



ADB-ASIAN THINK TANK NETWORK NEWSLETTER

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This issue features highlights and key messages from the ADB-Think Tank Development Forum 2016 held in New Delhi, India on 27–28 October 2016.



Keynote Speakers and international think tank participants during the ADB-Asian Think Tank Development Forum 2015.

The 4th ADB-Asian Think Tank Development Forum: Highlights

With the theme “Promoting Sustainable Urbanization in Asia and the Pacific”, the fourth ADB-Asian Think Tank Development Forum was held on 27–28 October 2016 in Taj Mahal Hotel, New Delhi, India. There were about 100 participants comprised of representatives from 27 think tanks across 23 Asian countries, senior government officials, international development organizations, civil society, the private sector and media. The National Institute of Public Finance and Policy and the Indian Council for Research on International Economic Relations co-hosted the event.

Participants discussed the latest global and regional policy developments and country-specific experiences on sustainable urbanization and agreed to strengthen future networking arrangements during the two-day

forum. The forum held sessions on Asia’s economic outlook; challenges of sustainable urbanization; financing for sustainable urbanization; and dialogue between think tanks and government. On the afternoon of the second day, participants visited India’s Rashtrapati Bhavan or the President’s House.

Opening Session and Key Messages

Executive director **Rathin Roy** of the National Institute for Public Finance and Policy (NIPFP), welcomed the participants.

Minister Arun Jaitley of India’s Ministry of Finance stated in his keynote address that similar to what is happening in other parts of the world, urbanization in India is fast paced. Although it is a welcome development, he noted that it will put pressure on the available infrastructure which will have to expand substantially enough to make living conditions comfortable for the thriving communities. Towards this



From left: Rajit Kathuria, Rathin Roy, Minister Arun Jaitley, Naoyuki Yoshino, and Juzhong Zhuang.

end, he urged think tanks to share knowledge, suggest detailed solutions, and influence policy to make urbanization sustainable.

Dean Naoyuki Yoshino of ADB Institute emphasized the importance of land ownership and land use in rapid urbanization. He pointed out the need for promoting sustainable small and medium enterprises to support rural to urban migration which in turn will require capital to meet the ensuing housing demand. He noted that financing home ownership and infrastructure investment are very



important factors to bring about sustainable growth in the Asian region.

Director and chief executive Rajit Kathuria of the Indian Council for Research on International Economic Relations enjoined everyone to be generous in sharing their ideas. He mentioned some of the challenges in pursuing urbanization like pollution and income inequality, and how these can be dealt with through joint efforts between and among think tanks in the region.

Economic Outlook

Professor Xiaoming Huang of the Wellington Network of Asia-Pacific Research and Policy moderated the session.

Deputy chief economist and deputy director general Juzhong Zhuang of ADB highlighted in his presentation of the *Asian Economic Outlook and Challenges Ahead* that developing Asia's growth is steady at 5.7% in 2016 and 2017 despite global headwinds. This regional growth is supported by the upgrading of the growth forecast in the People's Republic of China (PRC) and steady growth in India. Short-term risks to the outlook tilted to the downside due to the fragile external economic environment, the impact of growing protectionism, rising private debt, and more frequent and intense occurrence of natural disasters.

Economist Peter Rosenkranz of ADB presented *Financial Integration and External Spillovers*, highlighting that increasingly interconnected financial markets may lead to additional vulnerabilities through risks arising from spillover effects and heightened global financial volatility. This emphasizes the importance of building up economic resilience.



From left: Xiaoming Huang, Juzhong Zhuang, Peter Rosenkranz, N.R. Bhanumurthy, Zhang Qi, and Vusal Gasimli.

Potential policy measures include assuring an adequate level of fiscal space for countercyclical fiscal policy responses; reducing macroeconomic and financial vulnerabilities with more effective macroprudential measures and financial regulations; and, growing role for regional institutions to monitor macroeconomic and financial conditions and provide financial safety nets.

Professor N. R. Bhanumurthy of NIPFP presented *India's Economic Outlook* noting that India is currently the fastest growing economy in the world with a 7.3% growth in the first quarter of fiscal year 2017. Ambiguities in India pose challenges to the country's macroeconomic performance such as those on the fiscal and monetary relationship and frequent changes and revisions in the macroeconomic estimates and estimation methodology. Downside risks include ambiguity in the federal fiscal transfers and global factors like 'Brexit', world oil prices, and the US Federal Reserve's interest rate policy.

Deputy director general Zhang Qi of the Development Research Centre, presented *China's Economic Development Under the New Normal* noting that the economy attracted attention since investments in fixed assets decreased sharply in 2016, accompanied by continuing contraction in exports and rapid

rise in housing prices. Despite these developments, she emphasized that the economy has made remarkable progress in adjusting to its new growth pattern and suggested viewing the economic slowdown in the context of the world economic regime as being in a critical period of entering the stable stage. For the PRC, this means pushing forward the complicated and difficult structural reforms to attain middle- to long-term sustainable development.

Executive director Vusal Gasimli of the Center for Economic Reforms and Communication presented *Azerbaijan: New Economic Paradigm* describing the country's stages of development from the 1990's to 2014 in tandem with its oil resources. He noted the poverty and social development trends as well as the more recent economic drivers. Azerbaijan's fiscal position is dependent on the transfers from the State Oil Fund of Azerbaijan making the country's foreign reserves and currency vulnerable to fluctuations in oil prices. The strategic vision and roadmap of Azerbaijan up to 2025 aims to build a competitive, inclusive and sustainable economy by promoting a more diverse and sustainable economy based on a supportive yet lean public sector.

The session had three discussants. **Policy coordinator analyst Ngu**

Wah Win of the Centre for Economic and Social Development shared that despite many developments in Myanmar since its 2015 elections, reforms still have to be pursued especially in local and international trade; and recommended focus on managing existing urban systems, increasing productivity of businesses, and strengthening links between producers and consumers through urban planning and investments.

Executive director Ram Chandra Dhakal of Center for Economic Development and Administration made a brief presentation on Nepal's economic progress.



Mike Lindfield



Nonarit Bisonyabut

Senior economist Ponciano Intal Jr., of the Economic Research Institute for ASEAN and East Asia noted that the fate of the global economy will be in developing Asia with the continued rise in Asia's share to the world's GDP. He commented on the risks faced by the economies of India and PRC and encouraged the think tanks to ask difficult questions. He pointed that regional integration is the direction of the global economy requiring understanding of each other's economies.

Challenges of Sustainable Urbanization

Deputy director Dushni Weerakorn of the Institute of Policy Studies moderated the session.

Director Michael Lindfield of Urban Infrastructure Services presented *Challenges for Sustainable Urban Development in Asia*, stating that the road to sustainable urbanization could be long and taxing, but Asian cities need not worry if armed with the right policies and

resources. An integrated multi-level implementation framework is needed, transcending levels of government at the national, sub-national/regional and metro/cities. Getting the right mix of the following elements can help governments overcome the challenges of sustainable urbanization: (i) informed and coordinated policy and planning institutions to provide an enabling environment that will have a strategic plan, complementation of strategies of the various levels of government, and encompass all types of infrastructure; (ii) effective project development practices/institutions accommodating both small- and large-scale projects; and (iii) effective financing institutions that explore available options for project financing. Involvement of planning, project development, and financing stakeholders would be important.

Research fellow Nonarit Bisonyabut of Thailand Development Research Institute presented *Challenges of Sustainable Urbanization: The Case of Thailand*, citing the issues of bigger cities on transportation, education, and health care while taking advantage of the economies of scale as compared with those of small cities

which face higher prices of services due to the absence of the economies of scale. The government of Thailand currently has programs that hope to address the challenges of urbanization and promote social inclusion. The Child Support Program is one such initiative that provides a \$20 grant to each child from poor families ensuring that the children go to school. The government invested on "networks" or "clusters" of schools with better quality education which the students may access. This allowed more efficient spending of government resources. For the benefits of urbanization to be inclusive, solutions must focus on connectivity, market-based services, and programs for the vulnerable. Without including the underprivileged in the picture, poverty will continue to hinder any form of progress.

Assistant professor Shujaat Farooq of Pakistan Institute of Development Economics prepared a presentation on *The State of Urbanization in Pakistan* which was shared ahead of the Forum to participants because he could not make it to the Forum itself. The presentation noted the arduous process of urbanization in

Pakistan as people preferred to stay in the rural areas. Lacking an agreed definition of urbanization, various censuses use different definitions for urban settlements. Nonetheless, he suggested that the focus of policy research and thinking must be the cities and city governments must be empowered on public service delivery and financial matters.

The first discussant of the session, **Deputy director Daniyar Bakchiev** of the National Institute of Strategic Studies, pointed out three main issues of sustainable urbanization: (i) the availability of reliable data and information on emerging and persistent urban problems in big and small cities for effective policy-making; (ii) demographic and socio-cultural factors in urban and rural societies affecting relationships; and (iii) balance between private and public sectors. Vice president **Tran Kim Chung** of the Central Institute for Economic Management noted that the presentations say that cities are engines of growth; economic activities in cities are visualization of market economics; and positive externalities from urbanization include economies of scale, shared labor force and creation/exchange of ideas. A proposed urban policy educating the mindset of the cities' population on sustainable urbanization and protection/promotion of improving the quality of structure and infrastructure towards greener, cleaner and more energy efficient is currently pursued in Viet Nam. **Enkhbaigali Byambasuren**, President, Analysis Group, thinks that Thailand's experiences in traffic congestion and difficulty in ensuring education and health care for the economically challenged sector of the population are common in most Asian developing countries.



From left: Rana Hasan, Teresa Kho, Keiichiro Oda, Qiu Aijun, and Jeong-Ho Kim.

Financing For Sustainable Urbanization

Country director **M. Teresa Kho**, of ADB India Resident Mission, moderated the session

Director Rana Hasan of ADB presented *Financing for Sustainable Urbanization* stating that the challenge is how to step up the quantum of infrastructure investment while ensuring that these support sustainable and shared growth. He described the infrastructure needs in Asia in terms of the lack of access to services on electricity, clean water, basic sanitation, and safe drinking water. In addition, he noted that about 523 million people live in urban slums across the region. To generate infrastructure investment, he suggested increasing government revenues through tax and other reforms, reorienting public spending toward infrastructure, and expanding spending while keeping public debt sustainable. Improvements in planning and implementation of projects alongside improvements

in the regulatory and institutional framework to attract private participation could be pursued. Cities are the key in tackling climate change and generating jobs and tax revenues.

Senior fellow Keiichiro Oda, Research Institute of Economy, Trade and Industry presented *Financing for Sustainable Urbanization: Private Finance Initiative/Public-Private Partnership in Japan (PFI/PPP)*. He shared that PPPs have been pivotal in providing the needed urban infrastructure in Japan. Most infrastructure facilities in Japan were traditionally constructed and operated by the public sector through public funding using conventional procurement methods. Although heavily regulated, private companies were allowed to construct and operate electricity, gas, and urban railways. Japan promotes PPP with concession as an incentive scheme to encourage private sector investments in infrastructure. Government's infrastructure funds could complement PPP with concession in helping the financial market work. Limitations and challenges to this scheme must be addressed such as the need to constantly adapt

with technological advances. The government should consider the private sector as a partner in ensuring sustainable urbanization.

Deputy Director General Qiu Aijun, China Center for Urban Development presented *Financing Innovation as the Key to Urban Development in China* presented results of their study: (i) government planning is a prerequisite for attracting financing; (ii) multiple stakeholders provide the basis of diversified financing; (iii) policies innovation should catch up accordingly; and, (iv) reform measures must be feasible. The PRC's urbanization had been rising by an average of 1.3% annually since 2000 and has reached 56% in 2015. Urban financing was pursued with a number of policies that include: (i) encouraging private investment in basic industries and infrastructure; (ii) putting up a Railway Development Fund; (iii) encouraging PPP in urban infrastructure and utilities; and (iv) relaxing controls on insurance capital to facilitate projects in infrastructure, livelihood and urbanization. One successful project that used these financing strategies is the Farmer's investing in town development in Longgang, Zhejiang Province where over RMB10 million of infrastructure fees were submitted by individual investors, which beefed up government resources.

Professor Jeong-Ho Kim of Korea Development Institute School of Public Policy and Management presented *Financing Sustainable Urbanization: Case of Korea* noting that South Korea's rapid urbanization was accompanied by high energy consumption levels resulting in high levels of greenhouse gas emissions. The Republic of Korea used a "**Low Carbon, Green Growth**" strategy in 2007 which sought to mitigate



Panelists during the think tank and government dialogue.

climate change and promote energy dependence, create new engines for economic growth promoting green technologies, and improving the quality of life. Urban infrastructure financing schemes under the strategy include intergovernmental grants and subsidies; central and local government taxes; loans and borrowings; user charges and fees; PPPs; and, carbon finance. Professor Kim discussed the environmental and financing implications for rapidly urbanizing countries based on Korea's experience.

Discussants of this session were **Director general Khan Ahmed Sayeed Murshid** of the Bangladesh Institute of Development Studies, **professor Saikat Sinha Roy** of Jadavpur University, and **senior fellow Carunia Mulya Hamid Firdausy** of the National Center for Economic Research. The discussants noted that urban infrastructure needs for the medium term is large while the capacity of government funding, both central and local, is limited. Other sources of financing like the PPP are important and problems associated with it such as conflicting regulations, poor management and bureaucracy should be minimized. It was suggested that financial sources for sustainable

urbanization in each country could be handled through regional financial cooperation in which ADB could take a leading role.

Dialogue between Think Tanks and Government Clients

Rathin Roy of NIPFP moderated the session. He motivated the discussion by reminding the meeting that one of the important tasks of government-linked think tanks is to provide governments with policy advice that are anchored on well-researched studies. To be effective, think tanks need to be aware of potential challenges and constraints to the countries, sound these out well-ahead before the threats occur, and propose implementable policy options.

Think tank panelists who discussed their respective mission and services were **Dushni Weerakoon**, director general **Qiangwu Zhou** of International Economics and Finance Institute; and director **Shaibal Gupta** of Asian Development Research Institute; associate professor **G. Ramesh** of Indian Institute of Management; director

Aromar Revi of Indian Institute for Human Settlements; vice president **Samir Saran** of Observer Research Foundation; and **Rajat Kathuria**.

Client government agencies of think tanks were represented by Minister **Sarath Amunugama**, Ministry of Special Assignments of Sri Lanka and deputy director general **Yu Hong**, Ministry of Finance of the People's Republic of China. For them, think tanks are innovators and sources of new ideas. Think tanks are better used for conceptualization and providing policy advice while policymaking is left to government. Some think tanks have successfully advocated capacity building for governments so much so that policymakers become more receptive to learning.

Updates on ATTN and Next Steps

Lead regional cooperation and integration specialist **Dongxiang Li** of ADB, discussed updates on the ATTN including changes in the website. He introduced new members from the Research and Evaluation Unit (Afghanistan), Center for Analysis and Communications for Economic Reforms (Azerbaijan), Economic Research Institute for ASEAN and East Asia (Regional), and Institute of Strategic Planning and Economic Development (Turkmenistan).

The ATTN members supported the choice of Sri Lanka as the host for the 2017 forum. In addition to expressions for ADB's continued support to the ATTN, the think tanks suggested deepening of the partnership by conducting joint research or research alliances. A biennial side event meeting for think tanks during ADB's Annual Meeting for greater outreach and development effectiveness was also suggested.

There was agreement to continue the theme of urbanization in the next forum. Sustainable urbanization is a concern of all developing member countries especially since urban areas are seen as growth hubs. Although in different stages of urbanization, developing member countries have common concerns that need to be addressed like rapidly growing population, need for clean water sources, worsening pollution, and infrastructure support.

Participants' Feedback

95% of the respondents agreed that the forum objectives were achieved at the end of the forum; 96% found the forum content to be substantive; 92% saw the knowledge shared at the forum as being useful to their work; 92% indicated that they will pursue linkages with the other think tanks after the forum; and, 96% assessed the overall quality of the forum as good or excellent. All of the participants expressed that ADB should continue to support ATTN.

ATTN 2016 Forum

<http://www.adb-Asianthinktanks.org/2016ATTN>



ADB-Asian Think Tanks Network (ATTN)

The network is supported by the technical assistance (TA) of the Asian Development Bank (ADB) on the Provision of Knowledge Products and Services to Developing Member Countries through Systematic Knowledge Sharing (TA 8392-REG). Among other things, the TA supports networking of think tanks in Asia for sharing knowledge on development experiences and policy lessons in a sustainable and systematic manner. Established on October 2013, the Asian Think Tank Network (ATTN) has 47 member think tanks from 26 countries in Asia and the Pacific, comprising mainly public and private research institutions and organizations that have close links with the central ministries of finance, economy, and planning.

The ADB-Asian Think Tank Development Forum is the flagship annual knowledge sharing event of the ATTN.

ADB-Asian Think Tanks Network Secretariat

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