



Chairman's Summary

3rd Asian Development Forum "ODA & Green Growth in Asia"

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Acknowledgement

The 3rd Asian Development Forum focused on green growth, which was one of the important issues identified at the 1st Asian Development Cooperation Meeting in Seoul on November 2010, and the 2nd Asian Development Forum in Tokyo on June 2011. There were lively discussions including notable private sector participation for the first time. I appreciate representatives and development experts from 12 countries in and outside of Asia and 6 international organizations (Organisation for Economic Co-operation and Development, World Bank, Global Green Growth Institute, Asian Development Bank, United Nations Development Programme, United Nations Environment Programme) joined this forum in Bangkok and discussed way forward right after the Rio+20.

Session 1: Exploring the Role of ODA in Catalyzing Green Growth

At this forum, in session 1, participants actively discussed the role of ODA in catalyzing Green Growth, to share challenges and lessons as well as knowledge on the relevant policy interventions leveraging Green Growth involvement through right effective policy mix.

Participants noted Vietnam's Green Growth Strategy as a method to accelerate the process of economic restructuring towards the efficient use of natural resources, reducing greenhouse gas emissions through research and application of modern technologies, developing infrastructure to improve the efficiency of the entire economy, coping with climate change, contributing to poverty reduction, and driving the economic growth in a sustainable manner. The Strategy was initiated in 2011 and is set to significantly reduce energy consumption as well as the intensity of greenhouse gas emissions, and expected to be mainstreamed throughout the country by the year 2050.

Participants were then informed of the Lao PDR's potential to become a major exporter of electricity in the region, which in turns could promote clean and renewable energy consumption and sustainable long term trade within the ASEAN region. Although Lao PDR introduced legal and regulatory framework with the level acceptable to international community, getting adequate private financing remains a challenge.

Participants also acknowledged Indonesia's commitment toward Green economy, by embedding Green growth objectives in the country's policy formulation process of a 4-track development strategy, which is pro-growth, pro-job, pro-poor, and pro-environment. Indonesia's strategy to utilize ODA effectively for Green Growth could be applied through the country's use of ODA flow for capacity building and investment.

The session was further commented on the differences between Green Growth in developed and developing countries. It was pointed out that in developing countries natural capital plays more important role, but there are some large informal economies where policy cannot reach. In addition, participants shared the view that ODA can further catalyze Green Growth by incorporating Green Growth thinking into development cooperation, promoting innovation and accelerating the dissemination of green technologies, facilitating trade of environmental goods and services, and ensuring policy coherence for development.

Session 2: Green Growth for New Business Opportunity

Participants in this session actively explored on how private sector can be part of the Green business model and how private sector can work closely together with public sector. Participants also discussed remaining challenges for expanding Green business in Asia and identified possible technical, financial and regulatory contributions through the provision of ODA.

Presenters from private sectors shared their experiences about Green business. They agreed that Public Private Partnership (PPP) can be an option for the private and public sector to work together in the Green business. In general, Green business requires high up-front investment cost, while it does not necessarily promise to generate high returns at this stage. Therefore, the government support in the form of a subsidy or partial investment is required for Green projects to have successful risk allocation with the private sector depending on the specific sector and country context. Nowadays, the number of profit-oriented business with Green concept is increasing dramatically in Asia. However, the amount of PPP investment in the region is still limited compared with the growing demand in the region.

During the following panel discussions, the participants shared their views on challenges of Green business PPP scheme compared to other PPPs, the best ways to utilize/design Green Climate Fund, and Green business opportunity for developing countries. The panelists suggested that Green business needs to generate sufficient returns and require new technology to attract more investors. Furthermore, a proper legal framework for PPP is strongly needed in developing countries as a prerequisite to support Green business. Another viewpoint was that Green Business needs knowledge sharing and expertise. Therefore, technology and innovation investing for Green growth are likely the key roles of the public sector. In addition, investments from commercial banks would be other targeted financial sources besides multilateral agencies. Capacity development, including research network and training courses for local financial institutions, can become a breakthrough to exchange knowledge and experience of policy makers. It was then concluded that related agencies should join hands and put an effort to fill the knowledge gaps in Green Growth theory and practice which enable countries to design and improve policies, to move towards inclusive Green Growth.

Session 3: Innovative Use of Official Finance in Catalyzing Green Growth

In this last session, participants actively exchanged views on innovative use of official finance including technical assistance and identified the areas of (1) environmentally sound regulatory framework, (2) climate resilient green infrastructure, and (3) human capital development to accelerate the sustainable, inclusive growth.

Participants noted the World Bank's Study on green finance. The study has an objective to develop and implement a simple but credible approach for channeling concessional financing, in order to close the financial viability gap and accelerate private renewable and energy efficiency investments among client countries. The financial viability gap was then explained as intrinsic characteristics of low emission projects that negatively influence their investment profiles. Furthermore, participants noted such approach for channeling concessional financing would require a strong framework which consists of (1) an analytical methodology for determining the financial viability gap of green projects and a structured approach for allocating risk and responsibilities for closing the gap and (2) a country-based framework for accessing the policy and investment climate in given country environment and for the regulation of projects receiving financial support. It was also mentioned that the development effective financing solution requires a country to have thorough understanding of its own green investment climate.

Participants then acknowledged Korea EXIMbank's estimation that green industry will grow faster than traditional industries. The Korea EXIMbank forecast that global economy will grow 3.5% annually from 2007 to 2020, but the green industry will grow 7.7% for the same period. The Korea

EXIMbank also conducted a survey to find obstacles restricting private investment in green sector, and found that the main barrier to private investment in green were availability of long-term financial funds, inadequate risk sharing among financial institutions, and lack of project preparation and information. Participant noted further that Korean ODA program, which is Economic Development Cooperation Fund (EDCF) is also focusing on green growth. EDCF's green ODA has been continuously emphasized and increased to take up 22% of total EDCF volume as of 2011. EDCF has made best effort to encourage green Official Development Assistance by prioritizing green sector and providing favorable terms of 0% interest rate for renewable energy projects.

Finally, participants observed the concept of green growth explained by the Global Green Growth Institute (GGGI) that it is the new revolutionary development paradigm that sustains economic growth while at the same time ensuring climatic and environmental sustainability. This paradigm requires rethinking of growth from quantity-oriented to quality-oriented, and broadening the concept of green economy by enhancing added value while promoting resource efficiency and social inclusiveness. Under the new paradigm, new ideas, transformational innovations and state-of-the art technologies will become the major drivers for growth. Participants were then explained ODA can be better used for green growth by (1) developing and applying green growth assessment (2) mobilizing private investment through public-private-partnership and (3) building local capacity for a long-term sustainability of green growth planning and targeted projects.

Future course

As the discussions under this forum was viewed very useful and could make great contributions to the progress of Asian development assistance policy, the meeting noted that the 4th Asian Development Forum will be organized next year. The host country of the next year Forum will be identified after the forum through consultations.