



**Statement by Dr. Shamshad Akhtar,
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Excellencies,
Distinguished delegates,
Ladies and Gentlemen,

We are in Addis Ababa to secure the financing needed for the future we want. The Asia-Pacific region has led progress on the Millennium Development Goals, and we are optimistic that, given its dynamism and potential, it will also lead action on financing for development agenda.

Asia is undergoing a historic transformation. The fastest growing economies are rebalancing their growth paths, ASEAN is emerging with new force, as its economic community takes shape, and other countries are diversifying to achieve higher growth. Most pertinently, a number of countries have already adopted sustainable strategic frameworks. This is happening as the region faces key mega-trends shaping Asia's future, such as: a growing middle class; rising urbanization; steep infrastructure requirements (estimated to be in the range of a trillion dollars, and magnified by the region's ambition to boost regional connectivity to revive the ancient Silk Road, interconnecting the bulk of Asia with other markets). In parallel, the region has countries that have to grapple with large youth populations, which need jobs, and others with ageing populations, which will stretch retirement savings. These trends are going to change the economic and social landscape of Asia in the coming years.

To address these challenges, ESCAP estimates that the Asia-Pacific region will need to invest between \$2.1 trillion and \$2.5 trillion per year to fund a comprehensive agenda for sustainable development.

Regional economic cooperation, as a form of partnership for development, offers a valuable approach, given the region's lead as a driver of global growth and a supplier of funding to advanced countries. However, this cooperation needs to be further strategized by, among other things, better tapping the region's tax potential and leveraging its pool of savings.

I would like to highlight **five strategies** to mobilize the region's resource to finance sustainable development:

First, we need effective regional cooperative arrangements between governments and private sector stakeholders to ensure our financial markets and institutions deliver on their original mandate of financial intermediation for development. The Asia-Pacific regional pool of savings is

substantial: regional national savings of nearly \$8.9 trillion; financial assets in the hands of the most wealthy individuals estimated to be \$35 trillion (and expected to double by 2020); and foreign exchange reserves of more than \$7 trillion. The bulk of these sources of savings are adding to liquidity, held dormant in deposits or financing third party country deficits. These sources need to be effectively harnessed for development.

Second, our regional commission has approved the establishment of an Asia and the Pacific Tax Forum – a grouping of tax experts. This forum will be mandated to catalyze regional action to raise the region's low tax/GDP ratio, which has a median value of 15 per cent. By tapping only an additional 5 per cent of the region's tax potential, it can mobilize additional \$1.3 trillion and this can be achieved by broadening the tax base, tightening tax evasion, closing loopholes and strengthening tax administration.

Third, we need regional and global cooperative arrangements to curb illicit flows and under-invoicing of trade transactions. This can mobilize nearly another \$1 trillion.

Fourth, regional integration of Asia's stock markets is another mechanism for corporates to raise financing and new equity issues. Asia's stock markets capitalization has reached \$15 trillion, and they are well integrated with international markets, but their full potential remains to be exploited. In addition, smaller markets remain at the early stages of development and firms often do not resort to capital markets, while weak governance adversely impacts investor confidence. Stronger governance, with supportive regulatory institutions can drive market performance based on corporate fundamentals, helping to reverse the reputation of these markets as being "speculative and idiosyncratic" in pricing.

What lends us hope for Asia-Pacific's potential to work in a cooperative mode is that our region has had good tradition of promoting trade integration, and now ASEAN has prepared a blueprint for ASEAN financial integration to build on their success of the Asian Bond Markets Initiative. Our region has currency swap arrangements in place to mitigate liquidity risks in financial markets.

Finally, action by Asia to structure a new multilateral institution – the AIIB – tapping the pool of regional savings, and the leadership of China, India and the Russian Federation in promoting the New Development Bank, are also testimony to Asia and the Pacific's potential to institutionalize regional cooperative arrangements which have and will offer good development results as they leverage private capital.

I thank you.

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