



Sustainable development financing: Perspectives from Asia and the Pacific

Aynul Hasan
Officer-in-Charge
Macroeconomic Policy and Development Division
United Nations ESCAP

Outline: Asia-Pacific

- **Development financing requirements**
- **Scope for domestic resource mobilization**
- **Institutional investments: leveraging through PPP**
- **Access to 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

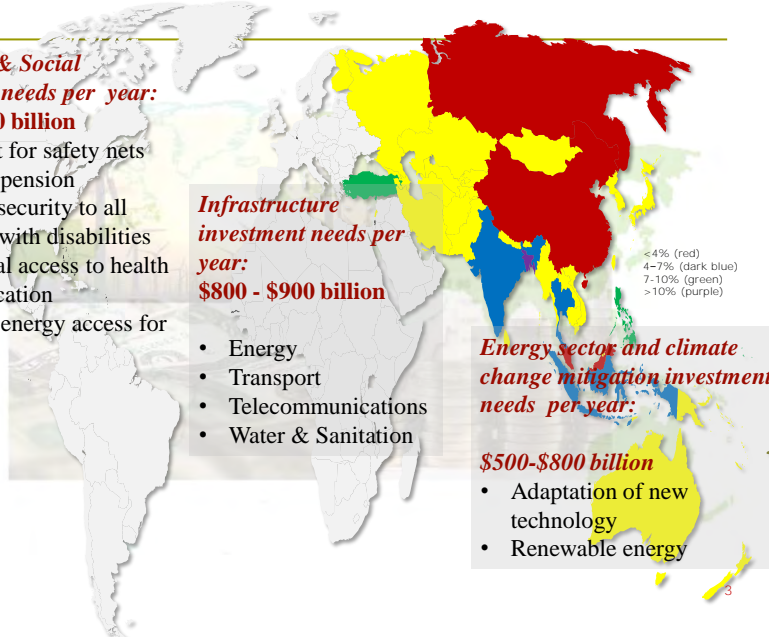
- Energy
- Transport
- Telecommunications
- Water & Sanitation

Energy sector and climate change mitigation investment needs per year:

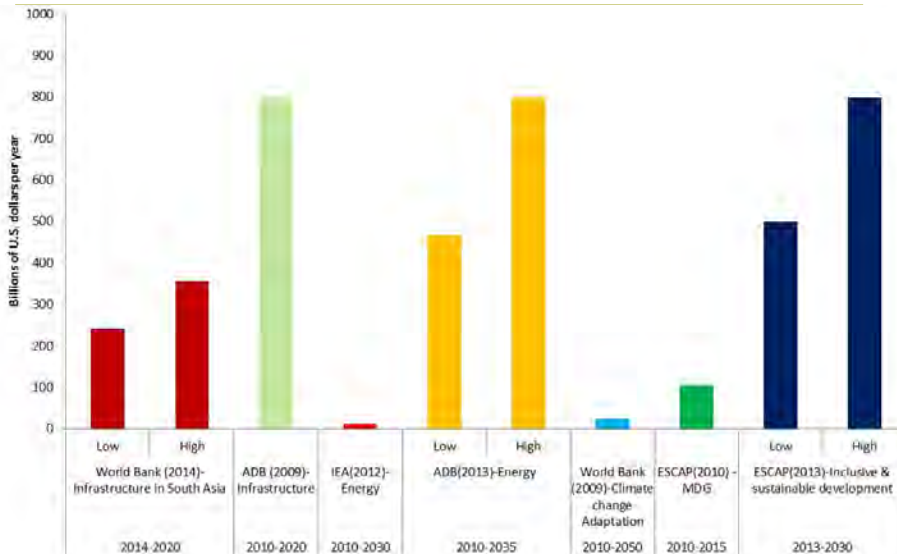
\$500-\$800 billion

- Adaptation of new technology
- Renewable energy

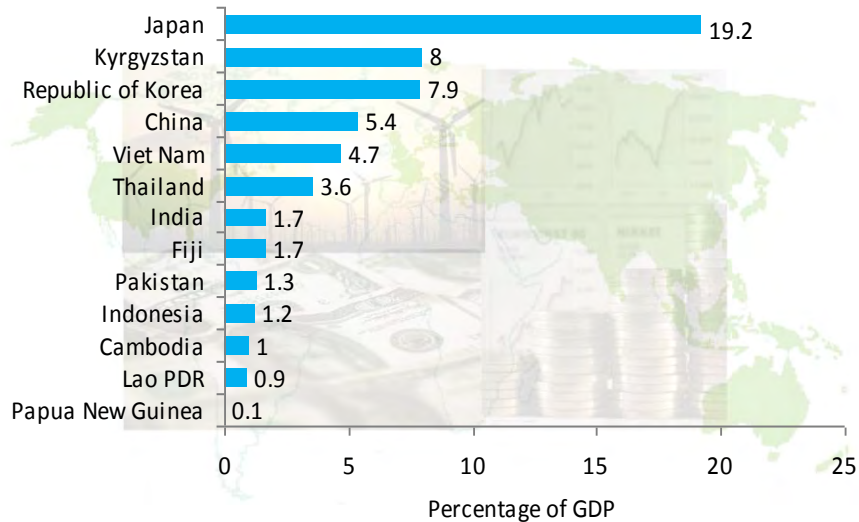
<4% (red)
4-7% (dark blue)
7-10% (green)
>10% (purple)



Asia-Pacific: Key estimates of annual financing requirements



Social protection expenditures (% of GDP): Case of Selected Asia-Pacific economies



5

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

>\$300 billion

Reorientation
of Expenditures

~\$500 billion
(Defence,
2012)

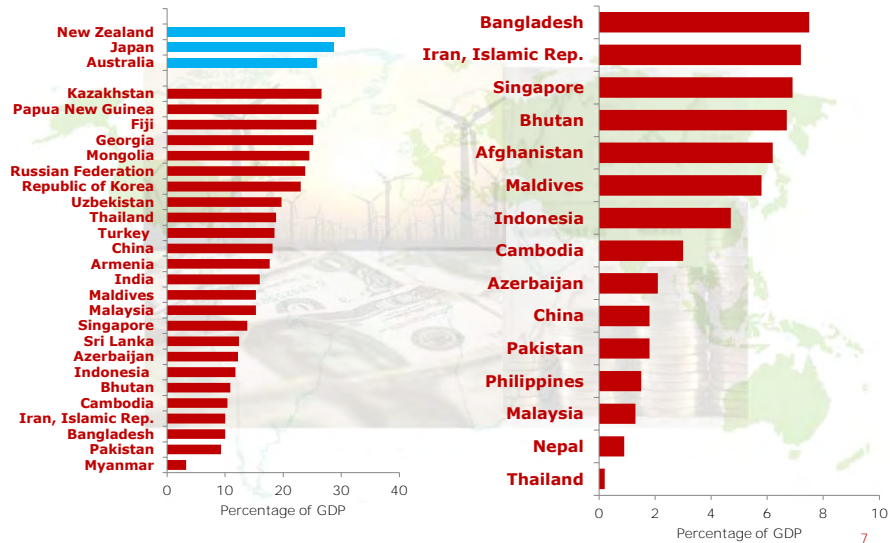
Energy
subsidies

\$51 billion
(South-East
Asia, 2012)

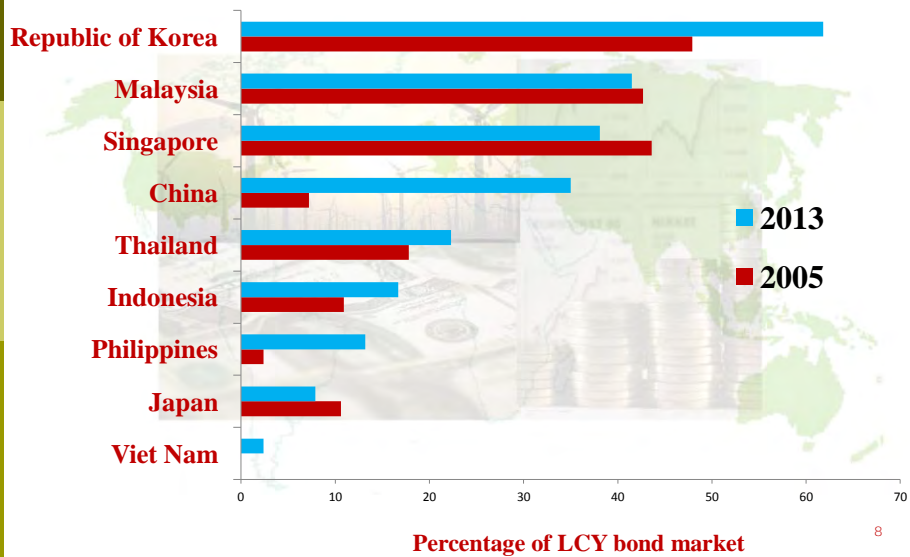
6

Tax-to-GDP Ratios

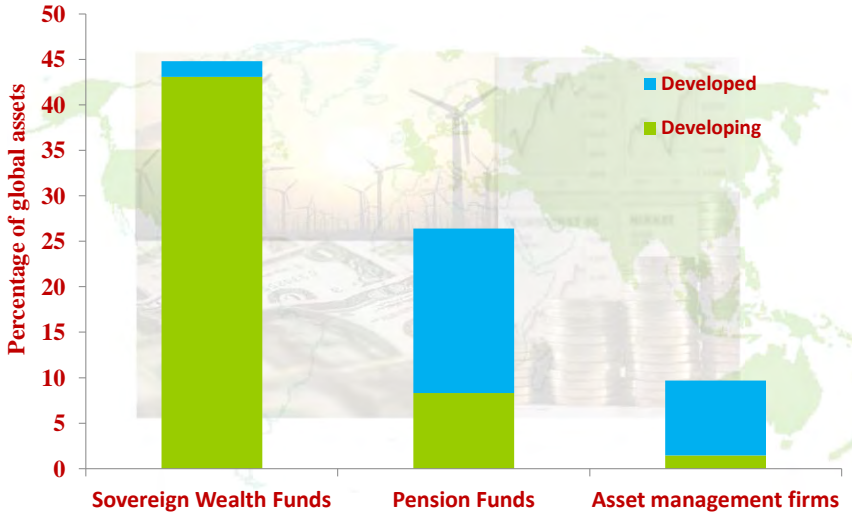
Tax Potential



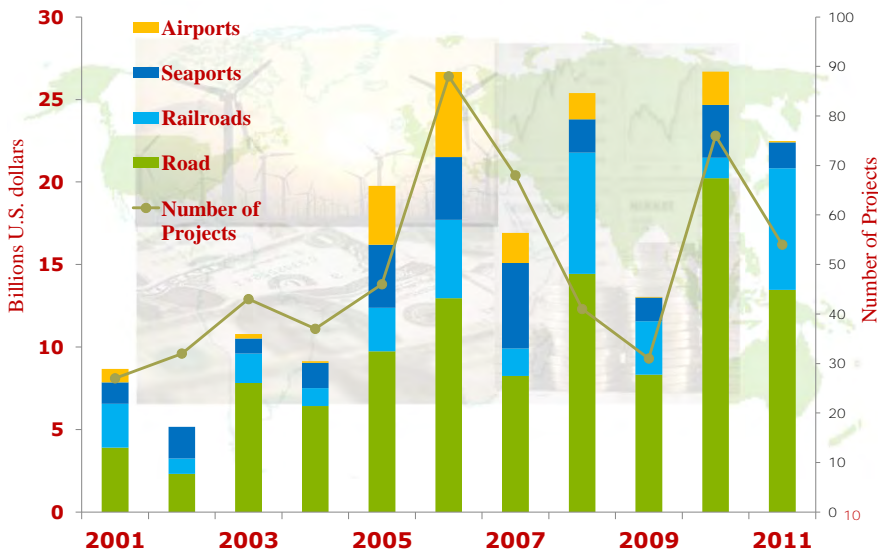
Deepening domestic capital markets



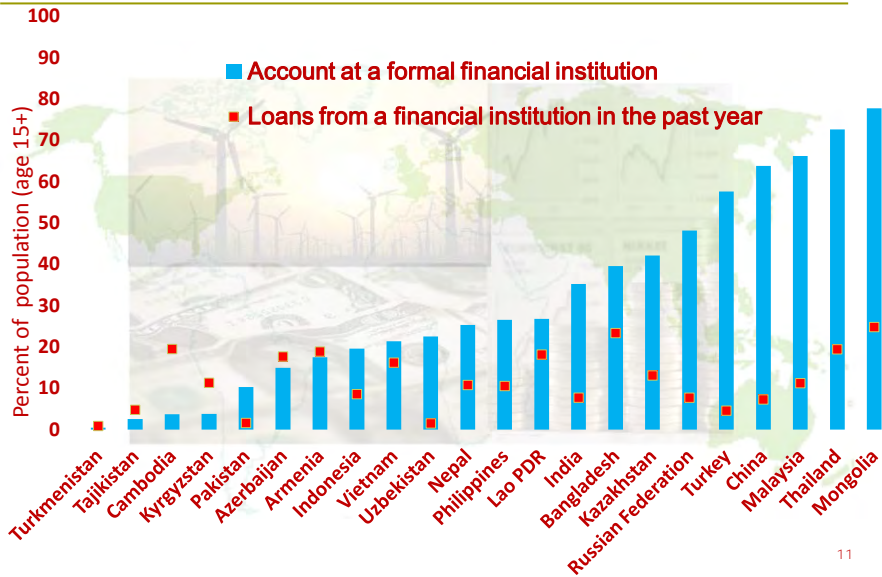
Share of global assets managed by Asia-Pacific institutional investors



Leveraging private sector capacities: Trends in Transport

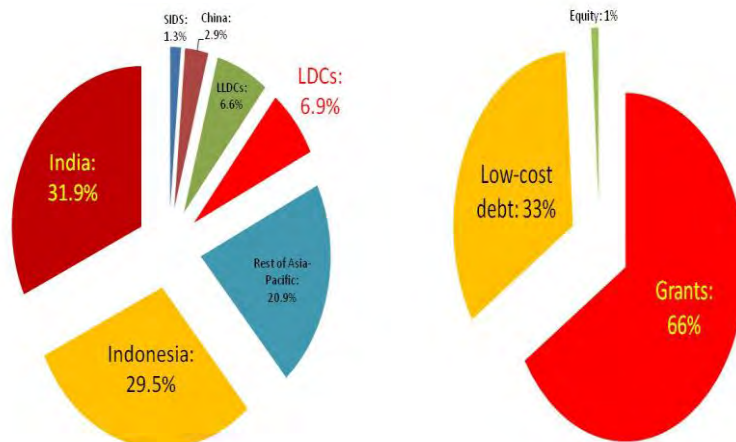


Access to inclusive finance for all



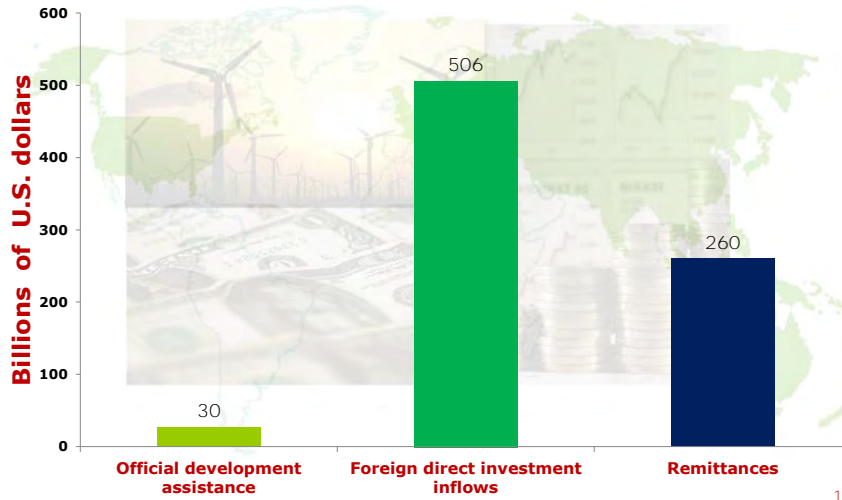
11

Global Climate fund in Asia-Pacific



12

External sources: ODA, FDI and Remittance, 2012

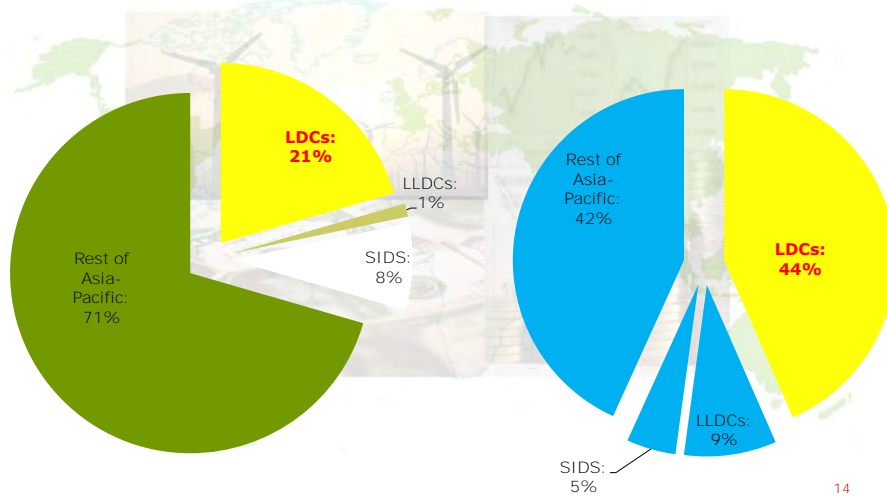


13

Asia-Pacific: ODA Distribution

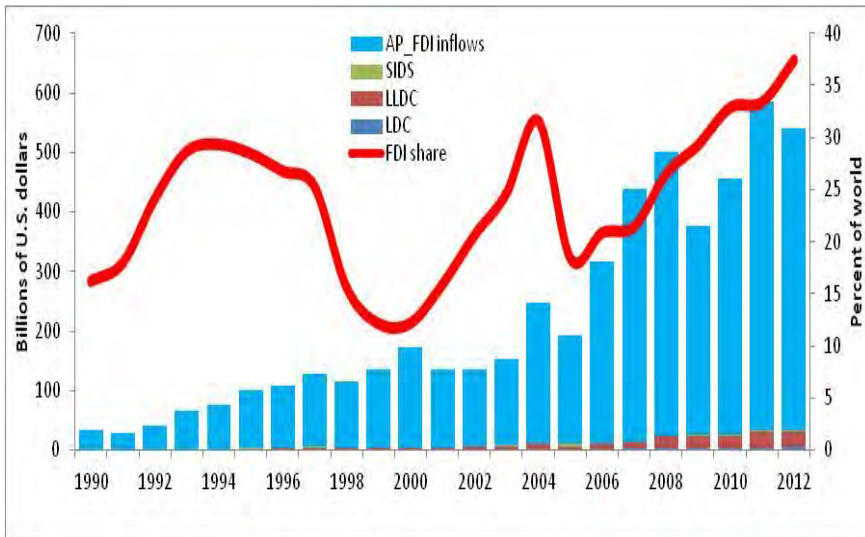
1990

2012

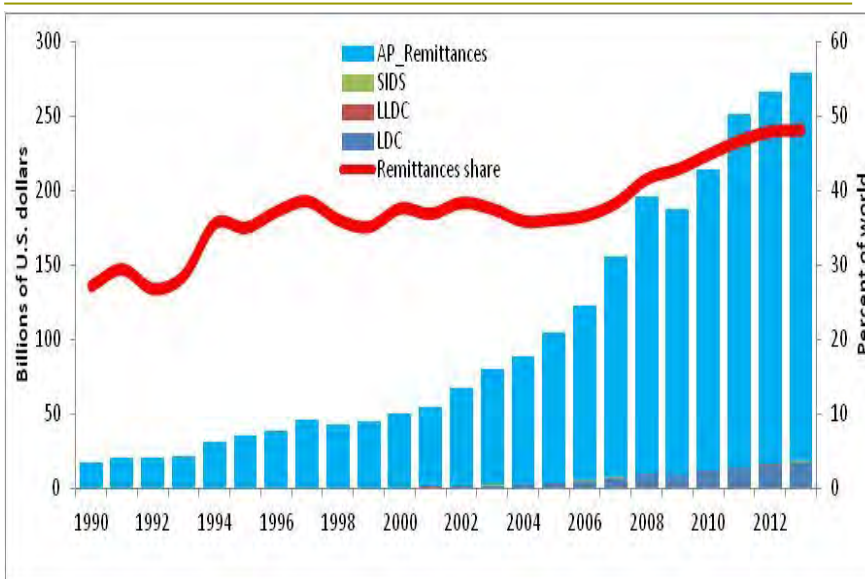


14

Asia-Pacific: FDI Inflows, 1990-2012

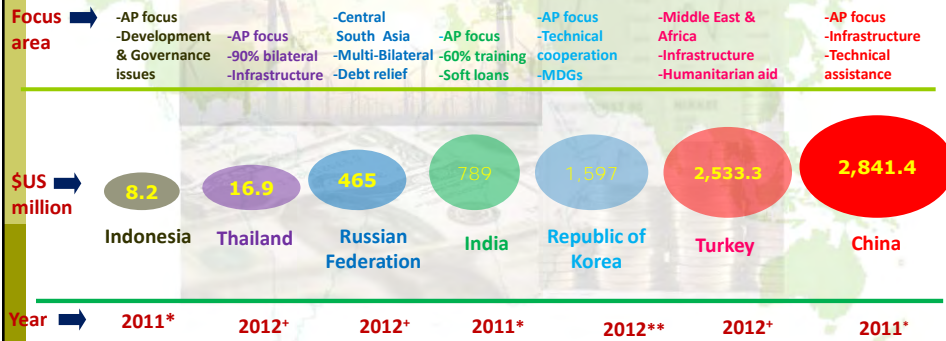


Asia-Pacific: Remittances Inflows, 1990-2013



Forging 21st century partnerships

Create new opportunities for South-South and triangular development cooperation



17

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

18

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.

19

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.

20

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.**

21

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.

22





Thank you

E-mail: hasan.unescap@un.org

Tel: +66 2 288-1636

Fax: +66 2 288-3007

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