




# **MAKING MONEY WORK**

**FINANCING A SUSTAINABLE FUTURE  
IN ASIA AND THE PACIFIC**

## **OVERVIEW**



The cover design symbolizes using money to benefit the people and the planet we inhabit. The stylized coins represent money received by a rounded hand symbolizing humanity and the earth simultaneously. The brown-blue-green colors reflect the natural habitat. All come together in the question explored in the report: How can all sources of money work for development that is inclusive, and sustains the lives of people and the natural resources on which we all depend?

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Printed in the Philippines.

ISBN 978-92-9254-925-1 (Print), 978-92-9254-926-8 (e-ISBN)  
Publication Stock No. RPT157221-2

#### Cataloging-In-Publication Data

Asian Development Bank.

Making money work: Financing a sustainable future in Asia and the Pacific—Overview.  
Mandaluyong City, Philippines: Asian Development Bank, 2015.

1. Financing for development    2. Post-2015 agenda    3. Sustainable development    I. Asian Development Bank.

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# OVERVIEW

## HIGH AMBITIONS, FRAGMENTED FINANCE

2015 is a milestone year. The global community has arrived at a moment of understanding that current patterns of development, while delivering immense benefits to some countries and people, have left others far behind. The many returns from growth have also pushed against planetary boundaries. In the Asia and Pacific region, a phenomenal reduction in poverty has tailed high economic growth rates, yet patterns of consumption and production are increasingly skewed. Climate change—the result of deepening imbalances—is adding severe pressures likely to intensify over time.

During 2015, three major international agreements will attempt to respond to these issues. They will frame an ambitious post-2015 global agenda for sustainable development, map new commitments related to financing development, and decide on future action on climate change.<sup>1</sup> They come at a time of growing global consensus, across many forums, that development must aim to be more fair and durable, and less harmful to the environment on which all people depend. More far-reaching policies must guide this process, and money must move accordingly.

This report focuses on financing, in the context of current global and regional dialogues. It asks: Since the post-2015 agenda in some way will touch every country, person and activity, should not every dollar count for sustainable development?

Putting Asia and the Pacific on track to achieve sustainable development will be a complex process. Actions are needed on many fronts, with close attention to widely varying country contexts. Fragmented sources of finance, currently in many different hands and directed to diverse purposes, need to align and work together toward common benefits.

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<sup>1</sup> The three major international events of 2015 include the Third International Conference on Financing for Development in Addis Ababa in July, a Special Summit on Sustainable Development at the United Nations in New York in September and the 21st Conference of the Parties of the UN Framework Convention on Climate Change in Paris in December. In addition, the Third UN World Conference on Disaster Risk Reduction, which took place in March 2015 in Sendai, Japan, covered issues relevant to all three.

## ■ Making every dollar count for sustainable development

While the public sector has the primary role in guiding sustainable development, the sheer size of private resources, and the impacts of private activities on economies, societies and the environment imply that it must be brought into financing and implementing the post-2015 agenda. Diverse incentives will need to be understood and balanced.

Capital and capacity will need to operate as two sides of financing for development. Money needs to be pumped systematically toward development goals, through both public and private initiatives, and in some cases collaboration between the two. Equally important is increasing the attractiveness of development investments, so they become not just destinations for funds, but magnets pulling in money from all possible sources.

The post-2015 agenda, aimed at transforming many current patterns of development, will require far larger sums than the predecessor Millennium Development Goals (MDGs). There the focus was on addressing deprivations using mainly public development finance from domestic sources as well as international official development assistance (ODA).

Going forward, domestic resource mobilization needs to improve. International ODA commitments should be met, as agreed, and as a critical signal of political commitment to a shared development agenda. ODA remains a major source of development financing in some disadvantaged Asia and Pacific countries. However, dramatic changes in the landscape of finance require moving beyond an aid-centric approach on *development finance* to much wider *financing for development*.

In the region as a whole, as globally, the bulk of funds are now in private hands. For Asia and the Pacific, ODA estimated at \$26 billion and government revenues at \$3 trillion a year are small compared to potentially investible private monies combined—including \$205 billion in remittances, \$568 billion in foreign direct investment flows, and \$6 trillion in private savings. Pension and sovereign wealth funds also hold enormous potential with \$3.5 trillion in assets. The question is how to draw these more clearly into sustainable development through public policy and intermediation. For their part, more private actors need to look beyond just short-term models of profit, and recognize that many shareholder benefits and wealth creation could come from integrating longer term concerns across their operations.

A new framework for financing is required, covering all agents, public and private, defining the most efficient sources and allocations of funding, and fostering existing and innovative measures to catalyze resources. It should be grounded in common benefits and shared costs to achieve them, and embrace a new sense of partnership—global, national, and local—where all actors are held accountable for contributing, based on varying capacities. Even across

diverse country contexts, all sources need to be considered in each, recognizing differences in the shares of resources and their best applications, and how priorities and choices may shift over time.

Estimates of costs for the sustainable development agenda are imprecise, but early indications suggest the sums could be huge—in the trillions of dollars each year. The magnitude per se is not the problem; enough public and private funds are available. The real issue is about overcoming two bottlenecks. First, many activities essential to sustainable development are not profitable enough to draw in private resources. Second, funds do not consistently reach some of the issues and areas that need them most, such as marginalized groups of people, or cross-border public goods relevant to all. Under a broader framework for financing linking both public and private resources, new thinking will be needed to remove these obstacles to progress.

## BOLSTERING THE PUBLIC DOMAIN

Public funds for development come through a variety of channels, domestic and international. These include both traditional sources such as taxes and ODA, and newer ones such as specialized climate funds. The overall mix in Asia and the Pacific varies substantially between middle- and low-income countries. Some countries face particular structural constraints and vulnerabilities, such as the Pacific nations, where geography and size place inherent pressures on domestic economies.

Since development is dynamic, shares and responses can shift overtime. Under a “pro-sustainable development” framework, all sources need to be considered in all contexts, recognizing differences not just in the shares or resources, but in how each category can be best applied.

### ■ A foundation in domestic resources

Domestic public resources remain the primary source of financing for development. They are critical to national ownership of public policy and integral to moving toward financial autonomy.<sup>2</sup> This remains the case even where international public resources—namely, ODA—play a major role.<sup>3</sup>

Countries in the region recognize that developing Asia could do more to collect taxes as it lags behind much of the developing world in its ratio of tax revenues to GDP, averaging at 17.8 percent compared to 28.6 percent worldwide. There are now greater revenue

<sup>2</sup> Intergovernmental Committee of Experts on Sustainable Development Financing. 2014. Report of the Intergovernmental Committee of Experts on Sustainable Development Financing. Advance unedited version.

<sup>3</sup> Asian Development Bank. 2014. *Asian Development Outlook 2014: Fiscal Policy for Inclusive Growth*. Manila.



opportunities at municipal level too—through a range of taxes, fees, and charges. Local authorities that raise and spend their own resources can be more accountable and responsive to local needs. Countries need to explore all options to expand their resource base, including progressive systems to increase tax and nontax revenues, stronger regulations to reduce leakages from illicit flows, tapping sovereign wealth funds and better protections against disasters. All areas need to factor in gender equality aims, among other measures to ensure equity.

## ■ International partnerships to back shared global goals

Public international resources offer an important complement to domestic flows, through channels linked both to ODA and climate finance. Separate commitments in each area need to be achieved, as the most basic starting point. Globally, ODA has never reached the internationally agreed target for donors of 0.7 percent of gross national income. In 2013, this meant a shortfall of about \$43.9 billion for Asia and Pacific countries alone.<sup>4</sup>

The role and importance of the multilateral development banks as aggregators and intermediaries of international capital flows to the developing world continues to evolve in light of a changed landscape for development finance and the heightened demands of sustainable development.

Beyond the sums under official concessional finance, new approaches to it are required, recognizing different applications in diverse development contexts. There is strong potential for using ODA more strategically to draw-in other moneys, to better anchor domestic policy in principles such as equity, sustainability and gender equality, and advance regional cooperation and the stewardship of global public goods. More strategic uses could involve leveraging capacities too, not just capital, and unlocking stubborn development deficits and structural bottlenecks.

## ■ The case of climate finance

Incorporating climate finance in a framework for future development financing is urgent. It has been a critically important element of global climate negotiations. Unlocking the existing complexities is key to better access and management of climate funds, an important starting point toward alignment to development finance.

Unclear accounting can be a challenge for both donor and recipient countries. For donors it would help to accurately budget, monitor and report flows to their citizens and to the

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<sup>4</sup> Basu, A. 2014. Enhancing Concessional Assistance for a Post-2015 Development Agenda. *ADB Sustainable Development Working Paper Series* No. 35. Manila.



international community. For the recipients, knowing the sums, whether a part of preexisting ODA commitments or additional, would help in credible planning, programming, and reporting.

A framework for climate-linked finance for development could consider different stages and local priorities in the region, taking into account degrees of deprivation and exposure to climate risks.

## UNLEASHING PRIVATE POTENTIAL

The private sector—comprising individuals, households, and businesses—has an enormous impact on the course of development. Large conglomerates, small and medium businesses, the self-employed and migrant workers have fueled Asia and the Pacific’s remarkable growth story.<sup>5</sup>

Yet, while private financing through businesses and the financial sector is often well-suited for productive investment in sustainable development, a short-term profit orientation undercuts consistent contributions. Today, there is growing recognition that commercial interests depend on all dimensions of sustainable development and require longer-term perspectives, whether the issue is an educated workforce or the continued availability of environmental resources. A new type of development partnership could emerge, framed by these considerations, led by states, and engaging the private sector on multiple fronts.

Unleashing private potential involves identifying the money that businesses and individuals have and encouraging them to move it toward sustainable development. Capturing the full potential of these funds depends in part on building attractive destinations for investment, and strengthening financial instruments that can push more financing toward basic needs, infrastructure, and public goods.

### ■ Doing business differently

The private sector has a clear stake in sustainable development. Through their normal operations, businesses make major contributions to the public good, including through employment or products such as vaccines. Businesses also add, in some cases significantly, to public bads, such as environmental destruction, or the failure to uphold basic safety standards. Encouraging positive contributions and curtailing negative fallout are both arguments for reimagining how businesses could transcend conventional behaviour to play new roles as development partners.

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<sup>5</sup> Chandrasekhar, C. P. 2014. Potential and Prospects for Private Sector Contributions to Post-2015 Development Goals: How Can Development Cooperation Strengthen Engagement and Results? *ADB Sustainable Development Working Paper Series* No. 34. Manila.

This will depend, fundamentally, on doing business differently. In all aspects of their operations, businesses could do much more to deliberately and systematically align with sustainable development, from the way they run manufacturing plants to the treatment of workers, from choices for product development to financing agreed priorities. Moving beyond “business as usual” entails shifting away from a near-exclusive focus on short-term profitability, and factoring social and public goods into calculating rates of return.

## ■ Moving money to development: the financial sector

By 2030, Asian equity markets will represent around 42 percent of global market capitalization, and up to 72 percent by 2050. Asian domestic debt securities are expected to grow strongly over the next 2 decades, to \$65 trillion in value by 2030.<sup>6</sup>

While the main purpose of financial markets is to move money from one pocket to another, the exchange should not be limited to only some pockets or some short-term investments. Markets need to align with sustainable and more inclusive development. Financial activities linked to the “real” economy, for example, assess investments not only in terms of returns, but also in light of social goods such as employment.

Well-developed markets can give these imperatives more attention. Where markets are still nascent, moves toward financial integration can be made from the start. Given the Asia and Pacific region’s huge reservoirs of savings—in 2012, the region’s “mass affluent,” with between \$100,000 and \$1 million in assets, had \$20.5 trillion in collective assets<sup>7</sup>—there is a call for keeping these at home instead of abroad, in part through innovative new instruments that channel resources toward development priorities, in infrastructure and beyond.

A more inclusive financial sector also calls for extending the reach of financial services in banking and elsewhere, given wide-ranging benefits linked directly to sustainable development. Small and medium enterprises that can tap these services, for example, can become important stimulators of broader economic growth.

## ■ Philanthropy: a widening circle of concern

It is difficult to define the scope of private philanthropy in Asia and the Pacific, given gaps in data, but the sums appear to be large and growing.<sup>8</sup> While direct charitable giving prevails in

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<sup>6</sup> Rao, V. 2015. Developing the Financial Sector and Expanding Market Instruments to Support a Post-2015 Development Agenda in Asia and the Pacific. *ADB Sustainable Development Working Paper Series* No. 36. Manila.

<sup>7</sup> UNESCAP. 2014. Sustainable Development Financing: Perspectives from Asia and the Pacific. Background paper. ESCAP Regional Outreach Meeting, United Nations Intergovernmental Committee of Experts on Sustainable Development Financing, 10–11 June, Jakarta.

<sup>8</sup> Basu, A. 2014. Enhancing Concessional Assistance for a Post-2015 Development Agenda. *ADB Sustainable Development Working Paper Series* No. 35. Manila.

many countries, there is also a trend toward more demanding, hands-on philanthropy that stresses targets and results, seeks innovation to improve performance and efficiency, and encourages the sharing of skills, abilities and experience as opposed to money alone.<sup>9</sup>

Successful corporate entrepreneurs stand behind a group of powerful international foundations increasingly active on international issues. But there are also concerns about some lack of transparency<sup>10</sup> and limited accountability to people beyond their founders and boards.<sup>11</sup> Some sway the course of international and national policy through the sheer size of their monetary presence. Countries could consider establishing standards of evaluation and accountability before engaging with these actors, perhaps based on indicators already used for international aid.

## BRINGING TOGETHER THE PUBLIC AND THE PRIVATE

Sustainable development challenges some of the traditional definitions of public and private. The notion of public funds for public goods and private funds for private goods does not hold, since development deficits affect both categories. There is increasing recognition that these challenges may not be met by either sector acting alone; bringing them together will be critical to progress.

This collaboration needs to aim higher than in the past, moving beyond the relatively limited version involving the public sector contracting private enterprises. It depends on a careful aligning of incentives. Even where the broader objective is sustainable development and support for public goods, there will still be a balance between economic and non-economic returns. Transparency, trust and regular engagement are extremely important.

Both the public and private can address development deficits of various kinds, gender gaps, for example. Laws can require equal pay and more parity in decision making. For their part, companies can adopt workplace policies that systematically prevent gender discrimination, and assess the prevalence for gender bias in product and marketing strategies.

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<sup>9</sup> Chia, A. 2014. Potential and Prospects for Philanthropy in Implementing Post-2015 Development Goals. ADB Sustainable Working Paper Series (Forthcoming). Manila.

<sup>10</sup> McCoy, D., G. Kembhavi, J. Patel, and A. Luintel. 2009. The Bill & Melinda Gates Foundation's grantmaking programme for global health. *The Lancet* 373 (9675), 9–15 May: pp. 1645–1653.

<sup>11</sup> Porter, M. E. and M. Kramer. 1999. Philanthropy's New Agenda: Creating Value. *Harvard Business Review*. [www.fsg.org/portals/0/uploads/documents/pdf/philanthropys\\_new\\_agenda.pdf](http://www.fsg.org/portals/0/uploads/documents/pdf/philanthropys_new_agenda.pdf). See also [www.washingtonpost.com/blogs/answer-sheet/wp/2014/10/08/an-educator-challenges-the-gates-foundation/](http://www.washingtonpost.com/blogs/answer-sheet/wp/2014/10/08/an-educator-challenges-the-gates-foundation/)

## ■ Partnerships for sustainable development

Public-private partnerships (PPPs) have grown more attractive in Asia and the Pacific in recent decades. A massive and costly infrastructure deficit propels interest especially in using these for infrastructure, particularly in investment-intensive areas such as energy and transport. Unprecedented urbanization is an emerging driver, suggesting new scope for PPPs in scaling up health and education services to meet rapidly rising demand.

Despite their benefits, PPPs are not an option for every project. Considerations vary widely by country, related to factors such as public institutional capacity, the legal framework and the depth of the private sector. In all cases, care needs to be exercised in managing PPPs, including in terms of their risks. A critical part of shaping a sound PPP is the capacity to develop projects that make clear contributions to sustainable development while being attractive to investors.

## ■ A public role in steering private resources

Beyond direct oversight of their own funds, governments can play specific roles in guiding some resources generated by private sector activities, such as in the extraction of natural resources. Managing these in line with sustainable development recognizes a sense of social ownership and common property.

Other public initiatives, such as development banks and trade finance, can deliberately spur private sector activity in socially and economically beneficial ways. For example, assisting small and medium enterprises to scale up operations and generate jobs, or helping unlock structural barriers in economic sectors important to growth and human well-being.

## ■ Private transactions provide public resources and benefits

Some private transactions provide a dual opportunity to both enhance public goods and generate revenues for social and environmental investments. Carbon pricing is one area, making it more costly to emit greenhouse gases and encouraging reductions with wide-ranging benefits, from cleaner air to better health. Financial transaction taxes could pull in significant new funds and dampen financial volatility and speculation.

Both the public and private sectors must work together on arrangements like these, so that they fit well with different incentives and needs, while delivering high returns for sustainable development.

# ACTION ON ALL OPPORTUNITIES: AN EIGHT-POINT AGENDA

The new global agenda for sustainable development embraces significantly more ambitious goals that, for the first time, universally apply. They are poised to transform development, moving people and the planet to a more sustainable path. A shift in course will require large investments. The Asia and Pacific region has funds at hand—or in many different hands, as it were.

A big part of the challenge ahead will be in getting different sources of funds to align behind sustainable development. This does not mean putting all the money in one pot, but it does require diverse actors to commit to doing their parts and to consider how they might work together.

Some starting points could be the following.

## **1. Supranational forums: Coordinate through official regional and global measures**

Supranational coordination delivers benefits within and across countries, and is a precondition for sustaining and financing cross-border public goods. Some priorities include preventing tax evasion, stopping trade misinvoicing, pooling resources to close capacity gaps, and designing comprehensive statistics to track multilateral and bilateral finance.

## **2. National governments: Set the pace through policy**

National governments are the main decision makers in guiding the strategic direction of measures to collect funds and spend them per development policy. Some priorities include the unremarkable but critical task of expanding domestic resources through progressive tax reforms. These should pay close attention to closing loopholes and reducing leakages that mainly benefit the well-off, and expanding collection in areas considered more difficult to tax, such as real estate and natural resources.

Given heavy tolls from disasters, governments could do more to develop risk management to protect resources—appropriate planning can, for example, prevent the common tendency to suddenly divert development budgets to crisis response. The more strategic application of ODA could go in part toward leveraging private resources for sustainable development, or toward making municipalities ready to draw in financing. Devolving funds to municipalities in a consistent and mutually agreed manner is also critical. Finally, national governments can take the lead, through regulations and/or “nudge and budge” incentives, to more systemically motivate businesses to contribute to sustainable development.



### **3. Municipalities: Build solutions from the bottom up**

With urbanization accelerating at a historic rate, responsibilities for both providing social services and raising funds will increasingly fall on municipal governments. Some priorities are to increase tax and nontax bases, nurture new options for municipal financing such as bonds, tailor PPPs based on local needs, and strengthen institutional capacities to attract project-specific finance.

### **4. Business leaders: Become more of a force for good**

Businesses, foreign and domestic, can adjust business operations to more sustainable paths and gain from responding to better-informed consumers. Some priorities are to consider business models more aligned with achieving sustainable development; call on providers of business, accounting and legal education to teach new skills to the next generation; and make philanthropic projects more meaningful and accountable.

### **5. Financial sector frontrunners: Move more money**

Financial markets are designed to pump money toward financial gains, but now need to take sustainability considerations on board. Some priorities are to mobilize banking and financial services consortia in raising awareness of how to blend market wants and development needs, encourage tracking of the impacts of financial activities and provide more inclusive financial services.

### **6. Influencers: Generate and share knowledge to shape the agenda**

Making money work for sustainable development requires influencers to focus the attention of decision makers. They contribute through knowledge, information and advocacy. Some priorities are for national and international think-tanks to develop analysis and dialogue, for media and civil society to raise awareness and insist on accountability, and for informed citizens to mobilize through, for example, consumer courts or online advocacy.

### **7. Donors: partner for development for all**

International public finance signals donor commitment to a shared development agenda. It remains an important source of resources in poorer and fragile countries while also having strategic significance for developing Asia and the Pacific. Country classifications based on income alone warrant reassessment, given structural deficits, varied risks and growing disparities. Some other priorities include the more strategic use of international public finance to draw in private funds, boost domestic capacities, and respond to regional and global challenges.

### **8. Multilateral development banks: Improve and extend support**

Multilateral banks help money work for sustainable development by supplying, crowding-in, mobilizing and aggregating funds, and by lowering costs. They also support policies and capacities in developing countries to make the best use of finance. Some priorities are to

increase their own financial bases, draw-in private resources, support country access to climate funds, accelerate resource transfers, strengthen operations above and below national levels, and bolster quality technical assistance.

## MAKING MONEY WORK

Money is available in the Asia and Pacific region to put all countries and all people within them on paths of development that can last for the longer term. For money to work toward that end, however, people in many different walks of life, in public institutions, in political and business leadership, or individuals in their daily routines, have to make the right choices. They have to move beyond fragmented thinking—and fragmented finance.

Financing development that is inclusive and durable is about integrating all the issues that matter for human and planetary well-being. Every dollar needs to count, and while capital will be key, so will the capacity to attract money and make it work better.

Harnessing capital, developing capacities, and connecting people, issues and sources of finance will not be easy. The process will involve trade-offs and thinking carefully through the alignment of diverse incentives. Serious questions lie ahead about who can consume and how much, who is responsible for which changes and to what degree, who needs to give more finance and who needs to get more of it. Decision makers in both the private and public spheres need to inspire and lead by example, while people at all levels can infuse a sense of urgency through calls for action and accountability. This calls for policy choices beyond electoral horizons, and private choices beyond sums on the balance sheet. In the end, making money work for sustainability may prove to be the investment with the greatest possible return.







# APPENDIX 1

## CLASSIFICATION OF ADB MEMBERS

ADB Regional Members	Classification of ADB Developing Members <sup>a</sup>				WB Classification according to Income Groups <sup>d</sup>				WB Operational Lending Categories <sup>e</sup>			United Nations Classifications		
	Group A (ADF-only)	Group B (Blend)	FCAS <sup>c</sup>	Group C (OCR-only)	Low ≤1,045	Lower-middle 1,046–4,125	Upper-middle 4,126–12,745	High income >12,745	IDA	Blend	IBRD	Least Developed <sup>f</sup>	Small Island Developing	Landlocked Developing
<b>Developing</b>														
1. Afghanistan	♦			♦	♦				♦			♦		♦
2. Armenia		♦				♦					♦			♦
3. Azerbaijan				♦			♦				♦			♦
4. Bangladesh		♦			♦				♦			♦		
5. Bhutan	♦					♦			♦			♦		♦
6. Brunei Darussalam								♦						
7. Cambodia	♦				♦				♦			♦		
8. China, People's Republic of				♦			♦				♦			
9. Cook Islands				♦									♦	
10. Fiji				♦			♦				♦		♦	
11. Georgia		♦				♦					♦			
12. Hong Kong, China								♦						
13. India <sup>b</sup>		♦				♦					♦			
14. Indonesia				♦		♦					♦			
15. Kazakhstan				♦			♦				♦			♦
16. Kiribati	♦		♦			♦			♦			♦	♦	
17. Korea, Republic of								♦			♦			
18. Kyrgyz Republic	♦					♦			♦					♦
19. Lao PDR	♦					♦			♦			♦		♦
20. Malaysia				♦			♦				♦			
21. Maldives	♦						♦		♦				♦	
22. Marshall Islands	♦		♦				♦		♦				♦	
23. Micronesia, Federated States of		♦	♦			♦							♦	
24. Mongolia		♦				♦				♦				♦
25. Myanmar	♦				♦				♦			♦		
26. Nauru	♦		♦										♦	

continued next page

## Classification of ADB Members *continued*

ADB Regional Members	Classification of ADB Developing Members <sup>a</sup>				WB Classification according to Income Groups <sup>d</sup>				WB Operational Lending Categories <sup>e</sup>			United Nations Classifications		
	Group A (ADF-only)	Group B (Blend)	FCAS <sup>c</sup>	Group C (OCR-only)	Low ≤1,045	Lower-middle 1,046–4,125	Upper-middle 4,126–12,745	High income >12,745	IDA	Blend	IBRD	Least Developed <sup>f</sup>	Small Island Developing	Landlocked Developing
27. Nepal	♦		♦		♦				♦			♦		♦
28. Pakistan		♦				♦				♦				
29. Palau		♦					♦				♦		♦	
30. Papua New Guinea		♦				♦				♦			♦	
31. Philippines				♦		♦					♦			
32. Samoa	♦					♦			♦			♦	♦	
33. Singapore								♦					♦	
34. Solomon Islands	♦		♦			♦			♦			♦	♦	
35. Sri Lanka		♦				♦				♦				
36. Taipei, China														
37. Tajikistan	♦				♦				♦					♦
38. Thailand				♦			♦				♦			
39. Timor-Leste		♦	♦			♦				♦		♦	♦	
40. Tonga	♦						♦		♦				♦	
41. Turkmenistan				♦			♦				♦			♦
42. Tuvalu	♦		♦				♦		♦			♦	♦	
43. Uzbekistan		♦				♦				♦				♦
44. Vanuatu	♦					♦			♦			♦	♦	
45. Viet Nam		♦				♦				♦				
<b>Developed</b>														
46. Australia								♦						
47. Japan								♦						
48. New Zealand								♦						
Asia and Pacific														
Number	17	13	9	10	6	20	12	7				13	16	12
Percent to World					17.6	40.0	21.8	9.3				26.5	28.1	38.7
World					34	50	55	75				49	57	31

ADF = Asian Development Fund, IBRD = International Bank for Reconstruction and Development, IDA = International Development Association, Lao PDR = Lao People's Democratic Republic, OCR = Ordinary Capital Resources.

<sup>a</sup> ADB uses a classification system to determine the eligibility of developing members to borrow from OCR or the ADF, which provides grants and loans on concessional terms. Developing members are classified based on two main criteria: gross national income (GNI) per capita, and creditworthiness. Group A countries have access to ADF only; Group B or blend countries, to both ADF and ordinary capital resources (OCR), and Group C to OCR only. Classification as of 20 February 2015.

<sup>b</sup> Currently with no access to ADF.

<sup>c</sup> Developing members facing fragility and conflict—circumstances that complicate economic development, and might include political instability, weak governance, economic insecurity, domestic or international conflict, ethnic tensions, vulnerability to natural disasters, or a confluence of these factors.

<sup>d</sup> World Bank (WB) income categories based on GNI per capita in 2013. Income groups classification is for fiscal year 2015 of the WB.

<sup>e</sup> IDA economies are those with low per capita incomes that lack the financial ability to borrow from the IBRD. Access to IBRD loans is determined primarily by a country's per capita income and creditworthiness. Blend economies are eligible for IDA and IBRD loans because they are financially creditworthy.

<sup>f</sup> Decided by the United Nations Economic and Social Council based on certain thresholds with regard to per capita GNI, a human assets index, and an economic vulnerability index.

# APPENDIX 2

## PROPOSALS FOR THE POST-2015 DEVELOPMENT GOALS

**T**he post-2015 global sustainable development agenda will attempt to integrate three pillars—the economy, society, and environment—and guide progress through a series of universal goals, targets and indicators. The chart compares different goals proposed during the process of preparing the post-2015 agenda, including in the Asia and Pacific *Regional MDG Report 2012/13*. Regional perspectives are consistent with global goals proposed by the High-Level Panel of Eminent Persons and the United Nations’ Open Working Group; they however, segregate guiding principles that apply to all goals from the more outcome-oriented goals to be monitored under a framework of goals-targets-indicators.





## COMPARISON OF POST-2015 GOAL PROPOSALS

Open Working Group on Sustainable Development Goals<sup>1</sup>  
[July 2014]  
<http://sustainabledevelopment.un.org/focussdgs.html>

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. End poverty in all its forms everywhere</li> <li>2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</li> <li>3. Ensure healthy lives and promote well-being for all at all ages</li> <li>4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</li> <li>5. Achieve gender equality and empower all women and girls</li> <li>6. Ensure availability and sustainable management of water and sanitation for all</li> <li>7. Ensure access to affordable, reliable, sustainable, and modern energy for all</li> <li>8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</li> <li>9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</li> </ol> | <ol style="list-style-type: none"> <li>10. Reduce inequality within and among countries</li> <li>11. Make cities and human settlements inclusive, safe, resilient, and sustainable</li> <li>12. Ensure sustainable consumption and production patterns</li> <li>13. Take urgent action to combat climate change and its impacts</li> <li>14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</li> <li>15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</li> <li>16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</li> <li>17. Strengthen the means of implementation and revitalize the global partnership for sustainable development</li> </ol> |
|---|---|

High-Level Panel of Eminent Persons <sup>2</sup> [May 2013] <a href="http://www.post2015hlp.org/the-report/">http://www.post2015hlp.org/the-report/</a>	Sustainable Development Solutions Network <sup>3</sup> [June 2013, revised July 2014] <a href="http://unsdsn.org/wp-content/uploads/2015/02/140522-SDSN-Indicator-Report-MAY-FINAL.pdf">http://unsdsn.org/wp-content/uploads/2015/02/140522-SDSN-Indicator-Report-MAY-FINAL.pdf</a>	Perspectives from Asia and the Pacific (Regional MDG Report) <sup>4</sup> [2013–2014] <a href="http://www.adb.org/publications/asia-pacific-aspirations-perspectives-post-2015-development-agenda">http://www.adb.org/publications/asia-pacific-aspirations-perspectives-post-2015-development-agenda</a>
<ol style="list-style-type: none"> <li>1. End poverty</li> <li>2. Empower girls and women and achieve gender equality</li> <li>3. Provide quality education and lifelong learning</li> <li>4. Ensure healthy lives</li> <li>5. Ensure food security and good nutrition</li> <li>6. Achieve universal access to water and sanitation</li> <li>7. Secure sustainable energy</li> <li>8. Create jobs, sustainable livelihoods, and equitable growth</li> <li>9. Manage natural resource assets sustainably</li> <li>10. Ensure good governance and effective institutions</li> <li>11. Ensure stable and peaceful societies</li> <li>12. Create a global enabling environment and catalyze long-term finance</li> </ol>	<ol style="list-style-type: none"> <li>1. End extreme poverty including hunger</li> <li>2. Achieve development within planetary boundaries</li> <li>3. Ensure effective learning for all children and youth for life and livelihood</li> <li>4. Achieve gender equality, social inclusion, and human rights</li> <li>5. Achieve health and wellbeing at all ages</li> <li>6. Improve agriculture systems and raise rural prosperity</li> <li>7. Empower inclusive, productive and resilient cities</li> <li>8. Curb human induced climate change and ensure sustainable energy</li> <li>9. Secure ecosystem services and biodiversity and ensure good management of water, oceans, forests and natural resources</li> <li>10. Transform governance and technologies for sustainable development</li> </ol>	<ol style="list-style-type: none"> <li>1. Zero income poverty</li> <li>2. Zero hunger and malnutrition</li> <li>3. Gender equality</li> <li>4. Decent jobs for all of working age</li> <li>5. Health for all</li> <li>6. Improved living conditions with a focus on the poor (water, sanitation, and electricity)</li> <li>7. Quality education for all</li> <li>8. Livable cities</li> <li>9. Environmental responsibility and natural resources</li> <li>10. Disaster risk reduction</li> <li>11. Accountable and responsive governments</li> <li>12. Stronger development partnerships</li> </ol>

<sup>1</sup> The Open Working Group's first phase of work (March 2013–February 2014) produced 19 focus areas, which consolidated views from stocktaking and discussions with experts, UN Member States and other stakeholders. The second phase (February–September 2014) trimmed the goals to 17, which are now part of final negotiations for an outcome document expected to be agreed at a UN summit in September 2015.

<sup>2</sup> The High-Level Panel's report, *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*, was submitted to the UN Secretary-General on 30 May 2013. The panel was co-chaired by President Susilo Bambang Yudhoyono of Indonesia, President Ellen Johnson Sirleaf of Liberia, and Prime Minister David Cameron of the United Kingdom, with leaders from civil society, the private sector and government.

<sup>3</sup> The network's Leadership Council delivered its report, *An Action Agenda for Sustainable Development*, to UN Secretary-General Ban Ki-moon on 6 June 2013. A draft 100-indicator framework, *Indicators for Sustainable Development Goals*, was proposed in February 2014 and shared for public consultations that concluded in March 2014.

<sup>4</sup> Report prepared under the partnership (ongoing since 2004) of the Asian Development Bank, UNESCAP, and UNDP on *Supporting the Achievement of the Millennium Development Goals in the Asia and Pacific Region*.

# APPENDIX 3

## ADB'S STRATEGIC AND OPERATIONAL ALIGNMENT WITH THE POST-2015 AGENDA

As the Millennium Development Goal (MDG) timeline ends in 2015, the international community is expected to ratify a new development agenda which will demand stronger effort to track not only the levels of development gains but also their distribution within and across generations while also addressing environmental challenges. To this end, the Asian Development Bank (ADB) continues to complement its financial operations with efforts to strengthen its institutional capacity as well as the policy environments and capacities in its developing member countries.

**The midterm review of ADB's corporate Strategy 2020 confirms alignment.** ADB prepares for the post-2015 agenda in line with priorities identified in the Strategy 2020 Midterm Review. The review concludes that Strategy 2020 remains valid and relevant in its broad strategic directions to address the development challenges of a transforming Asia and Pacific. ADB's 10 strategic priorities: (i) poverty reduction and inclusive economic growth, (ii) environment and climate change, (iii) regional cooperation and integration, (iv) infrastructure development, (v) middle-income countries, (vi) private sector development and operations, (vii) knowledge solutions, (viii) financial resources and partnerships, (ix) delivering value for money, and (x) organizing to meet new challenges respond to the future agenda in an integrated manner and will help increase ADB's relevance, efficiency, and effectiveness in its developing member countries.

**Enhancing ADB's financial capacity for reducing poverty in Asia and the Pacific obtained consent from donors.** Formal and unanimous consent from all Asian Development Fund (ADF) donors has been given to the proposal to combine ADF lending operations with the Ordinary Capital Resources (OCR) balance sheet. If approved by the Board and the Board of Governors, the combination will be effective in January 2017. It will retain ADF as a grant-only operation and concessional lending to poor countries eligible for ADF loans continues from OCR but on the same terms and conditions as current ADF loans. This would increase OCR equity from a projected \$18 billion to \$53 billion. This will enable ADB to raise lending operations in developing member countries (DMCs) to between \$15 billion–\$18 billion annually, up from the current level of \$13 billion. ADB's expanded resources will increase support to poor countries, enhance risk bearing capacity and support for private sector operations, and strengthen preparedness for any future economic crises or natural disasters.





**ADB plans to increase financing for basic needs, and continue to support infrastructure and cross-border public goods.** Infrastructure investments of ADB which will account 68 percent of sovereign operations in 2015–2017 help support jobs, expand economic opportunities, and provide access to basic services such as electricity, water supply and sanitation, education, and health. These will be complemented by increased share of education in total financing from 3 percent to 6 percent–10 percent and health from 2 percent to 3 percent–5 percent. ADB will also expand regional connectivity by supporting cross-border infrastructure investments and connecting economic hubs to increase trade and commercial opportunities. It will also support regional public goods, including effective regional responses to climate change and control of communicable diseases.

ADB also continues to address gender gaps including through investments in girls' education, employment, and income-earning opportunities. ADB will provide greater financial and technical assistance to DMCs for pursuing environmentally sustainable growth through clean energy investments, increasing assistance for sustainable transport, scaling-up support for climate adaptation, promoting natural resources management, and strengthening integrated disaster risk management.





**Asia Pacific Project Preparation Facility (AP3F) strengthens capacity to attract money toward sustainable development.**

The AP3F, approved in November 2014 is a multidonor trust fund that encourages private sector participation in infrastructure by adopting a more consistent and higher-quality approach to public-private partnership (PPP) project preparation development and transaction advice across the region. ADB uses the fund to prepare, structure, and place in the market projects structured with the objective of promoting PPPs and to help crowd in private investment to infrastructure projects in the region.

**ADB enhances capacity of DMCs to access climate finance, including the Green Climate Fund (GCF).<sup>1</sup>**

Over the last 4 years, ADB has channeled a little over \$3 billion in climate finance per annum, amounting to around 20 percent of ADB's total annual financing. ADB continues to collaborate with its developing member countries to access internationally available climate finance by developing and implementing country investment plans for the Climate Investment Funds and implementing projects funded through the Global Environment Facility. ADB's technical assistance supports scaling-up climate change investments by strengthening domestic capacities to access

finance, identifying priority investment projects, and conceptualizing financing strategies that will take into account GCF.

Going forward, as one of the first GCF accredited entities, ADB will support governments and businesses access and implement GCF financed projects, undertaking projects of all sizes in all categories. Building awareness for existing and new climate finance sources, and sharing best practice experiences of accessing climate finance among DMCs is another important part of ADB's work. ADB also has established trust funds and facilities such as the Clean Energy Financing Partnership Facility and the Urban Climate Change Resilience Trust Fund, in partnership with select contributors. In accessing carbon markets, ADB has successfully managed two carbon funds (Asia Pacific Carbon Fund and the Future Carbon Fund) and recently agreed to establish the Japan Fund for Joint Crediting Mechanism at ADB.

<sup>1</sup> The GCF was launched as a financial mechanism at the 17th session of the Conference of the Parties of the United Nations Framework Convention on Climate Change in Durban, South Africa, in December 2011. It aims to help prevent dangerous climate change and to promote, within the context of sustainable development, the shift toward low-emission and climate resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

Finally, for private sector mobilization, ADB has launched Asia Climate Partners, a \$400 million joint venture to make private equity investments in environment- and climate-friendly companies and transactions. ADB has also established the \$81.5 million Canadian Climate Fund for the Private Sector that will blend concessional resources with ADB's private sector operations for both mitigation and adaptation. Recently, ADB has raised \$500 million through the issue of its first ever green bond to support investments in climate mitigation and climate resilience.

**Results-based orientation incorporated in ADB's lending programs.** ADB introduced results-based lending (RBL) modality for programs on pilot basis for 6 years effective on 6 March 2013. This supports government-owned sector programs, and link disbursements directly to the achievement of results. The initiative has the support of ADB shareholders because it enables ADB to offer a new and more flexible results-based modality, complementing existing investment lending and policy-based lending modalities. RBL incorporates many elements of the development community's consensus on development effectiveness such as the stronger focus on results, using and strengthening country systems, supporting government ownership, and enhancing development coordination and harmonization. In the Strategy 2020 Midterm Review, there is a plan to expand the use of RBL modality to finance government's sector programs and for policy, institutional, and regulatory reforms to boost the effectiveness of public sector institutions.

The RBL presents another modality apart from **ADB's policy-based lending** which are in the form of budget support in conjunction with structural reforms, development expenditure programs, and balance-of-payments assistance during economic and financial crises. Policy changes that improve growth prospects and economic efficiency are the basis for policy-based lending to a DMC. In general, policy-based loans (i) are linked to the implementation of policy reforms, and are disbursed quickly, and (ii) have sector-wide and economy-wide impact.

**Finance++ packages finance, leverage, and knowledge into an integrated approach.** Complementing finance with a combination of advisory services, capacity development, grants, loans, equity, and guarantee is even more important for the post-2015 agenda. Through this approach ADB will seek to further maximize the development value of its investments in serving both public and private clients.

## **Making Money Work: Overview**

### ***Financing a Sustainable Future in Asia and the Pacific***

The new sustainable development agenda is expected to touch every country, person, and activity. Therefore shouldn't every dollar count toward achieving it?

Asia and the Pacific, home to more than half of humanity, has the money to improve the lives of all its people, and protect the planet in fair and durable ways. However, funds are in many hands, invested elsewhere, or used for various purposes. It is time to move beyond this fragmentation and align finance behind sustainable development, recognizing that while capital will be key, so will the capacity to apply and attract it effectively.

This report explores some of the ways forward. It highlights not just the need to inject more money into investments that contribute to sustainable development, but also to attract funds toward them—to finance human needs, infrastructure, and cross-border public goods. The report spans public and private options, in their distinct roles and in combination. An eight-point agenda suggests how key constituents can do their parts. Working together, they can make money work for development where benefits are not only more equitably shared, but will last for generations to come.

### **About the Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to the majority of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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