in Manila. An edited volume containing original and first-rate chapters on Asia's development, to be co-published with a top publisher. 	<p>Successful conduct of the high-level conference to be participated in by reputed scholars, policy makers, and development practitioners, and bank staff</p> <p>Co-published book by April 2017 with a top publisher</p>	<p>Feedback from management and participants</p> <p>Not applicable</p>	<p>Assumption</p> <p>Reputed scholars, policy makers, and development practitioners are able to participate in the high-level conference.</p> <p>Assumption</p> <p>Consultants hired are able to submit outputs on time.</p>

Activities with Milestones			Inputs ADB: Technical Assistance Special Fund (TASF-V) \$750,000
1. A high-level conference to discuss Asia's development record during the last 50 years and the regions challenges ahead, to be held in Manila			
Activity	Scheduled Start	Scheduled Finish	
Invite participants to the conference.	2 Jan 2015	30 Apr 2015	
Conduct of the high-level conference.	30 Jun 2015	1 Jul 2015	
2. An edited volume containing original and first-rate chapters on Asia's development, to be co-published with a top publisher			
Activity	Scheduled Start	Scheduled Finish	
Engage consultants to write the chapters in the book output.	2 Jan 2015	29 May 2015	
Prepare the draft book chapters.	2 Jan 2015	31 Dec 2015	
Discuss work progress in workshops and meetings with consultant authors.	4 Apr 2016	5 Apr 2016	
Edit and finalize chapters.	6 Jul 2015	30 Jun 2016	
Co-publish the book with top publisher by April 2017.	4 Jul 2016	3 Apr 2017	
Disseminate the book.	1 May 2017	14 Jul 2017	

ADB = Asian Development Bank, DMC = developing member country.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	435.0
ii. National consultants	30.0
iii. Resource persons	15.0
b. International and local travel	70.0
2. Conference	
a. Conference venue, meals, and other related expenses ^b	100.0
3. Publication expenses	50.0
4. Contingencies	50.0
Total	750.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Includes travel and related costs of Asian Development Bank staff who will serve as resource person(s) and provide support services for workshops and meetings to discuss work progress.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. **Economists and/or social scientists** (10 international consultants, 40 person-months in total, intermittent, lump-sum engagement). Under the supervision of the project team leader, the consultants will be responsible for conceptualizing, designing, and undertaking studies on Asia's development during the last 50 years and challenges ahead. The consultants are expected to prepare selected chapters of the book, enhanced with graphs, charts, and boxes, following the Asian Development Bank (ADB) *Handbook of Style and Usage*.¹ The experts will participate in conferences, present their findings, and revise their papers based on comments received.
2. In particular, the consultants will
 - (i) review the literature and ADB studies on the assigned topic;
 - (ii) participate actively in workshops and brainstorming sessions;
 - (iii) draft a 25–35-page chapter covering the assigned topic;
 - (iv) prepare graphs, tables, and boxes to enhance the write-ups;
 - (v) discuss development of the assigned topic with relevant ADB staff;
 - (vi) revise these drafts to incorporate comments and feedback from ADB staff and workshop discussants;
 - (vii) finalize the chapter by June 2016; and
 - (viii) perform other related tasks as assigned by ADB's Economics and Research Department.
3. Each international consultant should have (i) an advanced degree in economics or related field; (ii) expert knowledge of development issues in developing Asia; (iii) proven capacity for both quantitative and policy-oriented analyses; and (iv) proven capacity to synthesize complex issues and identify key policy messages for policy-makers, donors, and other stakeholders.
4. **Economics editor** (two international consultants, 8 person-months in total, intermittent, lump-sum engagement). Under the supervision of the project officer, the economics editors shall be responsible for reviewing and editing the substance and form of the final report to ensure coherence, sound economic arguments, and compliance to the highest publication standards and to ADB's *Handbook of Style and Usage*.
5. Each international consultant should have substantial experience in editing ADB studies and reports, specifically on economic topics.
6. **Economists and/or policy makers** (10 resource persons). Resource persons with background as policy makers and/or experts will be invited to participate in the high-level conference to share their knowledge on Asia's development during the last 50 years and their ideas on the region's challenges ahead.
7. **Economic research assistants** (two national consultants, 12 person-months in total, time-based engagement, country of assignment and eligibility: Philippines). Under the supervision of the project officer, the consultants will provide technical and statistical support in the preparation of the selected chapters of the book.

¹ ADB. 2011. *Handbook of Style and Usage*. Manila. <http://www.adb.org/documents/handbook-style-and-usage>

8. The consultants will have strong knowledge of different areas of development economics such as economic growth, employment, inequality, and structural transformation, and will also have experience in managing large databases, background in econometrics, and excellent knowledge of Microsoft Excel, Microsoft PowerPoint and STATA data analysis and statistical software.