Asia-Pacific: Sustainable Development Financing Outreach

Asia-Pacific: Landscape & State of Sustainable Financing

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United Nations Under-Secretary-General
&
ESCAP Executive Secretary
Outline: Asia-Pacific

- Development financing requirements
- Scope for domestic resource mobilization
- Institutional investments: leveraging through PPP
- Financial inclusion for all
- Climate finance
- External resources: ODA and private flows
- Forging Partnerships
- Conclusions
Asia-Pacific: Development Financing Needs

**Economic & Social investment needs per year:**

$500 - $800 billion
- Payment for safety nets
- Old age pension
- Income security to all persons with disabilities
- Universal access to health and education
- Modern energy access for all

**Infrastructure investment needs per year:**

$800 - $900 billion
- Energy
- Transport
- Telecommunications
- Water & Sanitation

**Energy sector and climate change mitigation investment needs per year:**

$500-$800 billion
- Adaptation of new technology
- Renewable energy
Asia-Pacific: Key estimates of annual financing requirements

- ADB (2013): Energy (2010-2035)
- ESCAP (2010-2015)
Social protection expenditures (% of GDP): Case of Selected Asia-Pacific economies

- Japan: 19.2%
- Kyrgyzstan: 8%
- Republic of Korea: 7.9%
- China: 5.4%
- Viet Nam: 4.7%
- Thailand: 3.6%
- India: 1.7%
- Fiji: 1.7%
- Pakistan: 1.3%
- Indonesia: 1.2%
- Cambodia: 1%
- Lao PDR: 0.9%
- Papua New Guinea: 0.1%

Percentage of GDP
Scope for domestic resource mobilization

- Enhancing tax-to-GDP ratios
- Rationalize and reorient public expenditures
  Increase non-tax revenues
- Rationalize subsidies – energy in particular

Tax Potential: 16 developing economies could raise
- $306 billion

Reorientation of Expenditures
- ~$500 billion
  (Defence, 2012)

Energy subsidies
- $51 billion
  (South-East Asia, 2012)
Deepening domestic capital markets

Percentage of LCY bond market

- Republic of Korea
- Malaysia
- Singapore
- China
- Thailand
- Indonesia
- Philippines
- Japan
- Viet Nam

2013 vs. 2005
Share of global assets managed by Asia-Pacific institutional investors
Leveraging private sector capacities: Trends in Transport

- Airports
- Seaports
- Railroads
- Road
- Number of Projects

Billions U.S. dollars

Number of Projects

2001 2003 2005 2007 2009 2011
Inclusive finance for all

- Account at a formal financial institution
- Loans from a financial institution in the past year

Percent of population (age 15+)

<table>
<thead>
<tr>
<th>Country</th>
<th>Account at a formal financial institution</th>
<th>Loans from a financial institution in the past year</th>
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<td>Turkmenistan</td>
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<td>Tajikistan</td>
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<td>India</td>
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<td>Mongolia</td>
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Global Climate fund in Asia-Pacific

- India: 31.9%
- Indonesia: 29.5%
- SIDS: 1.3%
- LLDCs: 6.6%
- China: 2.9%
- Rest of Asia-Pacific: 20.9%
- LDCs: 6.9%

- Grants: 66%
- Low-cost debt: 33%
- Equity: 1%
External sources: ODA, FDI and Remittances, 2012
Asia-Pacific: ODA Distribution

**1990**
- LDCs: 21%
- LLDCs: 1%
- SIDS: 8%
- Rest of Asia-Pacific: 71%

**2012**
- Rest of Asia-Pacific: 42%
- LDCs: 44%
- LLDCs: 9%
- SIDS: 5%
- SIDS: 8%
Asia-Pacific: FDI Inflows, 1990-2012
Forging 21st century partnerships

Create new opportunities for South-South and triangular development cooperation

<table>
<thead>
<tr>
<th>Focus area</th>
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<th>Year</th>
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<td>-Infrastructure</td>
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<td>-Debt relief</td>
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<td>-60% training</td>
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<td>-Soft loans</td>
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<tr>
<td>-Technical assistance</td>
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<td>2011*</td>
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Country: Indonesia, Thailand, Russian Federation, India, Republic of Korea, Turkey, China
Conclusions

- Region has large financing requirements, but there is also scope for identifying and tapping the regional resource potential. The estimates of regional financing requirements vary depending on the source used.

- Financing requirements to strengthen
  - Social development are up to $800 billion per year,
  - Infrastructure up to $900 billion per year, and
  - Investments to modernize the region’s energy sector, including adaptation of new technologies and renewable forms of energy, could cost as much as $800 billion per year.
Conclusions

- These annual estimates represent, however, less than 8% of the assets of the region’s mass affluent and high-net-worth individuals in 2012.

- Region’s foreign exchange reserves amounted to $7.3 trillion in 2012, and its gross national savings were $8.4 trillion, equivalent to 51% to the world gross national savings in 2012.

- Asia-Pacific region has enough savings to finance its sustainable development. The real challenge, however, is how to mobilize these savings.
Conclusions

• Going forward, the region should work collectively to ensure that it nurtures strong and stable financial systems.

• To achieve this, policymakers and regulators need to work with the private sector to develop more diversified and balanced financial sectors—which are key to reinforcing financial stability and sustainability,

• To extending finance to meet the people’s needs and the region’s development.
This calls for

• Raising tax-to-GDP ratios;
• Reorienting public spending by, *inter alia*, curbing regressive subsidies;
• Moving from bank-dominated to well-diversified and competitive financial systems;
• Strengthening legal, regulatory and supervisory systems that promote financial inclusion;
• Advocating and positioning PPPs, leveraged through well-designed incentive frameworks; and
• Furthering the development of regional capital markets, which have the greatest potential for raising the required resources for financing sustainable development.

• To extending finance to meet the people’s needs and the region’s development.
Final remarks

- Recent trends show a rapid growth of local currency bond markets in the region’s major developing countries, with the amount outstanding more than trebling in eight years, to $7.4 trillion by September 2013.

- A critical issue which remains to be addressed is how to enhance country capacities to set up and improve the functioning of capital markets institutions and regulatory frameworks, particularly in smaller and least developed countries and in the small island developing States.
Thank you

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