

Message from the Dean

ADB Institute (ADBI) collaborates with the ADB headquarters in Manila on demand-oriented research, and capacity building and training.

One of our main interests is infrastructure. Many Asian countries have huge infrastructure needs but insufficient funds. Public-private partnerships are, therefore, important, but many face obstacles because returns on infrastructure are usually low. User charges such as highway tolls or railway fees are a major source of income, but because highways and railways are public goods, governments often regulate their pricing. Water supply and electricity are also public goods and so their price is controlled. It is difficult, therefore, to induce the private sector to invest in them. But a region with good water and electricity supply can attract companies, which would increase employment and land prices, and generate tax revenues with the spillover effects of investment. If tax revenues are partly returned to investors, their rate of return would be greatly increased.

We found this to be the case after studying Uzbekistan's railways and Philippine highways. The same applies to infrastructure projects in Viet Nam and many other countries. Ha Noi is now planning a ring road but does not have enough public funding. A solution could be to encourage private investors by agreeing to return spillover tax revenues to them after the ring road is completed.

ADBI also conducts research on the following:

Small and medium-sized enterprises (SMEs). These companies find it difficult to borrow from banks and often resort to local usurious moneylenders. ADBI has started building a large

database and conducting cluster analysis to aid credit rating. SMEs may also be supported by hometown investment trust funds, as they have been in Japan, Cambodia, Viet Nam, and Mongolia, and by e-commerce.

Housing. With more and more people moving from rural regions to urban centers, governments should provide them with long-term, low-interest loans to mitigate income inequality.

Tax collection. Tax compliance and progressive taxation are also important to alleviate income disparities.

Education. Hard infrastructure alone cannot develop these regions. Education is needed to broaden employees' skills.

ADBI's departments for research and for capacity building and training work together to meet the demand for knowledge from ADB member countries and their policy makers.

Capacity Building and Training

The Capacity Building and Training (CBT) Department had a highly successful 2016. The sectoral range and geographic reach of activities were expanded and continued to tackle ADBI's priority themes through policy dialogue and training. A total of 43 events were organized in Tokyo and in all five regions of Asia and the Pacific.

Events were organized in collaboration with 50 national, regional, and international partner organizations, including the Asia-Pacific Finance and Development Institute, Central Asia Regional Economic Cooperation, International Labour Organization, International Monetary Fund, Organisation for Economic Co-operation and Development, and the World Bank. ADB was a key partner in many activities, by co-organizing them or by providing expert speakers.

Some 16 new partnerships were established in 2016, including with think tanks such as the Research and Information System for Developing Countries in India; government agencies

such as the Ministry of Energy, Kazakhstan; and academic institutions such as the Korea Women's Development Institute.

CBT's Policy Briefs, a series initiated in 2015, continued in 2016, helping reach out to policy makers across Asia and widely disseminate the policy issues discussed at CBT events.

Highlights of Key Events

The [OECD-ILO-ADBI 6th Labour Migration in Asia Roundtable: Safeguarding Labor Migrants from Home to Workplace](#) was held in Tokyo in February. It focused on safeguarding the rights of international migrant workers, including fair recruitment and the promotion of good working conditions. A key finding was that even if governments of sending countries did their best to protect workers going abroad, without the protection of labor standards in destination countries, migrant workers would face severe hardship. Government officials and speakers from 20 countries attended the event.

The training on [Tax Evasion: Investigation and Compliance Strategies](#) was the third in a new series of collaborative events sponsored by ADB, ADBI, and the National Tax Agency of Japan. Held in Tokyo in March, through a series of presentations, open discussions, and case studies, it allowed participants to share ways of tackling international tax evasion, focus on best practices from a range of tax administrations, and develop plans to overcome the challenges their countries face. The 32 participants came from 17 countries.

The seminar on [The Role of Public Finance in Asian Infrastructure Development](#) brought together experts to exchange views on the roles of and challenges facing public finance in infrastructure development and long-term infrastructure investment using local Asian currencies. Allocation of responsibilities between public and private sectors, experiences of developed countries, and current efforts in emerging Asian countries to promote infrastructure for development were discussed. Of the 85 participants, 36 were government officials.

The [Financial Inclusion in the Digital Economy Conference](#) was held at ADB Headquarters in May. It was organized by ADB in collaboration with the Consultative Group to Assist the Poor and ADBI. Participants discussed topics such as the “customer-centricity” approach, financial inclusion, the supervision and regulation of digital financial services and consumer protection, and emerging risks in digital finance.

The [Tokyo Fiscal Forum on Fiscal Policy for Long-Term Growth and Sustainability in an Aging Society](#) was organized in partnership with the Policy Research Institute, the Ministry of Finance of Japan’s Fiscal Affairs Department, and the International Monetary Fund. It consisted of five sessions on topics related to how fiscal policy can achieve sustainable social spending on healthcare systems and public pensions while also maintaining long-term economic growth. The 61 participants came from 18 countries.

The training on [Integrated Water Resources Management \(IWRM\) under Climate Change](#) was organized by ADBI, Japan Water Agency, and Network of Asian River Basin Organizations. The training promoted river basin IWRM and drew on the experiences of Thailand and other countries in the region in spearheading IWRM. The 63 participants included 48 government officials.

The [3rd OECD Green Investment Financing Forum](#) was held in Tokyo in October. Discussions centered on ways to promote investment in high-quality green infrastructure to achieve sustainable growth while ensuring the transition to a low-carbon economy. Topics included mobilizing private investment in low-carbon and climate-resilient infrastructure, managing financial risks arising from climate change, developing green bond markets, and creating policies and regulation to get on a low-emissions pathway. About 100 people attended.

The training on [Power and Energy Connectivity through Cooperation in South Asia](#) was held in October in Bangladesh. Policy makers and planners from South Asia learned about and shared knowledge on cross-border power trading in South Asia. Topics included governance and policy, economics of cross-border power trade, potential of nonconventional power trading,

technical integration, institutional capacity building, and financial considerations. The 22 government officials attending came from nine countries.

The training [Services Trade and Regulatory Reforms in Asia: In Search of a Comprehensive Approach](#) was organized in partnership with the Research and Information Systems for Developing Countries, International Management Institute, and the ASEAN–India Centre to increase understanding of the barriers and challenges in services trade, as well as opportunities for using it as a catalyst for structural transformation in Asia. It was held in India in October, with 20 participants from 11 countries.

[Investing for the Future: Infrastructure Development in Central Asia](#) was held in the Kyrgyz Republic in November and organized with ADB and the Central Asia Regional and Economic Cooperation Institute. The workshop covered foundational challenges such as policy and regulatory frameworks, private sector participation, and institutional capacity building, as well as financial constraints and various funding modalities.

Policy Briefs

[Financial Inclusion in the Digital Age](#). The development of information and communication technology applied to financial services provides opportunities to increase financial inclusion but also requires greater financial awareness and literacy. The brief discusses key issues and policy suggestions for promoting financial inclusion.

[Economic Growth and Sustainable Development in Pacific Island Countries](#). Pacific island countries have benefited from growth in Asia and the Pacific in the last 2 decades by integrating their economies within Asia and loosening ties with the Americas in some instances. Several bottlenecks, however, still hamper sustainable economic growth. The brief discusses how to foster sustainable economic growth and argues that Pacific island countries need to invest in niche markets, upgrade their transport infrastructure, improve access to trade, and invest in environmentally sustainable industries.

[Promoting Agricultural Value Chain Integration in Central Asia and the Caucasus](#). Agriculture is one of the most important sectors for economic development in Central Asia and the Caucasus. Yet, agricultural output in the region's economies has not reached optimum levels due to the limited market base and overreliance on a narrow range of agro-food products. The brief discusses how agricultural value chain integration is crucial for increasing agricultural output.

[The Development Dimension of E-Commerce in Asia: Opportunities and Challenges](#). E-commerce is the sale and purchase of goods and services through electronic networks and the internet, encompassing a broad range of commercial activity. While e-commerce has been widely adopted in advanced economies, developing countries must first overcome physical and institutional barriers to its application. The brief discusses how, and argues that governments, multilateral organizations, and the private sector must cooperate in fostering an environment that welcomes e-commerce.

Key Publication

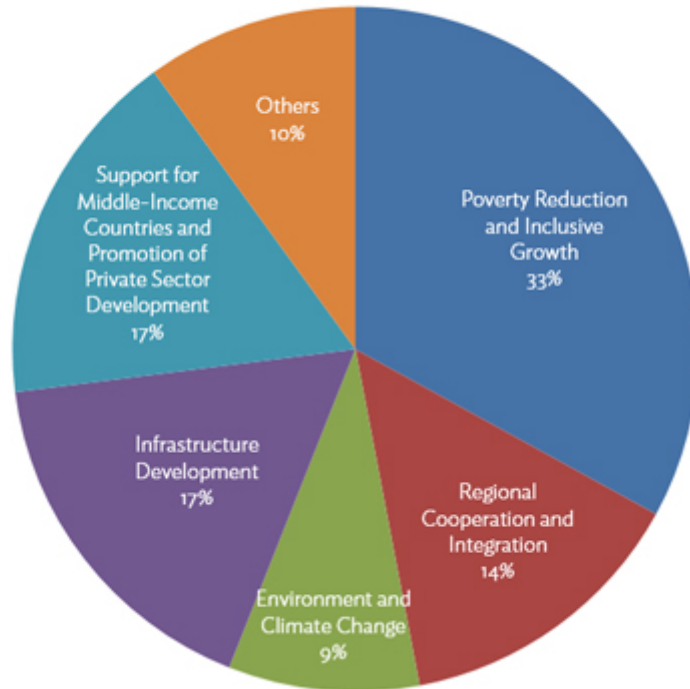
[SMEs in Developing Asia: New Approaches to Overcoming Market Failures](#) focuses on the market failures encountered by enterprises in technology and innovation, credit and finance, education and skills, and market access. It also examines obstacles to small and medium-sized enterprise participation in the rapidly expanding regional and global value chains.

[Labor Migration in Asia: Building Effective Institutions](#) analyzes the institutions and structures that govern labor migration in Asia. It considers the important role of governments and other stakeholders in both labor-destination countries and labor-sending countries. The report captures the insights from the [Fifth Roundtable on Labor Migration in Asia: Building Effective Structures and Institutions for Migration Governance](#), which was hosted by the Asia-Pacific Finance and Development Institute in Shanghai in January 2015.

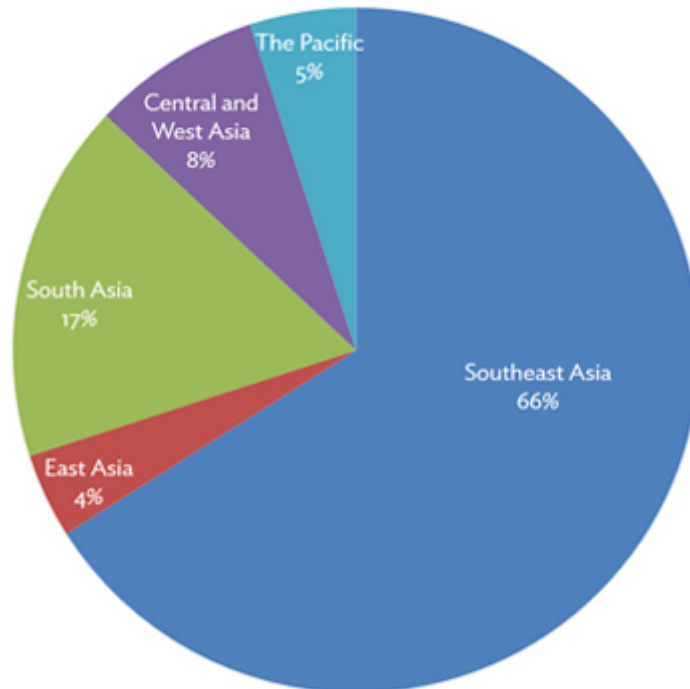
Statistics

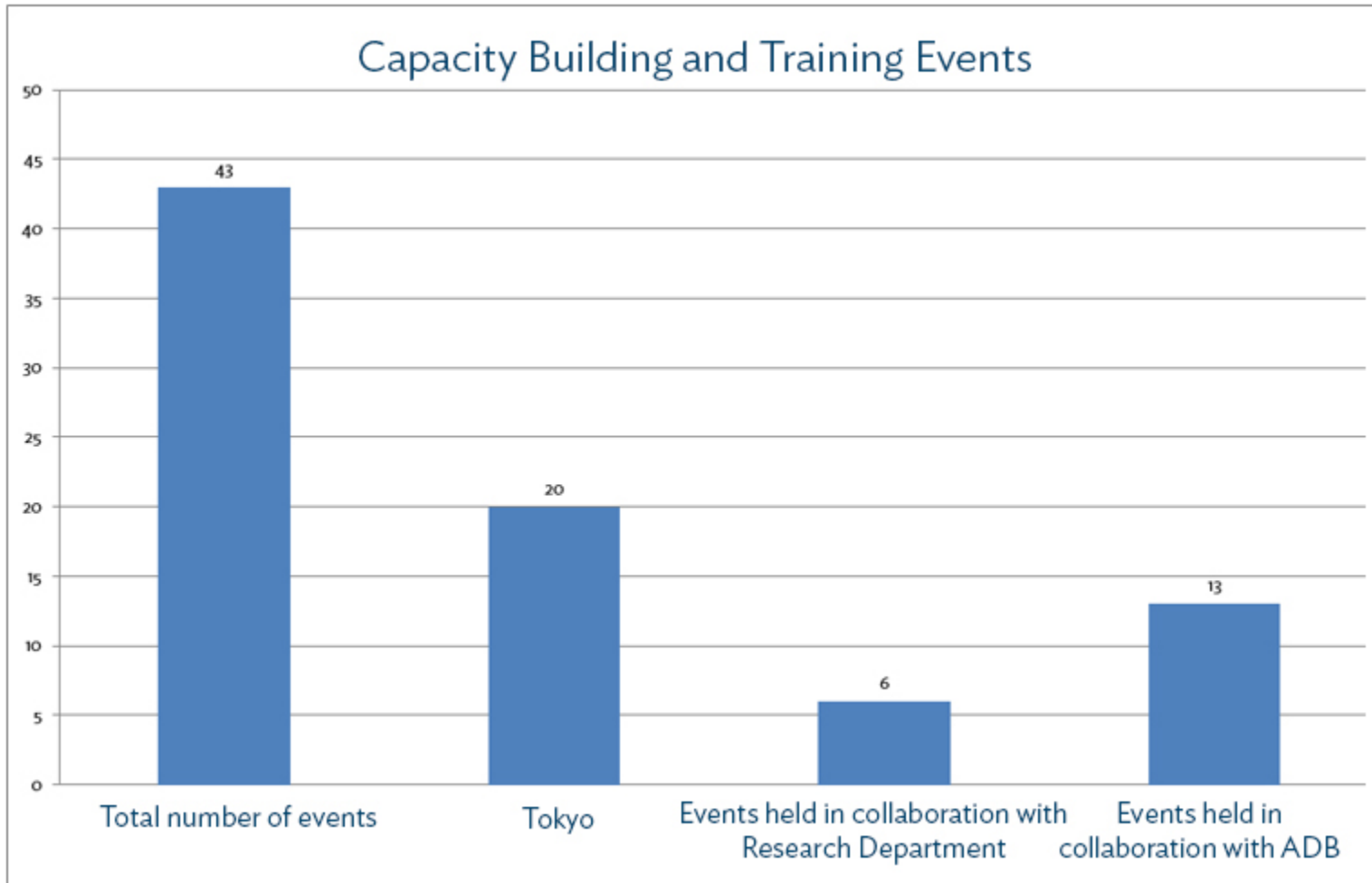
Total number of events and activities	43
Total number of events held in Tokyo, Japan	20
Total number of events held in collaboration with RES	6
Total events involving the ADB as co-partner or ADB employees as speakers	13
Total number of participants	2,078
Total number of DMC government officials	1,344
Regional breakdown of DMC government officials	Southeast Asia: 66% East Asia: 4% South Asia: 17% Central & West Asia: 8% The Pacific: 5%
Event breakdown by theme	Poverty reduction and inclusive growth: 33% Regional cooperation and integration: 14% Environment and climate change: 9% Infrastructure development: 17% Support for middle-income countries and promotion of private sector development: 17% Others: 10%

Event Breakdown by Theme



Regional Breakdown of Government Officials





Research

In 2016, Research continued to focus on the following thematic areas: Sustainable Development Goals (SDGs) and trade; trade finance gaps; the digital economy and new trade tools; overweight and obesity; urbanization and infrastructure; financial inclusion, regulation, and education; the middle-income trap; and aging and income inequality in Asia. In partnership with the Capacity Building and Training (CBT) Department, numerous events were organized to bring together international experts, practitioners, and stakeholders to facilitate better policy dialogues and produce research outputs beneficial for policy formulation. These events also served as venues for identifying development issues faced by ADB member countries.

Highlights of Major Research Activities

Working toward the SDGs is a common policy agenda for most ADB member countries. ADBI therefore held a conference hosted by The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in Dhaka to explore the role of trade in achieving the SDGs. Several international experts participated in this event and their analyses have been published as [ADBI working papers](#).

Two conferences on obesity were organized in 2016: one in Tokyo and one in Palau. The [events](#) highlighted the increasing prevalence of obesity and its related costs in Asia and the Pacific. They also brought together international experts to explore new measures for curbing alarming worldwide trends in obesity.

In partnership with OECD and the government of Viet Nam, ADBI organized the workshop [Financing Quality and Green Infrastructure in Asia](#) held in Ha Noi. Participants discussed the impacts of infrastructure and explored new approaches to enhancing financial support for quality and green infrastructure. Relevant contributions from the workshop will be published as a book in 2017.

ADB I organized a [conference on postal financial inclusion](#) in Tokyo, where experts explored ways to utilize postal networks to increase domestic savings and channel them into productive investments in the region.

The conference [The Middle-Income Trap in Asia and the People's Republic of China \(PRC\)'s New Economic Normal](#) was organized with *China & World Economy* journal to address questions of how emerging Asian economies can achieve high-income status and avoid falling into the middle-income trap. The event also explored factors that determine the long-term growth rate of the PRC. Some of the best papers from the conference were included in a special issue of the *Journal of Asia Pacific Economy*.

In collaboration with the Rajaratnam School of International Studies at Nanyang Technological University of Singapore, the conference [Global Shocks and the New Global and Regional Financial Architecture](#) gathered policy makers and academics to examine how prepared national and regional institutions for economic and financial supervision in the region are to handle external shocks.

Two workshops on urbanization were held. The first was [Urbanization and Infrastructure in Asia](#). Papers from this workshop are being collected for inclusion in a special issue of the *China Economic Review*. A second workshop looked at [economic and social consequences](#) of urbanization in Asia.

ADB I's participation in the Trade Finance Gaps, Growth and Jobs Survey began in 2016 and will continue in 2017. This is a headline product which surveys financial institutions and firms globally to understand the constraints in their access to finance. A variety of publications are related to this survey, including [Drivers of Trade Finance Gaps, 2016 Trade Finance Gaps, Growth, and Jobs Survey](#), and a number of blogs, including [Confidential Data: How to do Analysis when Data is Proprietary](#).

A project related to the impacts of digitization on trade held its first workshop in Bangkok, [Trade in the Digital Economy](#). Papers from this event will become working papers. A number of additional outputs from this project also include [Digitizing Trade –How Changing the Process is Changing Development](#), [Why is Trade Finance Such a Big Deal for SMEs?](#) and [Going Digital in the Pacific: Lessons from Samoa’s Online Firms](#).

ADB I likewise partnered with the Asian Growth Research Institute on Aging in Asia, a [conference](#) that examined issues related to the aging of populations in Asia, including the determinants of household care of the elderly; cost projections of pension and health insurance in the region; and the macro impacts of aging on monetary policy effectiveness, taxation and income distribution. Most of the papers from this event will be published in an issue of *Review of Development Economics*.

The joint workshop [Sources of Income Inequality in Asia](#) was organized with the journal *World Economy* to investigate the extent of income inequality, its drivers, and what to do about it in the region. Some of the best papers will be included in a special issue of *World Economy*.

The workshop [Structural Transformation and Inclusive Growth](#) examined the link between structural transformation and inequality by looking at the connection to income growth. Most of the papers will be published as an edited book volume.

In collaboration with Chinese Academy of Social Science (CASS), the workshop [The Middle-Income Trap in Asia](#) analyzed factors that may lead a country to fall into the middle-income trap, and investigated policy measures to prevent this from occurring. Cross-country studies were conducted to draw lessons and experiences.

The workshop [Finance and Innovation](#) focused on issues related to motivating and financing innovative firms, and explored various institutional, legal, and financial sector developments that affect the innovation, success, and dynamism of firms, including their contribution to economic development.

ADBI, together with ADB, the Institute for International Money Affairs, and CASS held a conference on East Asia integration, which studied the current state of economic integration within East Asia, the challenges and opportunities faced, and the policies required to effectively manage welfare-increasing integration for all East Asian economies.

The workshop [Fiscal Policy, Financial Inclusion, Macroeconomics, and Health Economics](#) was organized in collaboration with Chulalongkorn University, Thailand, to provide an opportunity for future collaborations between policy makers and other stakeholders and to facilitate the exchange of ideas and knowledge on the topics relevant to ADBI.

The [5th OECD-AMRO-ADB-ADBI-ERIA Asian Regional Roundtable on Macroeconomic and Structural Policy Challenges](#) raised the need for macroeconomic and structural policy action to meet challenges from the so-called new normal. The event gathered policy recommendations from national authorities and promoted better public understanding on the topic.

The [Micro, Small, and Medium-Sized Enterprises' \(MSMEs'\) Access to Finance in a Digital Finance Era](#) project gathered experts and practitioners to suggest ways to address challenges faced by MSMEs when they apply for bank loans. The event promoted better understanding of credit databases and credit scoring for MSMEs, as well as encouraged the growth of start-ups and MSMEs. Some of the best papers will be included in a special journal issue in 2017.

ADBI's 2016 Annual Conference, [The Implications of Ultra-Low and Negative Interest Rates for Asia](#), brought together international experts and practitioners to discuss ultra-low and negative interest rates, with the aim of gaining better policy recommendations and public understanding. Outputs from this event were released in a special issue of the *Pacific Economic Review Journal* and will be published as conference proceedings.

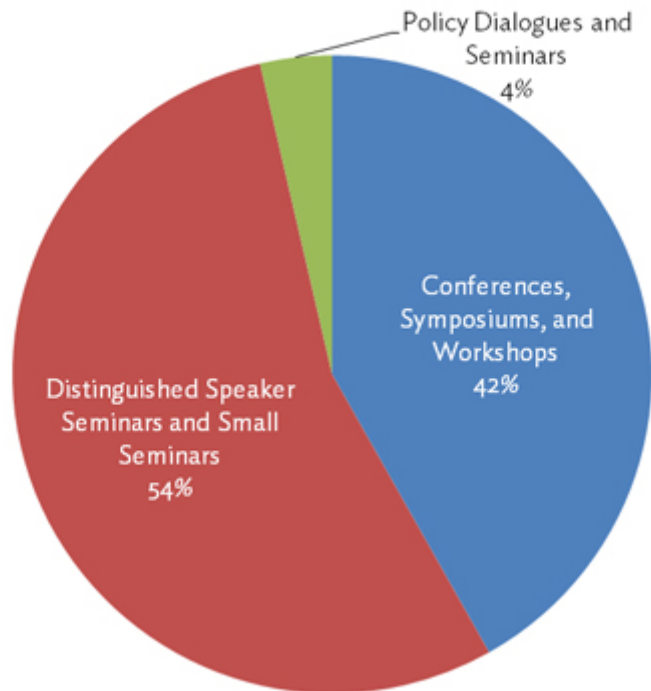
Key Publications

- [SMEs in Developing Asia: New Approaches to Overcoming Market Failures](#)
- [The Asian ‘Poverty Miracle’: Impressive Accomplishments or Incomplete Achievements?](#)
- [Promoting Better Lifetime Planning Through Financial Education](#)
- [Production Networks and Enterprises in East Asia - Industry and Firm-level Analysis](#)
- [The Housing Challenge in Emerging Asia: Options and Solutions](#)

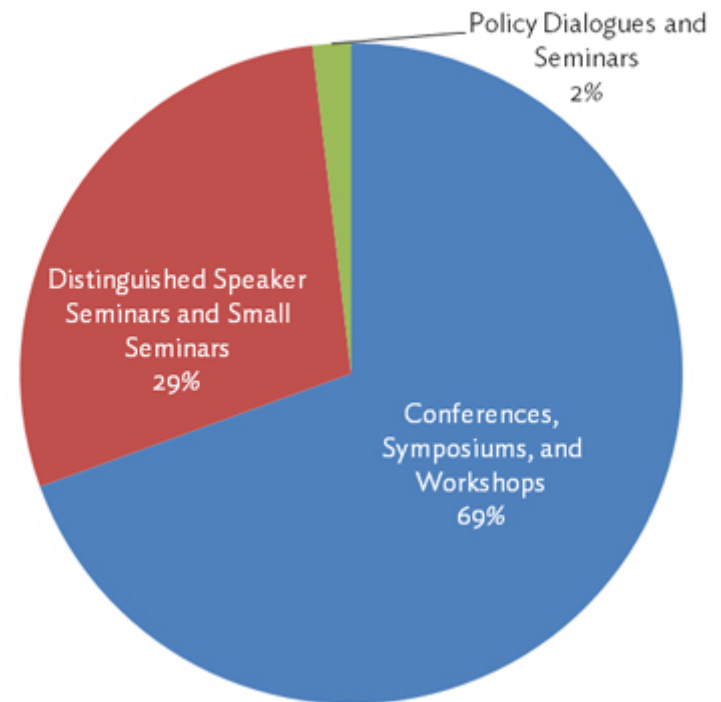
Statistics

Visiting Researcher Program	5 experts
Conference, Symposium and workshop	12 events 1,107 participants
Distinguished Speaker Seminar and small seminar	30 events 457 participants
Policy Dialogue and seminar	2 events 30 participants
Publications	8 books 75 working papers 52 blog articles

Research Events



Research Event Participants



Research Publications



ADBI in the Media



Facebook likes: **12,270**
(23.42% increase over 2015 with 9,942 likes)



YouTube views: **22,027**
(35.98% increase over 2015 with 16,199 views)

Twitter followers: **8,028**
(16.48% increase over 2015 with 6,892 followers)

16.48%↑

98,574

Unique visitors to ADBI.org
(395,947 page views)

- 52 Asia Pathways posts
- 75 ADBI working papers
- 430 ADBI media mentions

ADBI in the media

- Agence France Press (AFP)
- Asia Times
- Associated Press
- Bloomberg News
- Channel News Asia
- China News Daily
- Dow Jones
- Financial Times
- Japan Times
- Kyodo News
- Newsweek Japan
- NHK World
- Nikkei
- Reuters
- South China Morning Post
- Straits Times
- Shanghai Daily
- TV Tokyo
- VoxEU

* Data are from January–December 2016