

ASIAN DEVELOPMENT OUTLOOK 2021

FINANCING GREEN AND INCLUSIVE RECOVERY

THEME CHAPTER

BSP-RBWC International Research Conference 2021

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#ADO2021

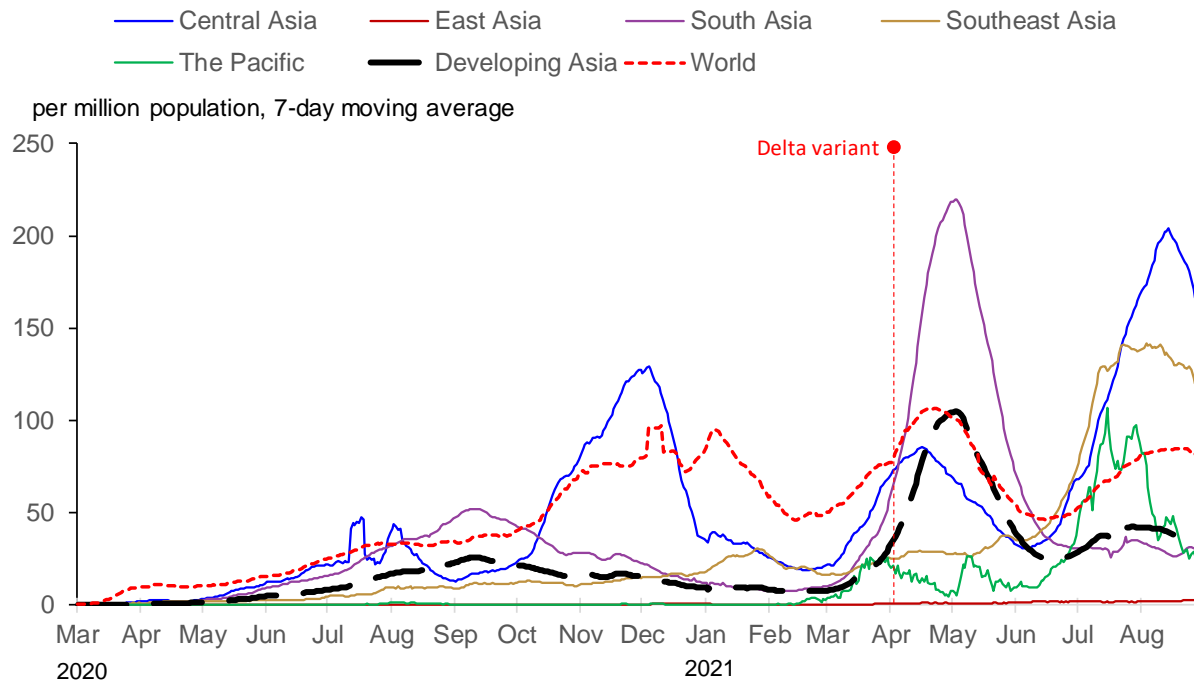
ADB

The COVID-19 pandemic continues to besiege developing Asia

New and more infectious variants are driving outbreaks across developing Asia.

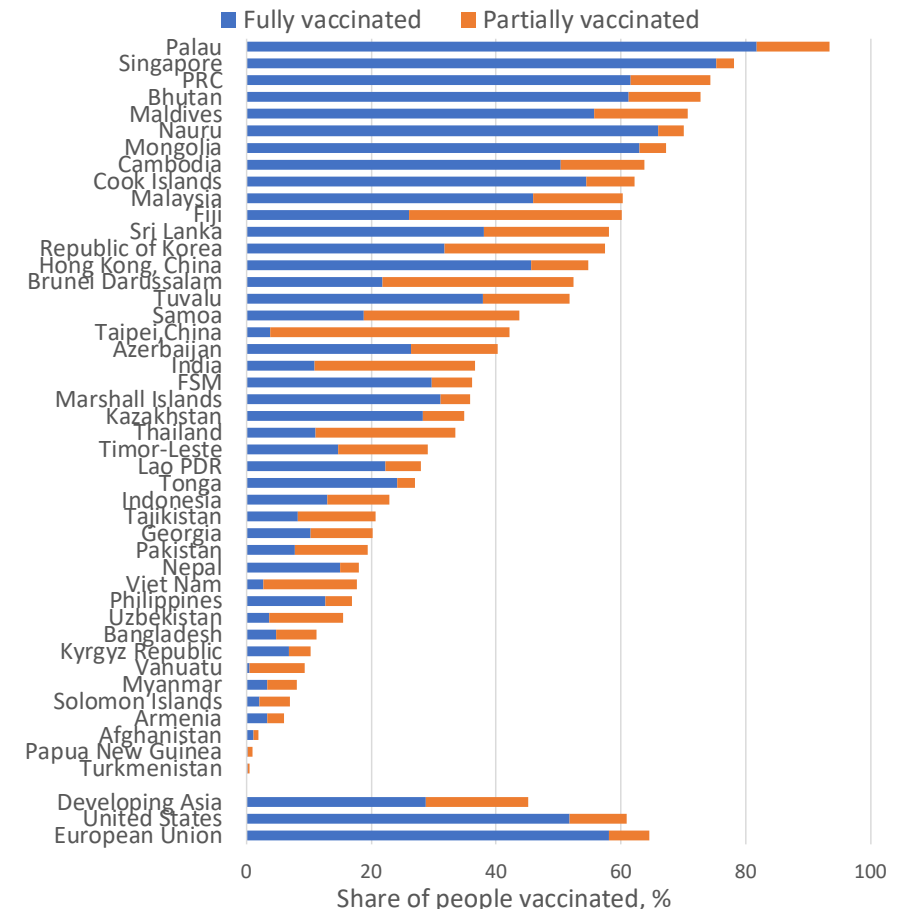
Vaccination progress remains uneven and lags advanced economies.

Daily new COVID-19 cases, 7-day moving average



Sources: CEIC Data Company (accessed 6 September 2021); Ministry of Healthcare of Kazakhstan.

Persons vaccinated against COVID-19



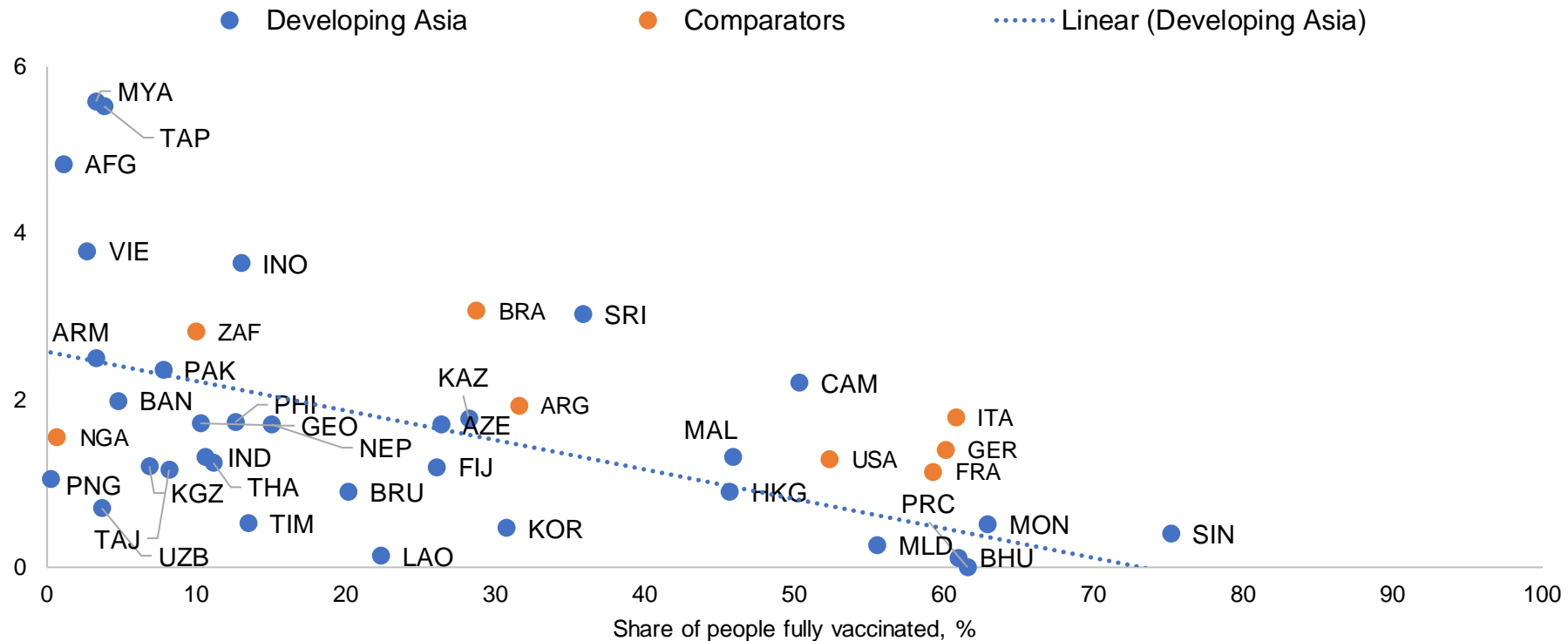
Notes: FSM = Federated States of Micronesia, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China
Date of data is latest available for August for all economies except Turkmenistan (April).

Source: CEIC Data Company (accessed 6 September 2021); Our World in Data (accessed 3 September 2021).

Vaccines are changing the nature of the pandemic

Higher vaccination rates are associated with fewer deaths per COVID-19 case.

deaths per 100 cases, 14-day lagged cases

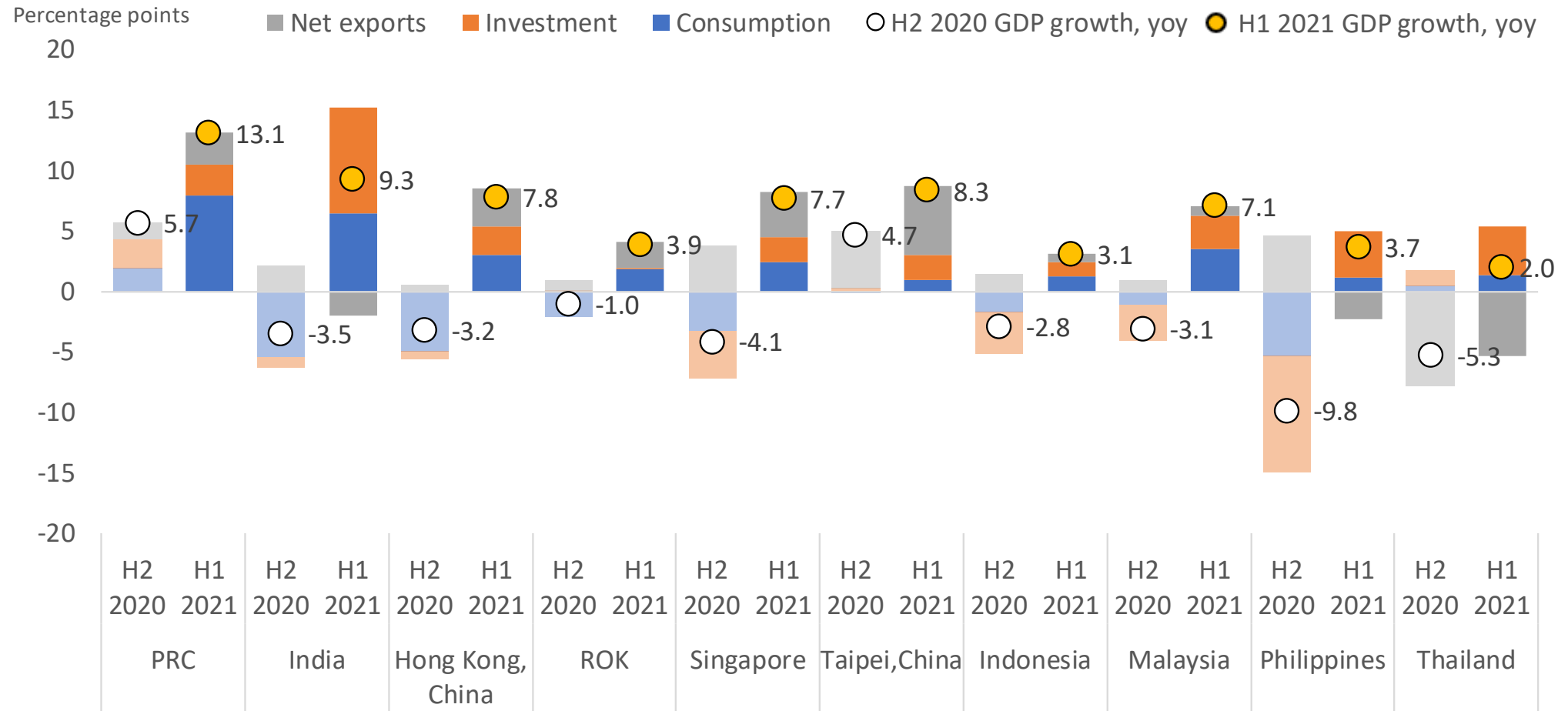


Note: Number of deaths per 100 cases is based on the total confirmed deaths and total confirmed cases since March. It is calculated as the ratio between total confirmed deaths and total confirmed cases 14 days prior to account for the lag between the onset of illness and death.

Source: Our World in Data. <https://ourworldindata.org/coronavirus> (accessed 2 September 2021).

The strength of the recovery in the first half of 2021 has varied across economies

Economies that did better with vaccination and pandemic control tended to have better economic performance.



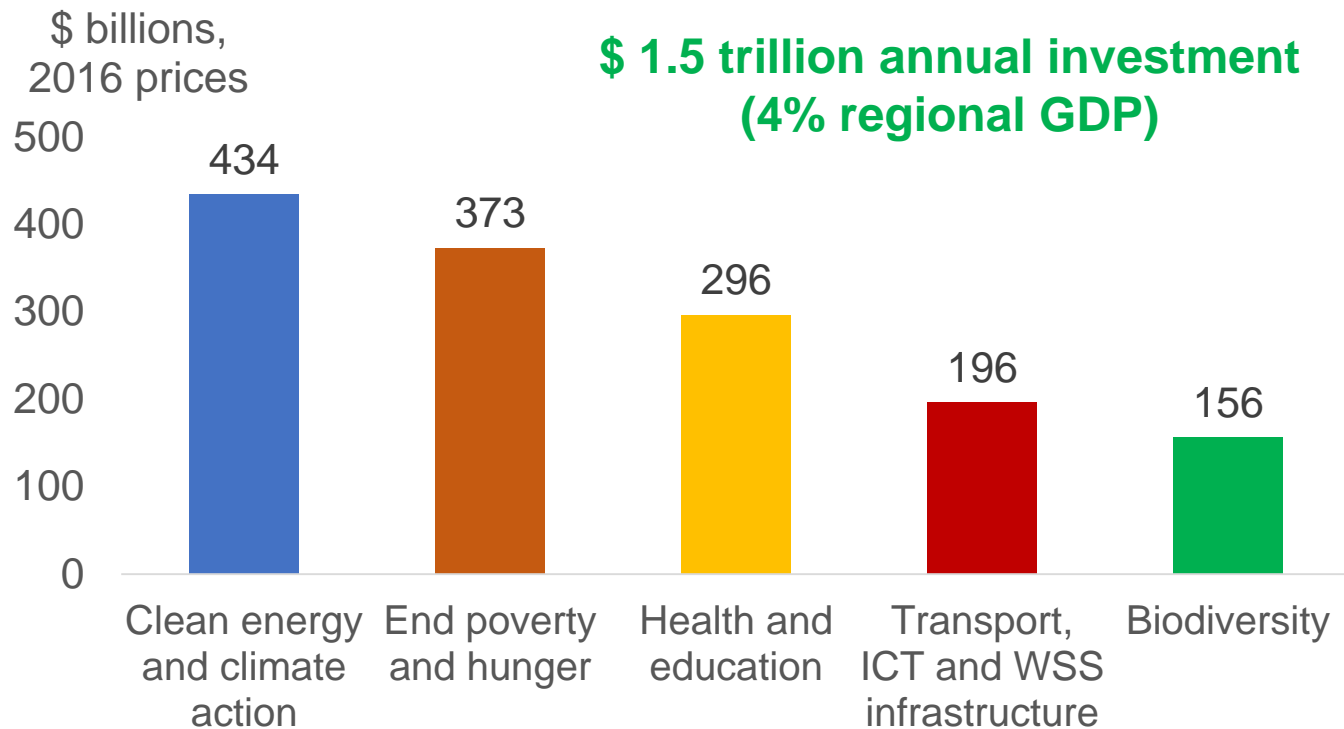
GDP = gross domestic product, H = half, PRC = People's Republic of China, ROK = Republic of Korea, yoy = year on year.

Note: H1 in India refers to first half of the calendar year.

Source: CEIC Data Company (accessed 8 September 2021).

Building better requires green and social finance

Asia Pacific region's annual investment requirements, 2016-2030, to meet SDGs (by broad SDG sectoral groupings)



ICT = information, communications and technology, SDG = sustainable development goals, WSS = water, sanitation, and safe water. Source: UNESCAP (2019).

- Developing Asia needs to build back better
- Green and social finance are specifically targeted toward SDGs
- With limited public resources, private capital must be mobilized.

ADB COVID-19 Policy Database

- Contains detailed information on the measures that authorities have taken to combat COVID-19.
- Covers the 68 members of ADB, two institutions (EU and ECB), and nine other economies. They represent 92% of global GDP and 80% of the world's population.
- Measures are categorized into liquidity support, credit creation, long-term lending, equity support, and health and income support.
- Includes data from 20 April 2020 to 26 July 2021.
- Link to the database:
<https://covid19policy.adb.org>

Summary Data

(as of 26 July 2021)

Total Amount Announced by ADB's members: **\$31.147 trillion**

ADB's Developing Members: **\$3.775 trillion**

ADB's Other Members: **\$20.791 trillion**

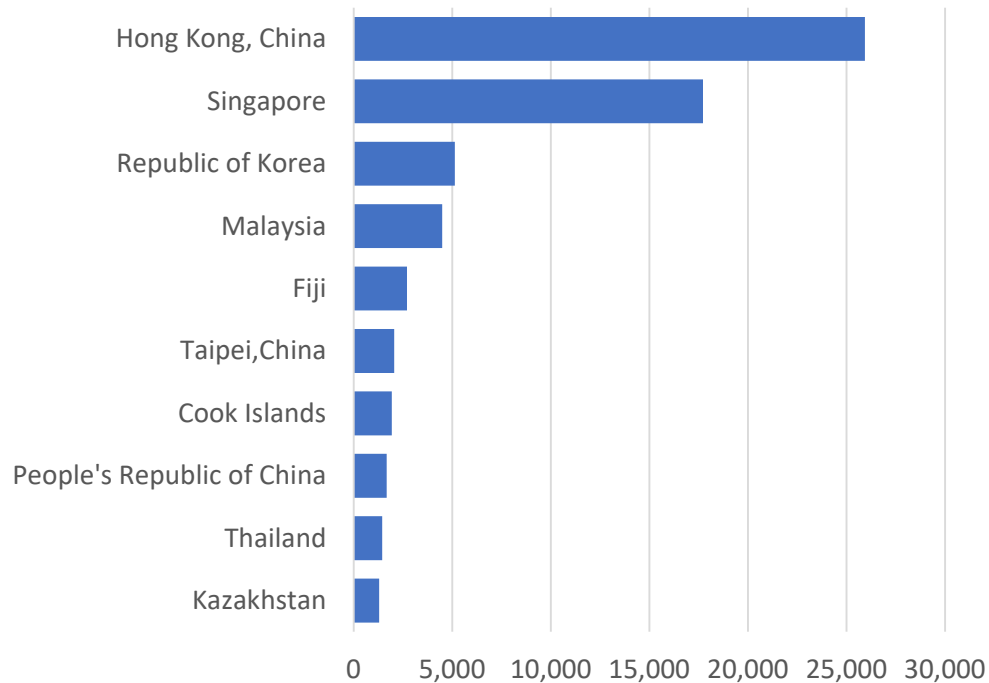
European Central Bank: **\$5.738 trillion**

European Union: **\$0.843 trillion**

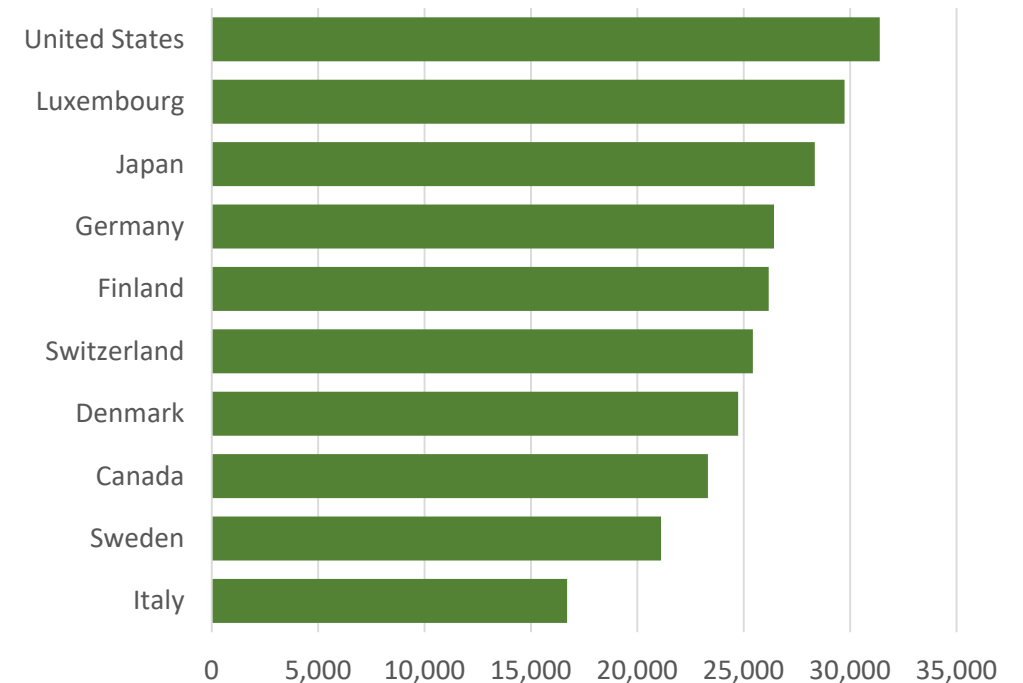
Package per capita (USD)

(as of 26 July 2021)

Top 10, ADB Developing Members



Top 10, Other ADB Members

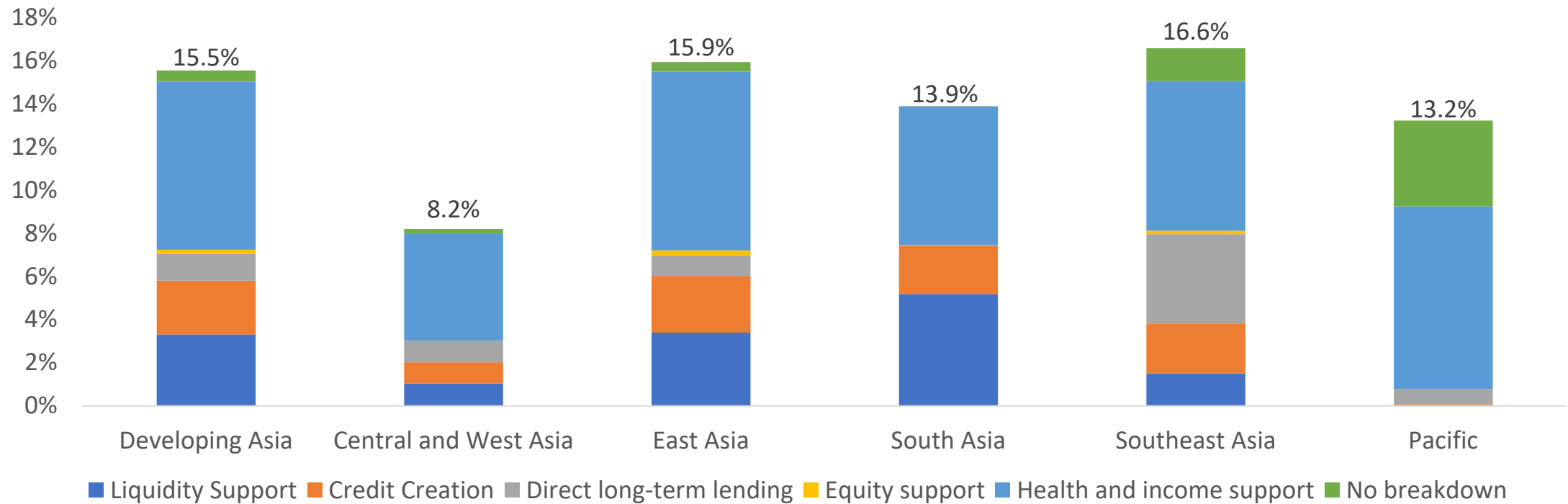


Note: Data as of 26 July 2021. One out of ADB's 46 developing members has zero amount, i.e., Niue.

Source: [ADB COVID-19 Policy Database](#), accessed on 16 June 2021. For the database, see Felipe, J., and S. Fullwiler. 2020. "ADB COVID-19 Policy Database: A Guide." *Asian Development Review* 37(2): 1–20.

Governments have taken steps to mitigate the negative impacts of COVID-19...

Packages announced in response to COVID-19
(% of GDP)



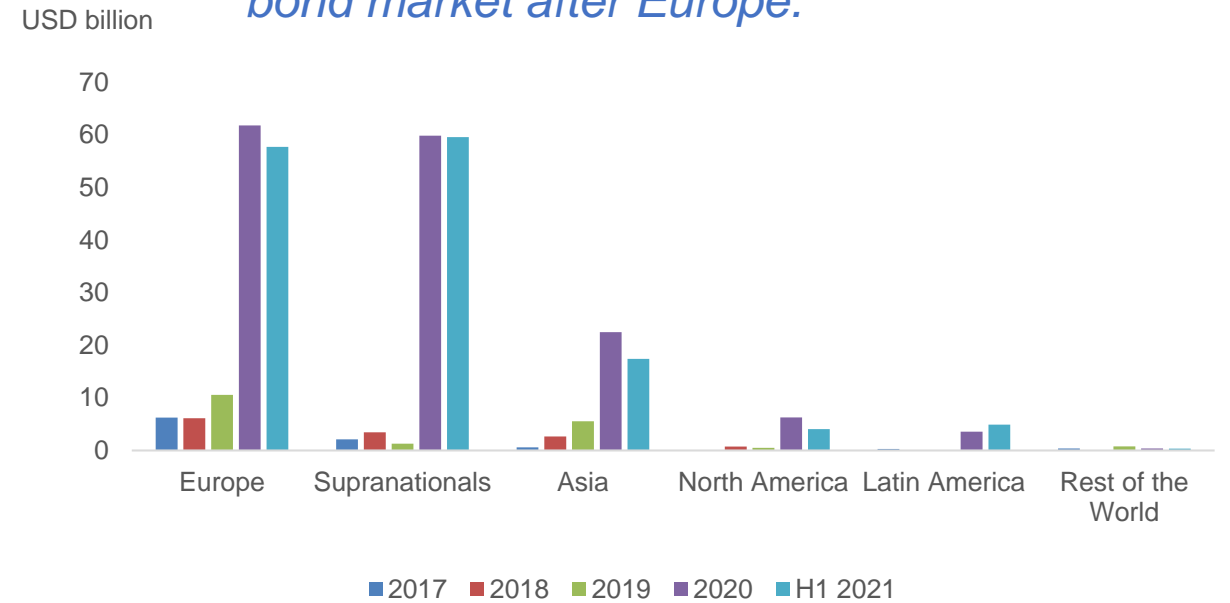
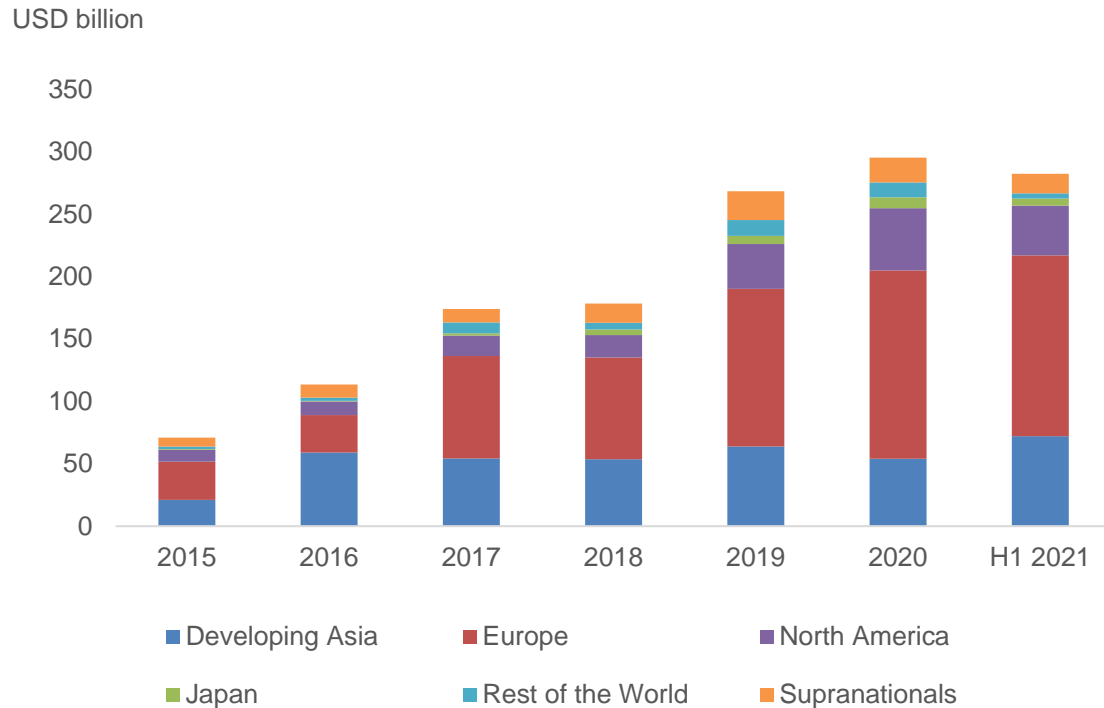
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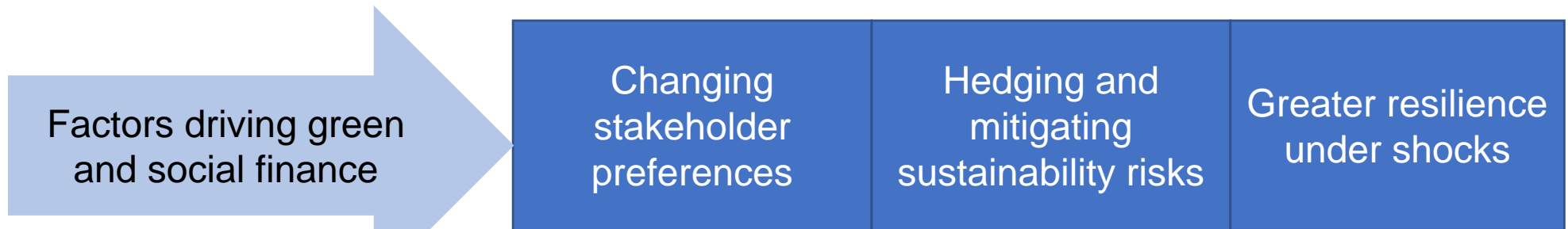
Green and social finance has grown rapidly in recent years

Asia accounts for around 26% of global green bond Issuance...

.. and is the world's 2nd largest regional social bond market after Europe.



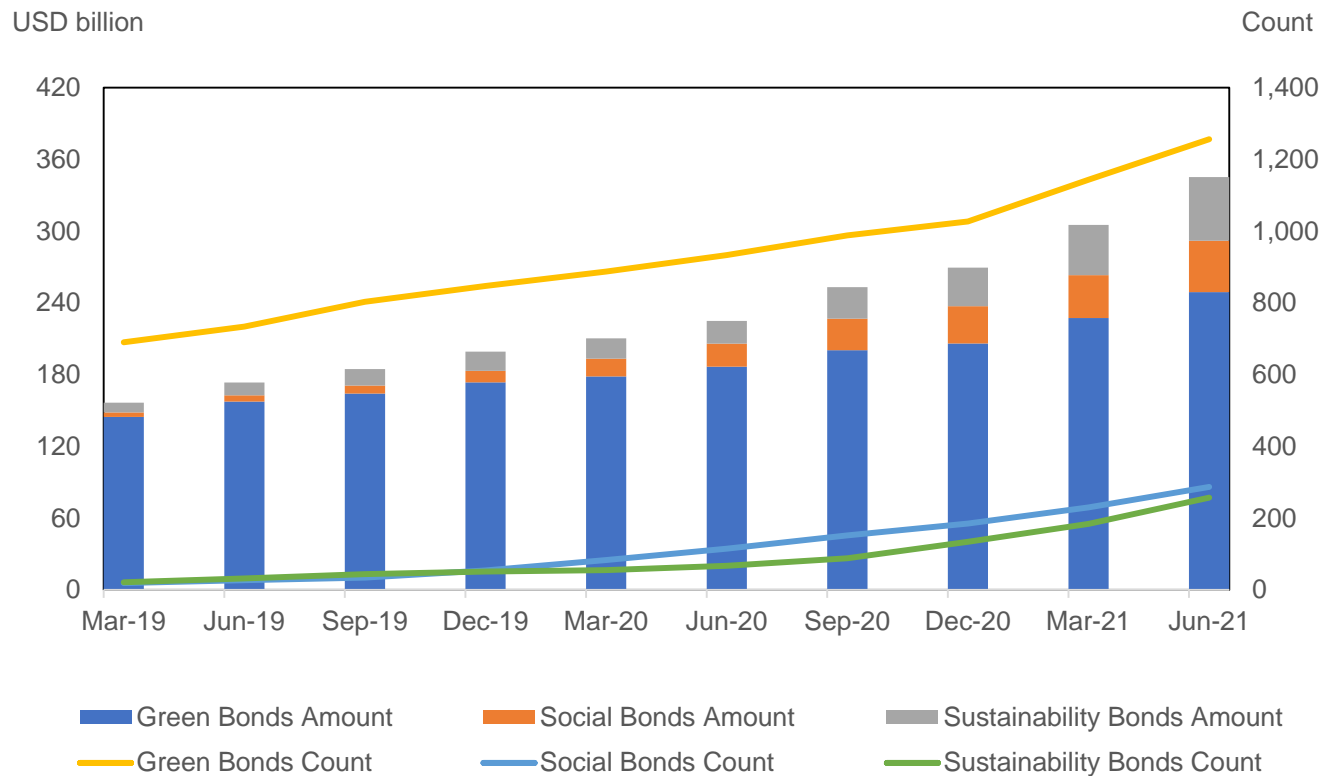
Source: Bloomberg



Sustainable bond market in ASEAN+3 reached USD345.2 billion at the end of June 2021

Size of sustainable bond market in ASEAN+3 more than doubled during the pandemic.

Outstanding Amount of Green, Social, and Sustainability Bonds in ASEAN+3 Markets



Notes:

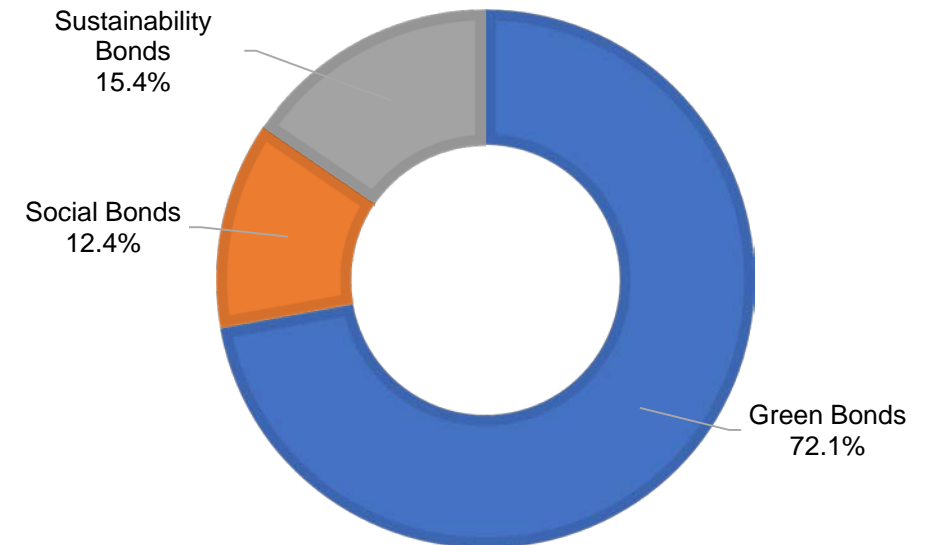
1. ASEAN include the markets of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
2. ASEAN+3 includes ASEAN members plus the People's Republic of China; Hong Kong, China; Japan, and the Republic of Korea,.

Source: Asia Bond Monitor September 2021

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Social and sustainability bonds grow rapidly amid increasing awareness of social investments.

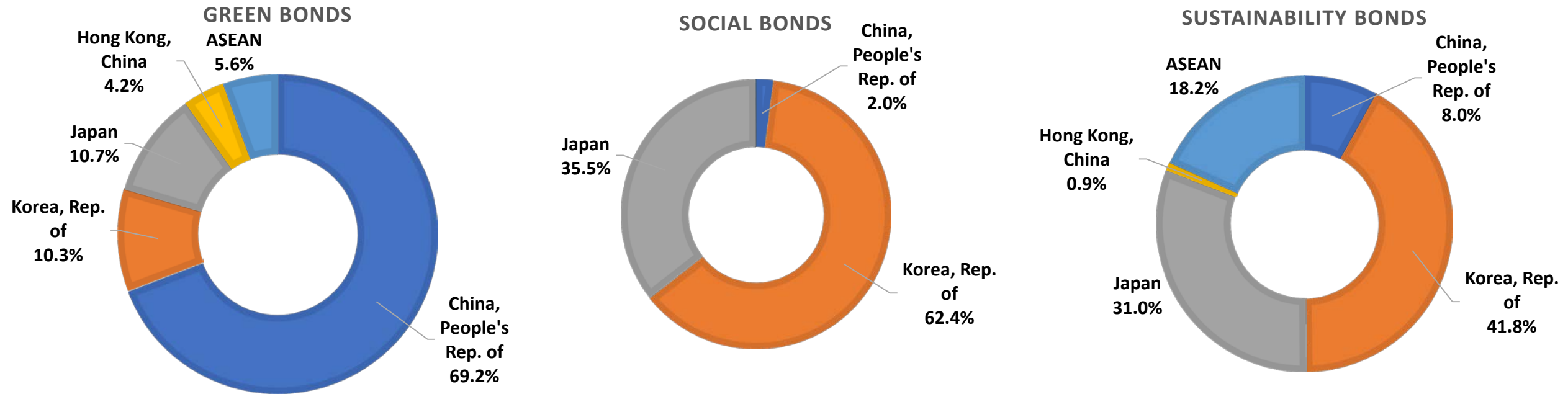
Share to Regional Sustainable Bonds (as of end June 2021)



Korea and Japan lead sustainability and social bond markets in the region

ASEAN ranks the third in sustainability bond markets, accounting for 18% of the ASEAN+3 total

Outstanding Green, Social, and Sustainability Bonds in ASEAN +3 by Economy (% share of total)

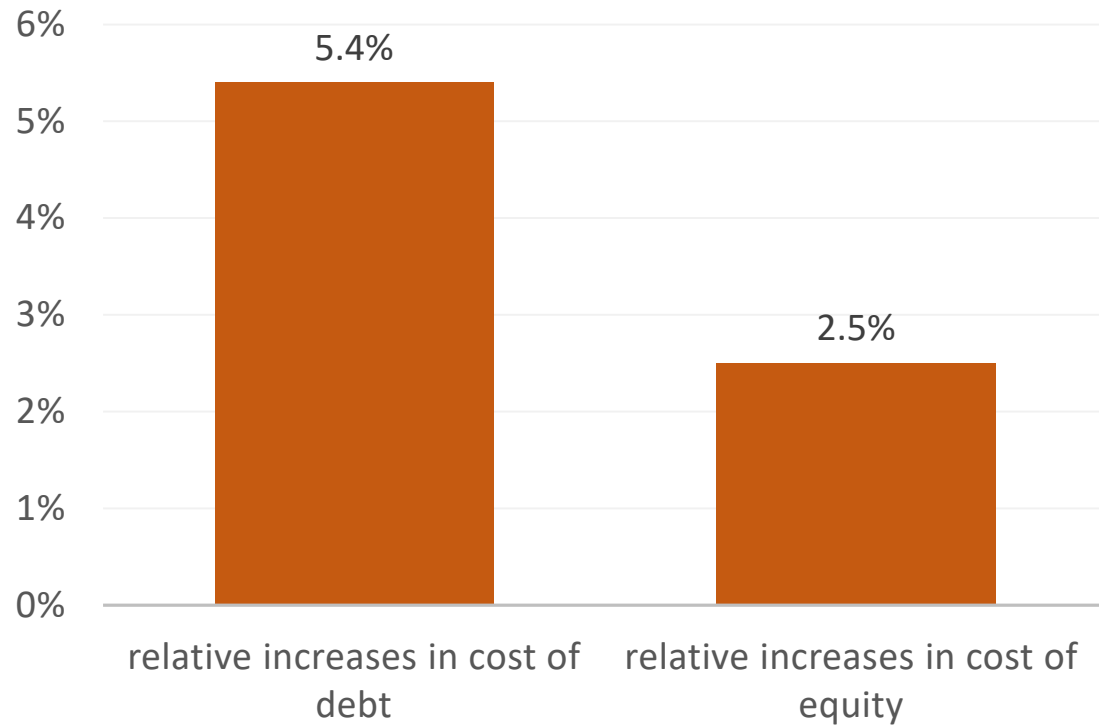


Note: Data as of 30 June 2021.

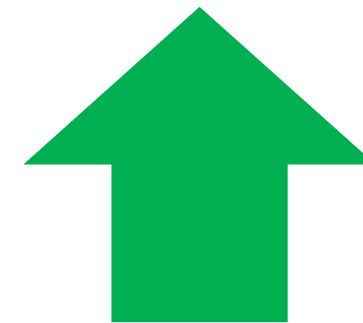
Source: Asia Bond Monitor September 2021

Financial motives are driving companies and investors towards sustainable activities

After the ratification of the Kyoto Protocol, high emitting Australian firms witnessed increase in relative financing costs



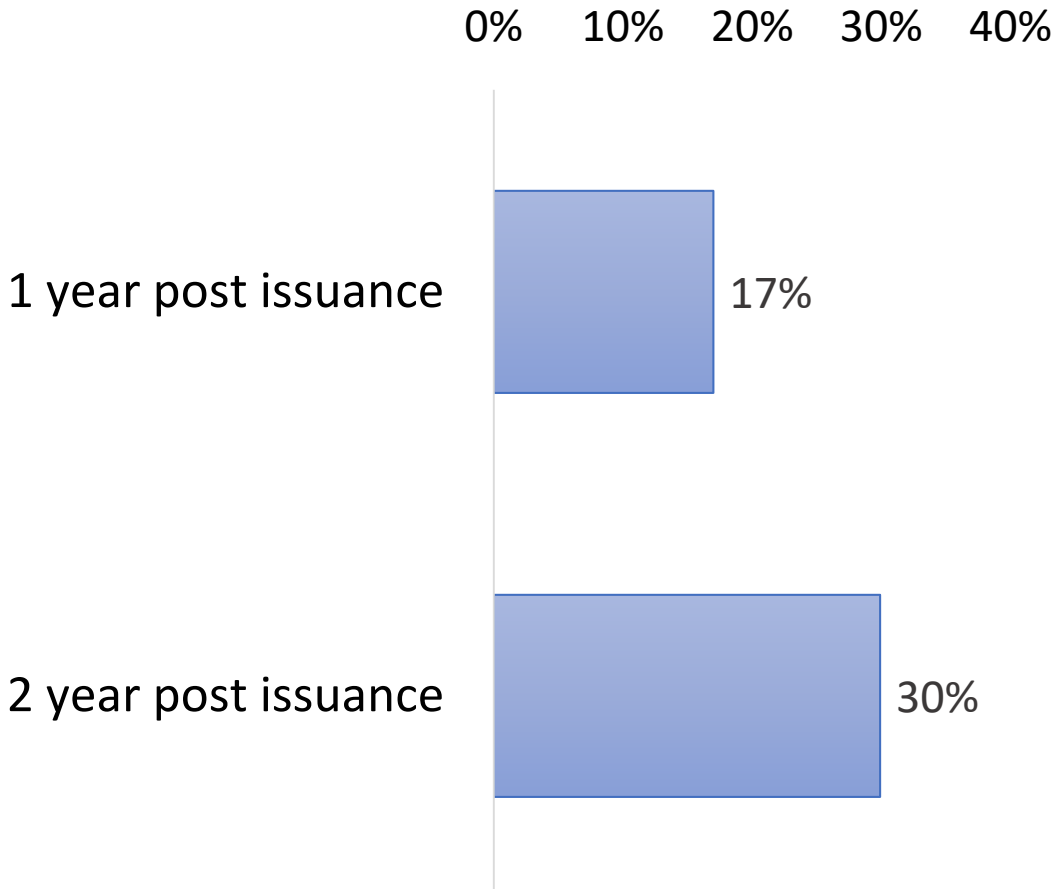
Stock prices respond positively to green bond issuance announcements in Asia



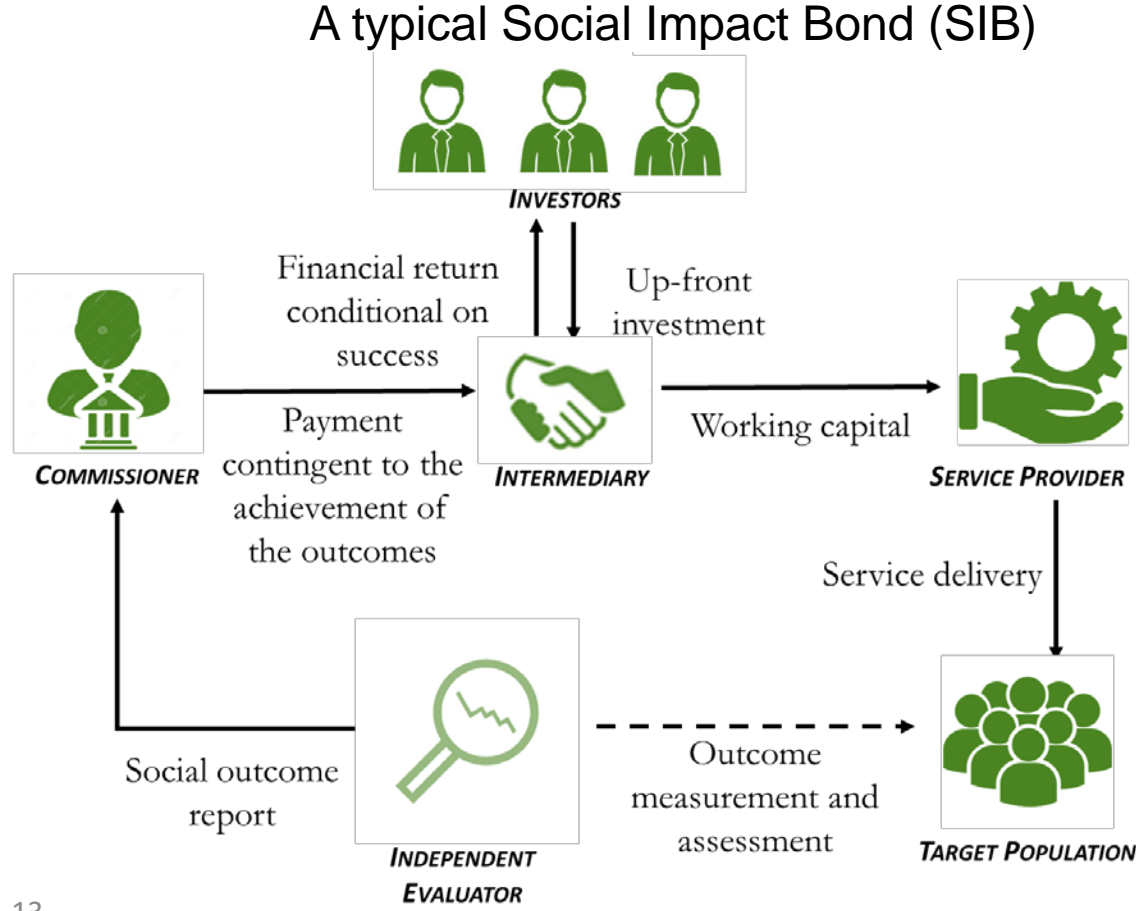
0.5% 16-day cumulative abnormal stock return around announcement of green bond issuance (8% annualized)

Evidence shows that green and social finance generate positive impacts.

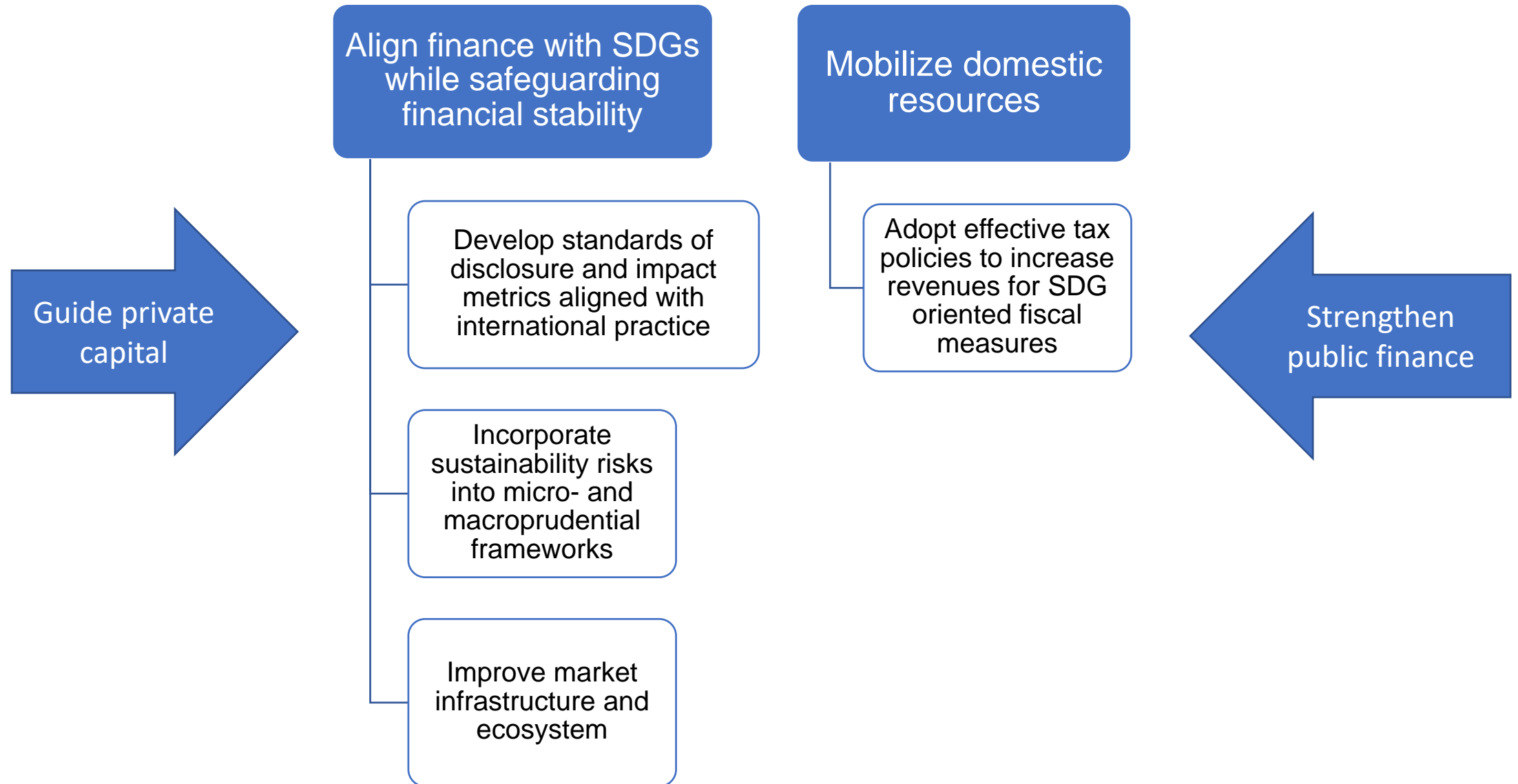
Asian green bond issuers show improved environmental score after green bond issuance



Innovative instruments such as impact bonds help achieve social impacts efficiently and effectively



Policy options for nurturing green and social finance in Asia



Key messages

- Amid renewed outbreaks and uneven progress on vaccination, COVID-19 continues to besiege developing Asia and regional growth paths are diverging
- Building better requires large amounts capital. With government revenues declining during the pandemic, private capital needs to play a more important role in financing green and social investments.
- Green and social finance has grown rapidly in recent years around the world including Asia and the Pacific
- Financial motives are driving companies and investors towards sustainable activities
- The governments can play an important role in nurturing green and social finance in Asia