

BOOK REVIEW

***Financing Sustainability: Critical Issues with East Asian Experiences.* Edited by Rajah Rasiah, Gopi Krishnan & Azleen Osman Rani. University of Malaya Press, 2022.**

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Despite strong commitments to achieve the seventeen sustainable development goals (SDGs) by 2030, there remain concerns about how world leaders can sustainably finance this global initiative. Notably, the priority has been on strengthening the capacity of developing economies to mobilise resources, as their public expenditure and concessional financing programs have been insufficient to address the SDG funding gaps. This outlook has significantly worsened for many low- and middle-income countries, particularly in Southeast Asia, due to the Covid-19 pandemic and the subsequent global economic downturn. In *Financing Sustainability: Critical Issues with East Asian Experiences*, Rajah Rasiah, Gopi Krishnan and Azleen Rani bring together a vast array of academics to explore alternative and innovative financing mechanisms as viable future pathways for ASEAN governments. Over seven substantive chapters, the contributors' link evidence with strategies' by reviewing the conceptual literature on sustainable development and analysing case studies from East Asia (p. 10). For instance, VGR Chandran assesses the links between trade and sustainable finance and its impacts on the global value chain. Although green loans and bonds are well-established modes of financing today, sustainability-linked funding schemes aligned with trade development are still relatively new. However, they have gained prominence as corporate decision-making for environmental, social and governance (ESG) issues are increasingly viewed as integral to the SDG process.

The contributors focuses on supply chain financing schemes and argues their benefits of promoting positive social and environmental trade externalities for businesses. Recent developments in East Asia include offering monetary incentives to producers and providing loans to suppliers to 'source, manufacture and transform raw materials' in line with pre-determined sustainability criteria (p. 59). The strength of this chapter is its recognition that ASEAN leaders would need to coordinate with their financial institutions to design regional regulatory and reporting standards to ensure the effectiveness of these financial instruments.

The book also considers the ongoing challenges that Cambodia, Laos, Myanmar, and Vietnam (CLMV) countries in ASEAN face to sufficiently expand credit access for their marginalised communities since the 2008 global financial crisis. Sonia Selvarajan draws attention to the 'noticeable gap between availability and use of finance' in CLMV countries by analysing wide-spanning research on financial inclusion policies and benchmarking their performance against the ASEAN 5 economies (p. 79).

The findings indicate that high unbanked populations, fragmented banking systems, and underserved financial services have hindered national poverty and SDG targets. Even the extensive microfinance initiatives in Myanmar and Vietnam have not significantly advanced equitable development for the poor, as it has neglected the supply dimension of financial inclusion. The way forward is cooperating with the other ASEAN governments under the

Blueprint 2025 framework to pool common resources to encourage public-private partnerships and bolster financial education. For this section, the readers may have gained more from being able to consider the country-specific strategies deployed in East Asia, as the contributor herself acknowledges that South Korea and Macau 'dominate the region' in pro-poor financing policies (p. 87). This could have included discussions on their digital financing programs and mature financial institutions to establish avenues for CLMV countries to emulate nationally.

Nevertheless, the following chapters on Islamic finance and Japan's ESG investment contain practical recommendations for Southeast Asia. For example, financial institutions in ASEAN could broaden their financial inclusion channels to align with Shari'ah principles of *a'dalah* (justice) and *ta'awun* (mutual assistance) as an alternative to the current economic-focused system. Here, the intentions would be to encourage citizens excluded from the formal economy to save with Islamic banks and aid small and medium-sized enterprises (SMEs) with financing through risk-sharing instruments. Consequently, these partnerships would see borrowers' liabilities tied to the output of the investment and the state of the economy rather than to fixed interest rates.

Mansor Ibrahim does well to integrate the theoretical approaches of these principles with the empirical evidence in Muslim-majority countries, showing that Islamic finance positively impacts economic growth and social well-being. However, there is also acknowledgement that the Islamic banks in Malaysia have not outperformed their conventional banking counterparts financially and that poverty and income inequality continue to plague Indonesian society. Therefore, the central banks of these countries may need to 'optimise the saving-investment process' by advancing contractual transparency and robust evaluation of high-return projects to strengthen Islamic finance resiliency (p. 99).

Financing Sustainability also highlights Japan's relative successes in sustainable finance, which have seen the country amass more than \$3 trillion in ESG bond issuances and lead global impact initiatives. In the governance sphere, Japan's Financial Services Agency (FSA), through cooperation with the Tokyo Stock Exchange, modified the code of conduct for banks and corporations to include prioritising long-term business value, inclusive growth, and the climate. Mandating these considerations on stakeholder well-being, including the environment, is viewed to initiate dialogue and extend management practices beyond shareholder interests. In addition, its Ministry of Environment (MoE) has integrated green bond schemes (social bonds) with an array of financial support programs as a means to 'improve the convenience of investment' by providing subsidies to local governments to develop public services (p. 140). In recent years, the MoE has sought to address Japan's high dependence on fossil fuels by welcoming the use of transition bonds to finance decarbonisation projects and increase the installed generation capacity of renewable energy.

The book finally brings all these unique strategies together through the lens of Malaysia's own SDG efforts. As such, the last two chapters invite readers to review Bank Negara's recent guide to value-based intermediation for Islamic financial institutions, the re-directing of capital towards the Large-Scale Solar projects, the Securities Commission's responsible investment roadmap, and the national government's regulatory endeavours on corporate governance to align with international standards. It is often challenging to edit the work of many contributors to ensure a common thread runs through the chapters. Nevertheless, the authors have managed to holistically present a compelling selection of topics on unique green financing strategies that are informed by detailed and analytical research. *Financing Sustainability* is a worthy addition to the contemporary scholarship on sustainable finance in ASEAN. Reading this book in 2022, the massive public finance strain and growing ESG

recognition in Malaysia may encourage social science students to better understand the avenues for private corporations and capital markets to build a more sustainable world.