Regional update: trends and issues in Asian development cooperation

Yasuyuki Sawada
Chief Economist and Director General
Economic Research and Regional Cooperation Department
Asian Development Bank

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Developing Asia’s continued growth….

**GDP growth (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Developing Asia</th>
<th>Developing Asia excluding NIEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6.4</td>
<td>6.8</td>
</tr>
<tr>
<td>2015</td>
<td>6.0</td>
<td>6.6</td>
</tr>
<tr>
<td>2016</td>
<td>5.8</td>
<td>6.3</td>
</tr>
<tr>
<td>2017</td>
<td>6.0</td>
<td>6.5</td>
</tr>
<tr>
<td>2018</td>
<td>5.8</td>
<td>6.3</td>
</tr>
</tbody>
</table>

NIEs = newly industrialized economies of Hong Kong, China; Korea; Singapore; and Taipei, China.

is supported by a synchronized trade rebound

Growth in Nominal Exports

-50 -25 0 25 50

% change, year on year

Jan 2015 to Sep 2016  Oct 2016 to Jul 2017

Bangladesh  Cambodia  Pakistan  Nepal

People’s Rep. of China  Tajikistan  Brunei Darussalam  Thailand

Hong Kong, China  Singapore  Malaysia  India

Philippines  Sri Lanka  Republic of Korea  Taipei, China

Indonesia  Azerbaijan  Viet Nam  Georgia

Armenia  Kazakhstan  Kyrgyz Republic  Mongolia

Note: Unless otherwise indicated, 2017 data refers to the period January to July 2017. KGZ 2017 data ends in April; Cambodia, in May; and Bangladesh and Brunei in June.

Sources: CEIC Data Company and Haver Analytics (accessed 15 September 2017).
Regional cooperation and integration (RCI) has been playing a pivotal role in Asian growth.

### Intraregional Shares (% of total)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade</th>
<th>FDI</th>
<th>Equity</th>
<th>Debt</th>
<th>Migration</th>
<th>Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>53%</td>
<td>47%</td>
<td>12%</td>
<td>8%</td>
<td>43% (2000)</td>
<td>33% (2010)</td>
</tr>
<tr>
<td>2016</td>
<td>57%</td>
<td>55%</td>
<td>19%</td>
<td>15%</td>
<td>37% (2015)</td>
<td>28%</td>
</tr>
</tbody>
</table>

— = data unavailable; FDI = foreign direct investment (flows data); Equity = equity asset holdings (stock data); Debt = debt asset holdings (stock data).

Note: Where 2016 data is not available, the latest year for available data is indicated in parenthesis (year).

CAREC
- Progress in road and railway projects surpassed 2020 targets
- 7 CAREC members ratified WTO TFA
- Power interconnection projects on track

GMS
- Completion of 3 new bridges along GMS economic corridor
- Major progress in GMS CBTA activities
- Harmonizing regional power trade policy

EAST ASIA
- Pilot PRC-Mongolia joint customs control
- Regional knowledge sharing on economic zones
- Continuous support for CAREC TF program

SASEC
- Improved links in Asian Highway Network
- Electronic cargo tracking system launched
- Arrangements for energy trade forged

PACIFIC
- Endorsement of the Framework for Pacific Regionalism
- Submarine cable projects
- ICT enabled projects

….through subregional initiatives
Development assistance will continue to play a key role in mobilising resources to support the SDGs.
Much of aid flows destined to South and Southeast Asia...

Total Aid Flows to Asia and the Pacific by Subregion, 1995–2016

Source: ADB calculations using data from OECD. Creditor Reporting System.
Bulk of ODA targeted towards social and economic infrastructure and services

Total Aid Flows to Asia and the Pacific by Broad Sector, 1995–2016
($ billion, in current prices)

COM = commitments; DISB = disbursements.
Source: ADB calculations using data from OECD. Creditor Reporting System.
ADB’s aid allocation mostly for economic infrastructure and services

**ADB's Aid Allocation by Broad Sector, 1995–2016**
($ billion, in current prices)

- Economic infrastructure and services
- Social infrastructure and services
- Multi-sector / Cross-cutting
- Production sectors
- Commodity aid / General programme assistance
- Humanitarian aid
- Other sectors (allocable)
- Unallocated / Unspecified

COM = commitments; DISB = disbursements.
Source: ADB calculations using data from OECD. Creditor Reporting System.
but Asia’s infrastructure needs dwarf traditional funding sources

- $1.7 trillion annual investment needed through 2030

$ trillion in 2015 prices

<table>
<thead>
<tr>
<th></th>
<th>$ 0.98 [56%]</th>
<th>$ 0.56 [32%]</th>
<th>$ 0.15 [9%]</th>
<th>$ 0.05 [3%]</th>
</tr>
</thead>
</table>

ICT = Information and Communication Technology

Source: ADB estimates based on country sources and Private Participation in Infrastructure Database, World Bank; World Development Indicators, World Bank.
Bridging the gap

Infrastructure investment by financing source, excluding PRC,* 2016–2020, (annual average, $ billion in 2015 prices)

* 25 countries minus the PRC

Note: Numbers may not add up to total due to rounding.
Policies to close the gap

- Fiscal reforms
  - Tax reforms; spending reorientation; prudent borrowing; and nontax revenues

- Promoting private participation
  - Create conducive investment climate
  - Make greater use of public-private partnerships (PPPs)
  - Deepen capital markets

- Role of MDBs
  - MDB infrastructure financing in Asia is 2.5% of current investment
  - Growing share for the private sector
  - Needs for enhancing both quantity and quality:
    - To tap private investments, “credit enhancement” function of MDBs
    - Role of new “emerging donors”
AIIB, BRI, and ADB

AIIB

- Cooperation to fill the infrastructure gap
- MOU signed in 2016
- 4 co-financed projects on going and more in pipeline

BRI

- Important in potentially bridging the infra gap
- MOU signed between China and MDBs in 2017
- Positive social benefit indispensable
- Six identified CAREC Corridors overlap with key sections of BRI
ADB’s Finance ++ approach

Financing the Sustainable Development Goals requires a more integrated approach
Thank you!