Shifting Sands of ASEAN Integration: Inclusive Finance and Local Development as Complementary Policy Instruments to Integration for Sustaining Equitable Economic Growth in LDCs

Nepal Ministerial Meeting Of Asia-Pacific LDCs
Katmandu, 16-18 December 2014
From the ASEAN “Miracle” to a “New Normal”:
Search for forward-looking policy instruments and solutions in the Post-2015 Era

1980/1990s: High growth with relatively low levels of inequality & rapid poverty reduction

Late 1990s: Asian Economic crisis

Late 1990s: Regional integration

2008/2009: Global economic crisis

Now: Growth rates significantly lower and inequality has risen sharply, leading to greater potential for social conflict

Now: Declining ODA; reduced cross-border capital flows
“When the facts change, I change my mind. What do you do Sir?”

J.M. Keynes
Financial inclusion and local development as a complementary policies of choice to drive growth with equity for LDC Graduation

- Leveraging domestic economic agents for national saving and local investment
- Expanding fiscal capability of the State to improve basic services and productivity of human capital
- Turning infrastructure and trade corridors into planned economic corridors
- Leveraging remittances to enable localised investments and redistribution
- Triggering localised growth to create an income and consumption ladder
- Driving social mobility and gender equity by carefully targeting investment support
Broadening the “bottom of the pyramid”: More than half of all credit in Myanmar is sourced informally.
Tapping into domestic informal savings for national growth

- Account at a formal financial institution (% age 15+)
- Saved at a financial institution in the past year (% age 15+)
- Loan from a financial institution in the past year (% age 15+)
- GDP per Capita**

Source: Findex (2011)

*Source for Myanmar: FinScope (2013)
**Source for GDP per Capita: World Bank (2014)
Exploiting the “demographic dividend”: Adults in Thailand and Myanmar adults use savings and credit to invest in their human capital.

Demographic dividend

Building human capital

Percent of total adult population

<table>
<thead>
<tr>
<th>Activity</th>
<th>Myanmar</th>
<th>Thailand</th>
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<tbody>
<tr>
<td>Save for a medical emergency</td>
<td>11%</td>
<td>28%</td>
</tr>
<tr>
<td>Use credit for a medical emergency</td>
<td>13%</td>
<td>6%</td>
</tr>
<tr>
<td>Save for education expenses</td>
<td>6%</td>
<td>17%</td>
</tr>
<tr>
<td>Use credit for education expenses</td>
<td>7%</td>
<td>6%</td>
</tr>
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Myanmar and Thailand adults use savings and credit to invest in their human capital.
Broader Lessons for LDCs

**Nationally**
Incorporate Financial Inclusion and local development financing as a central pillar of a post-welfare development policy.
Rely on the power of data to catalyse public policy action and private initiatives.

**Regionally**
Understanding and facilitating cross-border financial and knowledge flows.

**Internationally**
Peer-to-peer support arrangements.
Development of common measurement indicators.
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Inclusivefinance.Asia@uncdf.org
UN Capital Development Fund
Asia Pacific Regional Office