

REJUVENATING BANK FINANCE FOR DEVELOPMENT IN ASIA AND THE PACIFIC

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The heads of Governments at the United Nations Millennium Summit held in September 2000 adopted the United Nations Millennium Declaration, urging countries to work towards detailed development goals that include poverty eradication and human development. The International Conference on Financing for Development held at Monterrey, Mexico in March 2002 underscored the fundamental reality that in order to achieve these goals the need for mobilizing domestic financial resources in addition to international resources was paramount.

In the ESCAP region, the banking sector remains the primary source of domestic resources for private sector development with debt markets for the private sector in their infancy. However, the operations of the banking system in many countries in the region remain fragile owing to a variety of factors such as a low capital base, excessive government intervention, poor regulations, ineffective supervision and insufficient risk-management skills. Fragile banking systems not only misallocate resources, but are also prone to periodic crises, putting savers' funds at risk with serious consequences for economic growth. In several countries in the region, five years after the Asian financial crisis banks are still suffering from an overhang of non-performing loans. Even though there has been considerable progress region-wide with regard to banking sector restructuring, a number of outstanding issues remain to be tackled to rejuvenate banking as one of the main instruments in economic development.

Against that background, this volume provides an overview of domestic resource mobilization for development in Asia and the Pacific. It also reviews country cases in the banking sector and in the related field of microfinance in order to disseminate a range of experiences and lessons for guiding policy in the future. Country studies on the banking sector include China, India and Thailand, while those on microfinance cover Bangladesh, the Philippines and the Republic of Korea. Policy makers in the region should find the case studies in both fields useful for devising long-term strategies to rejuvenate their banking systems.