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The Role of Financing Mechanisms in Driving Productivity Growth

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“Financing Mechanism” is not only the issue of infrastructure financing in the context of Regional Cooperation and Integration



Table 1: Asia's Total Investment Needs, by Sector (2010–2020) (in 2008 \$ trillion)

Sector	New Capacity	Replacement	Total
Energy (electricity)	3.2	0.9	4.1
Telecommunications	0.3	0.7	1.0
Transport	1.8	0.7	2.5
Water and Sanitation	0.2	0.2	0.4
Total	5.4	2.6	8.0

Source: *Infrastructure for Seamless Asia*, ADB and ADBI, 2009



Financial Sector (or Financial Mechanism) contribution to Regional Cooperation and Integration

- Providing financing for infrastructure buildup
- Promoting SME development
- Promoting regional trade and investment
- Ensuring macroeconomic stability
- Providing contingency financing



Financial development indicators of selected DMCs

	M2, % of GDP						Domestic credit, % of GDP					
	1990	1995	2000	2005	2010	2013	1990	1995	2000	2005	2010	2013
PRC	75.9	96.1	137.0	151.0	180.2	188.6	89.4	87.7	119.7	134.3	146.3	163.0
Hong Kong, China	201.9	204.0	272.9	310.1	401.7	473.2	151.9	142.0	134.0	139.8	195.4	224.0
India	46.9	50.6	62.6	73.8	83.6	83.9	50.0	42.9	51.2	58.4	71.9	77.1
Indonesia	43.6	48.6	53.9	43.4	38.3	41.0	46.7	51.8	60.7	46.2	36.4	45.6
Korea, Rep. of	81.4	92.9	111.4	111.1	131.2	134.5	48.1	46.4	70.9	125.5	151.0	155.9
Japan	109.1	106.7	123.4	139.2	160.7	177.0	255.3	283.4	304.7	317.9	328.5	368.0
Malaysia	70.5	89.4	99.5	113.4	133.0	146.4	72.7	126.7	138.4	117.7	127.0	142.9
Philippines	34.2	51.8	57.7	54.3	61.4	69.7	23.2	55.7	58.3	47.2	49.2	51.9
Singapore	92.5	85.7	105.1	105.3	126.7	134.0	58.6	59.1	76.7	61.2	80.8	112.6
Taipei, China	140.0	176.0	185.5	207.9	228.4	243.9	—	—	—	—	—	—
Thailand	76.2	85.0	114.5	111.2	116.1	134.6	94.1	141.3	138.3	119.2	142.7	173.3

Note: India uses Fiscal Year, e.g. 2013 = FY 2013-14; India's M2 data refer to broad money as defined by RBI. For full metadata, refer to Table XX

Source: Author's calculations using data from CEIC and World Bank



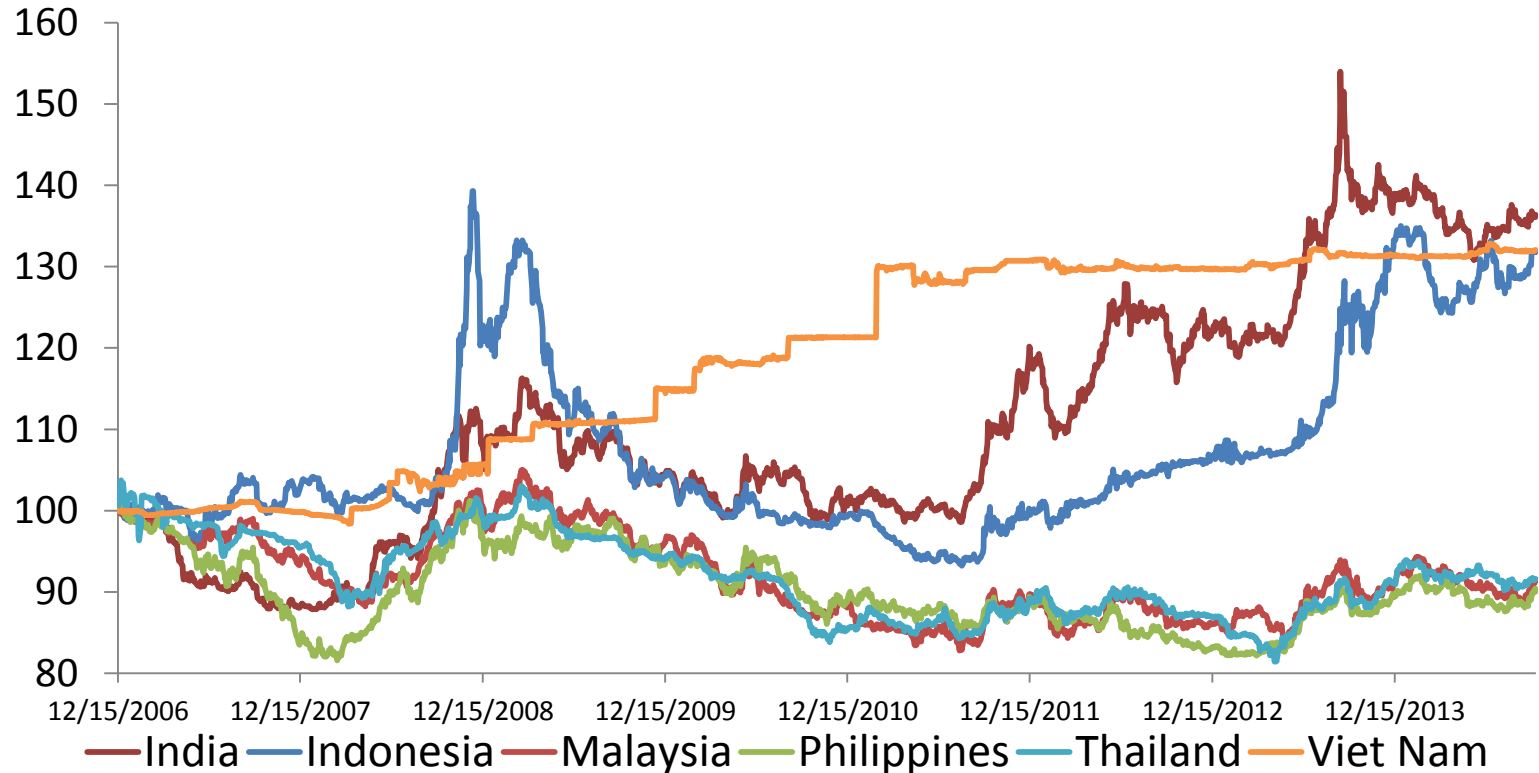
Total reserves minus gold (Billion US\$)

	1990	1995	2000	2005	2010	2013
PRC	12.1	75.4	168.3	821.5	2,866.1	3,839.5
Korea	14.8	32.7	96.1	210.3	291.5	341.7
Malaysia	9.8	23.8	28.3	69.9	104.9	133.4
Philippines	0.9	6.4	13.1	15.9	55.4	75.7
Singapore	27.8	68.8	80.0	116.0	225.5	272.9
Thailand	13.3	36.0	32.0	50.7	167.5	161.3

Source: CEIC Database.



Exchange rate indices in selected DMCs



Note: Exchange rate indices are based on local currency per US dollar.



Financial Sector Regional Initiatives

- Recycling regional savings for regional infrastructure financing
- Deepening of financial sector to improve access to financing particularly to SMEs
- Bond market development, securities market development, insurance market development, etc.
- Joint economic monitoring
- Swap agreements
- Providing contingency financing
- Collective disaster financing mechanism

Thank you

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