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**KUALA LUMPUR
HIGH LEVEL DIALOGUE
ON ASEAN ITALY
ECONOMIC RELATIONS**

HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

Sixth Edition

Mandarin Oriental Hotel, Kuala Lumpur
Wednesday, July 5 and Thursday, July 6, 2022

ALFREDO PERDIGUERO

Director, Regional Cooperation and Operations Coordination Division Southeast Asia Department
Asian Development Bank

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HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

- **Sixth Edition: 6 July 2022, Kuala Lumpur Malaysia**

ALFREDO PERDIGUERO

Director, Regional Cooperation and Operations Coordination Division

Southeast Asia Department

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Outline

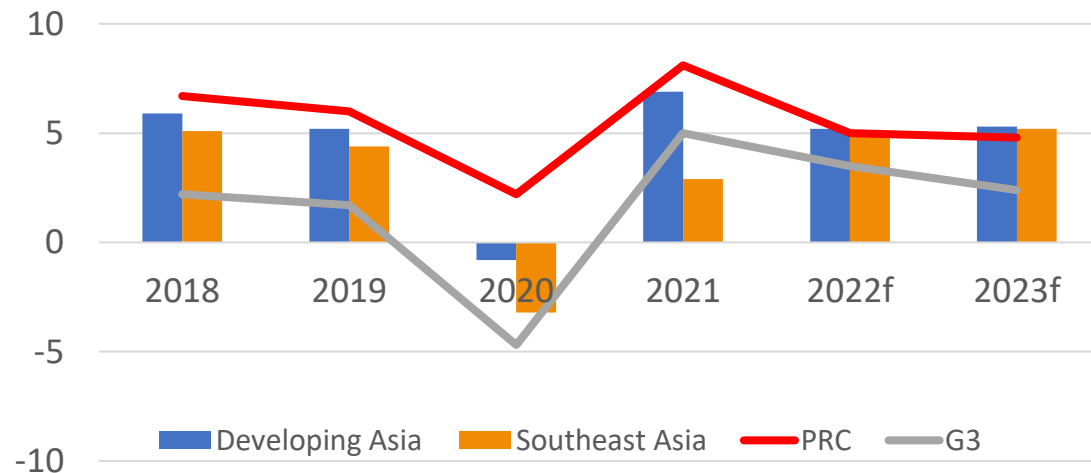
- I. ASEAN Economic Outlook**
- II. Strategies to Support Policy Priorities in ASEAN**
- III. ASEAN-Italy Economic Relationship and Cooperation**

I. ASEAN Economic Outlook

ASEAN is rising from the pandemic...

- Southeast Asia is expected to grow 4.9% in 2022 after contracting 3.2% in 2020 and growing 2.9% in 2021
- Delta variant put a brake on growth momentum in 2021. Services sector remained weak in economies that are tourism-dependent and/or with large informal sector
- Challenges: supply disruptions, expected rise in global interest rates, inflationary pressure, geo-political tension, and economic disruptions from natural hazards and animal disease outbreaks

GDP Growth
(%)

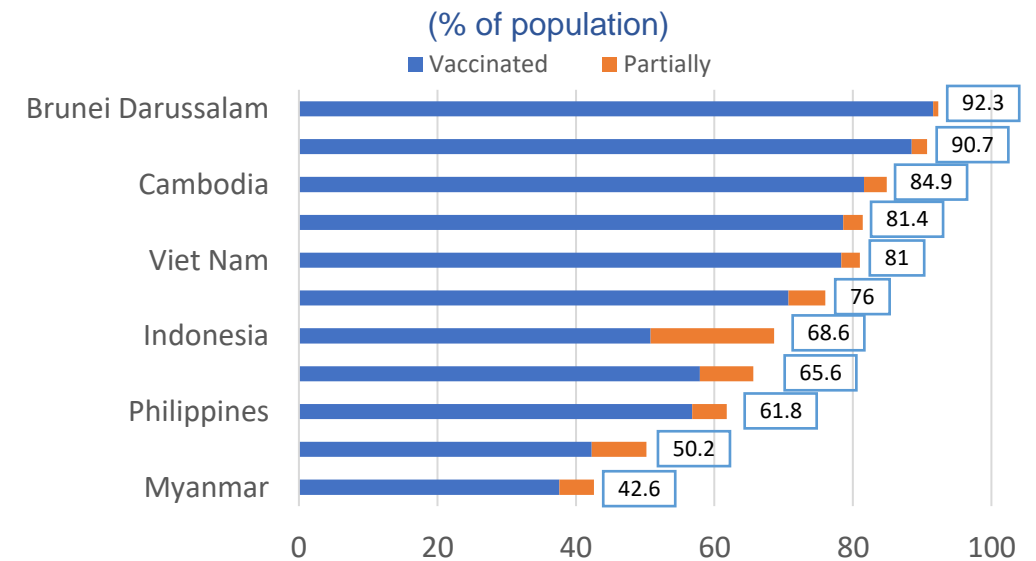


PRC = People's Republic of China

Note: G3 economies include euro area, Japan, and US.

























Source: Asian Development Outlook (ADO) 2022 (forthcoming)

Vaccination Rates against COVID-19



Source: Our World in Data (accessed on 1 March 2022); PHI Department of Health's National COVID-19 Vaccination Dashboard as of 23 Feb 2022

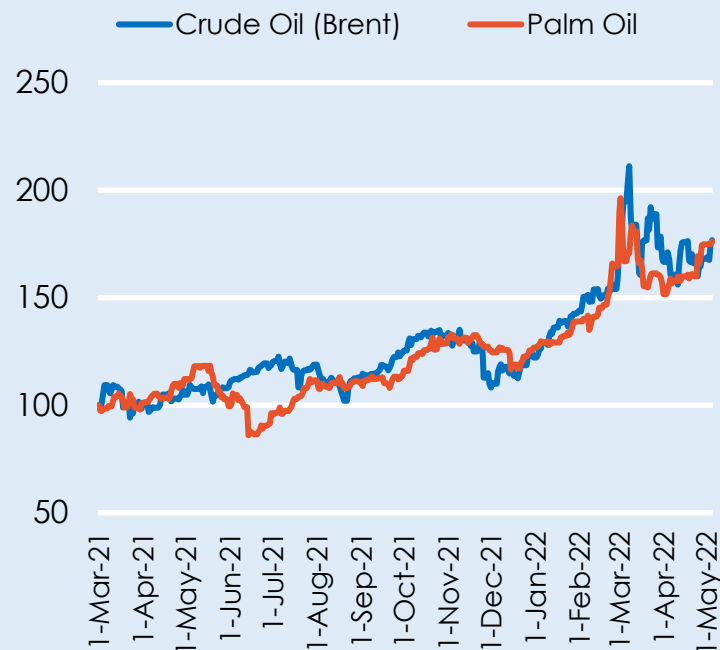
...but the growth outlook is still mixed

	2020	2021	2022P		2023P	
Southeast Asia	-3.2	2.9	4.9		5.2	
Brunei Darussalam	1.1	-1.6	4.2		3.6	
Cambodia	-3.1	3.0	5.3		6.5	
Indonesia	-2.1	3.7	5.0		5.2	
Lao People's Dem. Rep.	-0.5	2.3	3.4		3.7	
Malaysia	-5.6	3.1	6.0		5.4	
Myanmar	3.2	-18.4	-0.3		2.6	
Philippines	-9.6	5.6	6.0		6.3	
Singapore	-4.1	7.6	4.3		3.2	
Thailand	-6.2	1.5	3.0		4.5	
Timor-Leste	-8.6	1.5	2.5		3.1	
Viet Nam	2.9	2.6	6.5		6.7	

A number of emerging risks complicate policy making in the region...

Rising oil prices

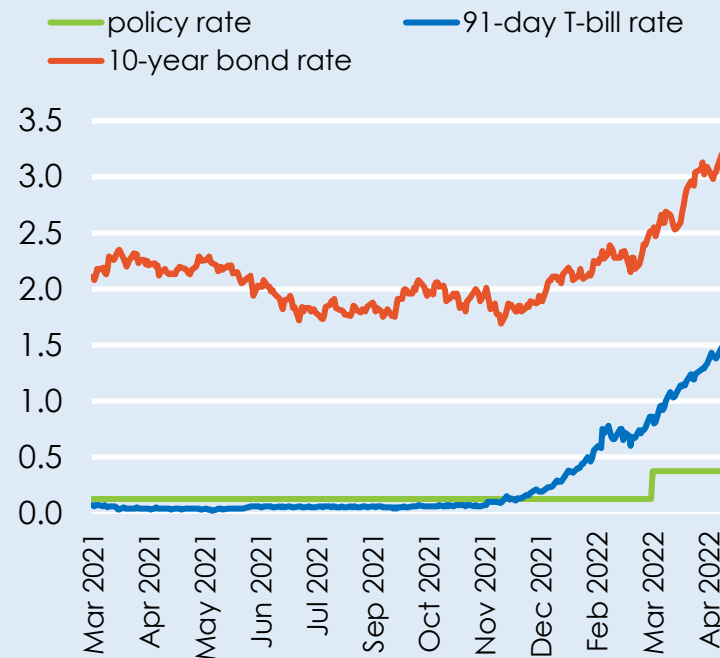
Crude and Palm Oil Daily Spot Prices
(1 March 2021 = 100)



Source: Bloomberg and CEIC Data Company.

End of low interest rates

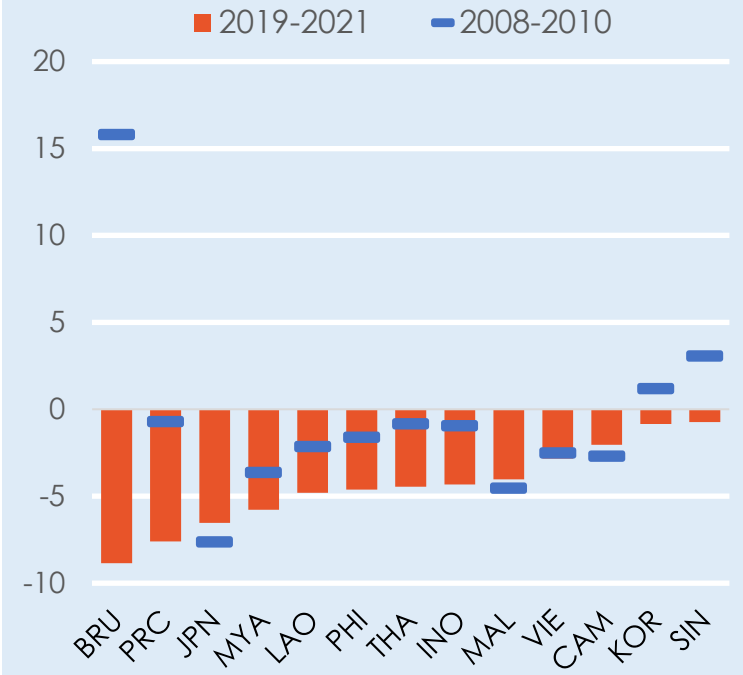
US Policy and Treasury Bond Rates
(% per annum)



Source: Bloomberg and US Department of Treasury, Interest Rate Statistics.

Worsening fiscal position

Fiscal Balance of General Government
(% of GDP, average over period specified)



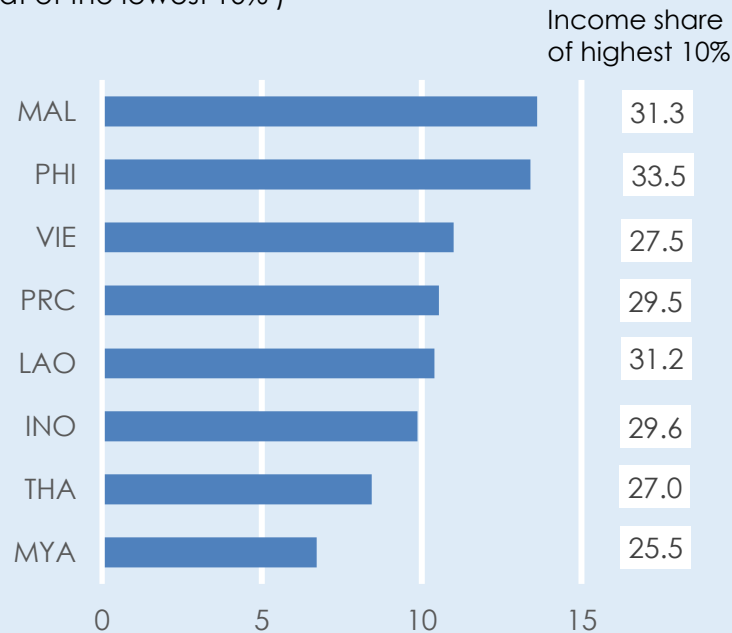
Source: IMF World Economic Outlook April 2022 Database.

...and structural challenges are also present

Persistently high-income inequality

Income Quintile Ratio

(Ratio of the income share held by highest 10% to that of the lowest 10%)



Note: Based on latest data as reported.
Source: World Bank, World Development Indicators.

Widening educational inequality

Mean Years of Education, By Income Group

(Average number of years of schooling attained for the age group 20-24 years)

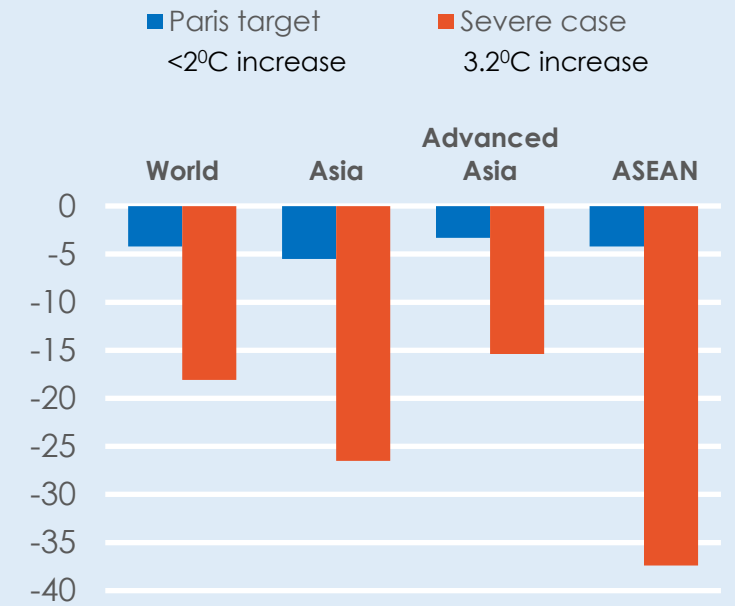


Source: UNESCO, World Inequality Database on Education (WIDE).

Climate change risks

Economic Loss from Rising Temperatures

(% of GDP, relative to world without climate change)



Source: Swiss Re Institute as cited in N. Marchant (2021) "This is How Climate Change Could Impact the Global Economy." World Economic Forum.

II. Strategies to Support Policy Priorities in ASEAN

Key policy priorities for ASEAN economies



Rethink **policy solutions** and **economic tools** to assess system-wide structural shifts



Greater partnership and private sector mobilization



Enhance **policy prioritization** for sustainable finance through 5 key enablers

Rethink policy solutions and economic tools to assess system-wide structural shifts



Greater demands for innovative policies

- National governments announced unprecedented fiscal stimulus packages
- ADB devised policy support instrument to address COVID-19 related fiscal costs



Growing importance of inter-disciplinary approaches and response

- Policy decisions need to be comprehensive covering multiple areas to reach a common outcome
- Example is robust public healthcare systems, with multi-sector interventions



Macroeconomic models need to adapt

- Modeling approaches based on equilibrium analysis with policies on margin are inadequate
- New modeling techniques and policy tools needed to assess diffusion of disruptive technologies and structural transformation



Collaborative approach is a must

- Two key tasks:
- Managing possible pandemic escalation and implementing vaccination strategies
 - Charting economic recovery that is inclusive, sustainable and resilient

Greater partnership and private sector mobilization

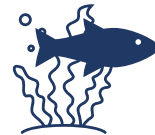
Examples of ADB supported green and sustainable financing initiatives

New Areas



ASEAN Catalytic Green Finance Facility (ACGF) and Green Recovery Platform (GRP)

- \$1.4 billion funds from ASEAN Infrastructure Fund and partners for ACGF
- \$665 million concessional loans + TA with **Green Climate Fund, European Union, UK, and CDP (Italy) for GRP**



Blue Southeast Asia (SEA) Finance Hub

\$300 million worth of **bankable “blue projects”** to promote ocean health projects to foster ecosystem and natural resource management, reduce plastic pollution, and promote coastal development



Project Regeneration

REGEN will initially focus on Indonesia and Viet Nam and **mobilize private sector capital for renewable energy, water and waste, and sustainable transport projects**



Energy Transmission Mechanism (ETM)

- Launched in Nov 2021 at COP26
- Support coal phaseout/retirement through country-specific ETM funds financed by public and private investments
- ADB has initiated an in-depth analysis to set up ETM in Indonesia and the Philippines
- **Government of Japan** has committed a grant of \$25 million as seed financing.



Climate Innovation and Development Fund

ADB, the **Bloomberg Family Foundation Inc., and the Goldman Sachs Charitable Gift Fund** to structure a \$25 million blended finance facility for clean energy transition, with initial focus on Indonesia and India

Enhance policy prioritization for sustainable finance and growth through 5 key enablers

64%

of global GHG emissions will be from **Asia and the Pacific**
(business-as-usual scenario, 2060)

- Climate financing needs to grow
- Developing Asia needs to invest \$26 trillion in 2016-2030, or \$1.7 trillion per year, to maintain growth, eradicate poverty, and respond to climate change

Resilience building

- Strengthening financial sector resilience to sustainability-related risks (e.g., risk management, governance)

Market solutions and development

- Incentivizing and facilitating growth of sustainable investments (e.g., sustainable bond issuance)

Infrastructure enablers

- Developing efficient ecosystem through industry-wide standard definitions and product development framework; taxonomies for sustainable activities

Capacity building

- Building knowledge and talent base in sustainable finance through research, education, information exchange

Broad stakeholder collaboration

- Creating robust investment environment by formalizing issuance methodologies and identifying new sectors and geographies that need policy stimulus

III. ASEAN-Italy Economic Relationship and Cooperation

Economic Linkages of Italy to ASEAN

Selected Economic Indicators for ASEAN-Italy Economic Flows

	Year	Value	% of ASEAN Total
ASEAN's total trade with Italy, \$ bn	2021	26.7	0.80%
ASEAN's FDI inflows from Italy, \$ bn	2020	(0.1)	-0.08%
ASEAN's tourists from Italy, number	2020	148,470.0	0.57%
ASEAN's migrants to Italy, number	2020	176,096.0	0.75%
ASEAN's remittance inflows from Italy, \$ bn	2019	1,052.8	1.36%

ASEAN Catalytic Green Finance Facility Overview



ACGF is a regional green finance vehicle under the ASEAN Infrastructure Fund, owned by all 10 ASEAN member states and ADB, and managed by the ADB Southeast Asia Innovation Hub.

ACGF leverages \$2 billion in co-financing from partners: ADB, AFD, CDP, EIB, EU, GCF, KFW, Gov. of Korea, and UK.



Cofinancing Partners



Knowledge and Project Development Partners



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Thank you!