



ESCAP High-level Policy Dialogue
Ministry of Finance of the Republic of Indonesia International Economic Summit 2013
Eleventh Bank Indonesia Annual International Seminar

“Macroeconomic Policies for Sustainable Growth with Equity in East Asia”

15-17 May 2013, Yogyakarta, Indonesia

Jointly organized by
UN ESCAP, Ministry of Finance of the Republic of Indonesia and Bank Indonesia

**Session 5 – Mechanisms to Pool Regional Funds for Liquidity,
Regional Infrastructure and other Public Goods**

Presentation

**Macroeconomic Policies for Sustainable Growth
with Equity in East Asia**

by

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ESCAP High-Level Policy Dialogue and 11th Bank Indonesia Annual International Seminar

Macroeconomic Policies for Sustainable Growth with Equity in East Asia

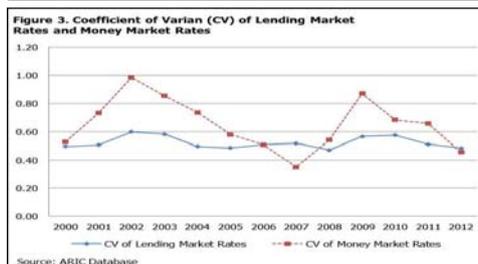
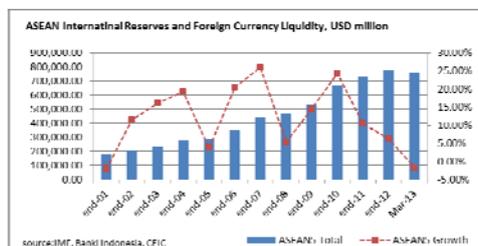
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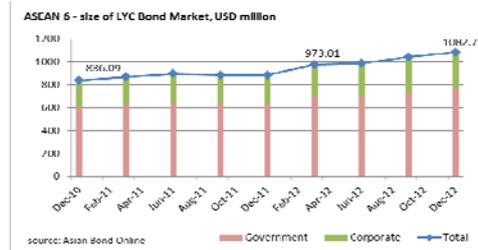
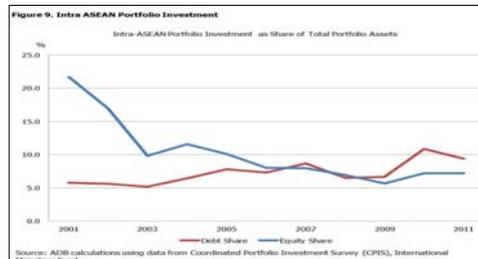
Financial Integration Trends in ASEAN

- ❖ ASEAN has accumulated large amounts of foreign exchange reserves ...
- ❖ Funding sources have become more diversified ...
- ❖ Banking sector still dominates in the ASEAN financial market, with convergence in lending market rates.
- ❖ However, relative to GDP, ASEAN cross-banking exposure continued on a declining trend.



Financial Integration Trends in ASEAN

- ❖ An increasing integration is shown in the equity market while the bond market seemed to diverge more the past few years ...
- ❖ Portfolio investment assets into ASEAN, however, remain small at US\$ 24.9 billion ...
- ❖ Total currency bond outstanding in ASEAN 6 is now total of US\$ 1082.8 billion, or the average annual growth of 16% ...
- ❖ ASEAN continues to have small but active bond markets, dominated by government bonds ...



ASEAN Financial Initiatives (I)

- ❖ Roadmap for Monetary and Financial Integration of ASEAN – financial services liberalization, capital market development, and capital account liberalization

Financial Services Liberalization

- ❖ ASEAN Banking Integration Framework (ABIF)
- ❖ ASEAN Qualified Banks

Capital Market Development/ACMF

- ❖ Stock Exchanges Linkage
- ❖ ASEAN Bond Market Development Scorecard

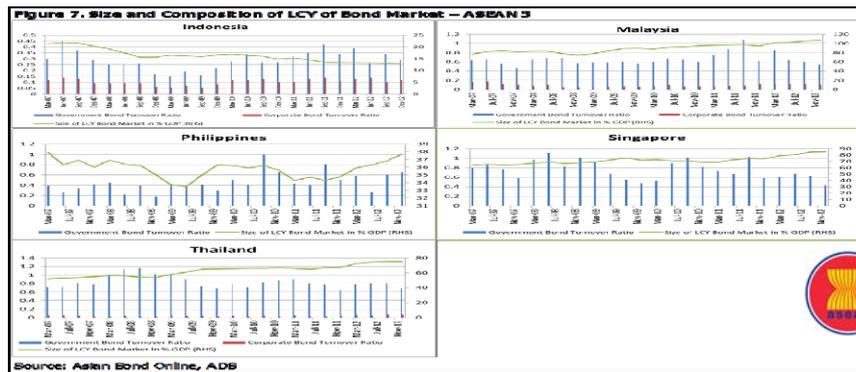
Capital Account Liberalization

- ❖ ASEAN Financial Integration Framework (AFIF)



ASEAN Financial Initiatives (II)

- ❖ ASEAN Bond Market Initiative (ABMI):
 - To promote bond market development in the ASEAN + 3 region,
 - With deep, liquid, and mature bond markets, the ABMI becomes an effective tool in transforming the region's large levels of savings into long-term investments and to avoid the double mismatch of currencies and maturities.



ASEAN Financial Initiatives (III)

- ❖ ASEAN Infrastructure Fund (AIF)
 - The proposal to mobilize ASEAN saving to support regional infrastructure development was first introduced at the 10th ASEAN Finance Ministers' Meeting in 2006, Cambodia.
 - The ASEAN Infrastructure Fund Limited was incorporated on 24 April 2012 in Labuan, Malaysia, as a company limited by shares under the Labuan Companies Act 1990 to operationalize the AIF.
 - ADB provides administrative services to the AIF as well as will co-finance AIF loans for infrastructure projects.
 - The AIF equity capital combines the funding from ASEAN Member States, ADB, and hybrid capital, amounting to US\$ 647.2 million. Bond issuance is an important feature of the AIF's business model.
 - The project pipeline demonstrates strong support for the ASEAN's regional connectivity, with six proposed regional cooperation and integration projects in four countries with total funding of US\$ 380 million.

Challenges

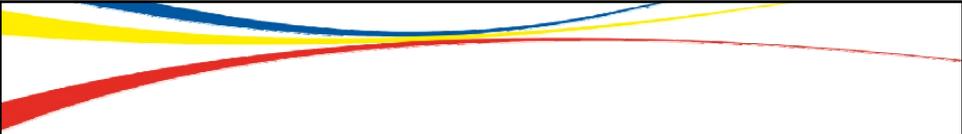
- ❖ Weak external economic environment and intensified financial strains from Euro debt crisis,
- ❖ Stronger link to global financial markets, comparatively to regional markets,
- ❖ Still small diversity of funding sources, limited variety of financial tools, and inadequate financial infrastructure links,
- ❖ Diverse development in financial and capital markets across the region,
- ❖ Further development of monitoring tools/ mechanism



Way Forward

- ❖ Further strengthen the quality of financial regional integration,
- ❖ Ensure that the ASEAN financial integration initiatives will continue to be market driven,
- ❖ Continue supportive policies for financial development and financial integration initiatives,
- ❖ Promote macroeconomic surveillance and policy coordination among national authorities/ supervisors





Thank You

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