

3rd CAREC Think Tanks Development Forum (CTTDF)

Building Knowledge Corridors along the Silk Road

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Session VII - Institutional Capacity Building of Think Tanks

“Maintaining Financial Sustainability in the age of Decreasing Funding”

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Summary of key points

- Is it only about “Maintaining Financial Sustainability in the age of Decreasing Funding” or should we not look to it as rather an opportunity? Is this title not corresponding more of a situation of ten or even twenty years ago for the region? The economic situation of the region is developing and progressing very fast over the last few years. And we observe this very well in Europe where most of the people and even the leadership is not really aware of the present situation in the region and more thinking still in stereotypes of five or ten years ago which is not at all comparable anymore. But this is also valid for new approaches for Think tanks.
- Decreasing funding – yes perhaps, but then mostly from the western world. And not only ‘Decreasing funding’ but increasing and too cumbersome bureaucratic and compliance procedures when we take as example EU project funding.
- But you hear now more and more not only speaking but also see a changing mindset mentioning “The Asian Century”. It shows clearly that the region has come to maturity and becomes already sustainable itself, which opens other avenues for Think Tank funding.
- The governor of the Reserve Bank of India recently observed that a rising fiscal deficit in the US, and the US Federal Reserve further reducing its quantitative easing, will deprive the rest of the world of dollar liquidity. Angela Merkel has said “we cannot rely completely on the US”. These are stark warnings and calls for action.
- We should better start to talk about financial connectivity and the new financial technological and innovative opportunities resulting from it. The region is really leapfrogging in FINTECH.
- Liquidity is still wiggling around the world’s financial markets, looking for attractive investment opportunities. The rise of Central Asia is getting media attention all over the world in various areas ranging from tourism to business. This is a golden chance for CAREC to present the region as an attractive investment case.
- For the region, ‘connectivity’ is the buzzword, the focus and the goal of cooperation. But investors and industries will want to see if the concept is given credence by the leaders of the region and the Central Asian countries through close bilateral meetings and regular regional gatherings. To this end, CAREC Institute and other Think Tanks like ours can certainly contribute.
- All the countries comprised by the CAREC Program besides China and Pakistan are landlocked.
- The real future for the landlocked countries of the region are service industry and FINTECH oriented, as no physical borders and boundaries can block and limit their development and international opening.
- But this opens also new opportunities for Think Tank funding.
- But the long-term commitments from interested parties will only materialize if confidence assures. The attraction must be built on ‘hard’ concrete dispositions as well as on ‘soft’ sentiment and persuasion.
- The basis of the hard dispositions to be put in place for landlocked oriented FINTECH infrastructure investments by the respective governments is a conducive legal and regulatory framework. In addition, taxes levied on dividends from these infrastructure investments should be light.
- Governments and project initiators should bear in mind that the ‘emerging’ character of the region as a union, is really ‘frontier’ for the investors as a market. Therefore, the FINTECH infrastructure investments in the CAREC region must offer a premium return.
- Domestic sources of finance, banks but also pension funds and insurance companies, should be nourished and encouraged to invest in FINTECH infrastructure projects. The participation of domestic agents can be an important sign of confidence to foreign investors.
- A wide range of multilateral institutions have shown active interest in the region. With a view to enhance the ‘bankability’ of projects, the multilaterals should be involved as much as possible, either as co-financers (lender or guarantor), or as technical advisors and in creating leverage.

- A good example of new initiative is the International Think Tank for Landlocked Developing Countries recently launched at UlaanBatar in Mongolia.
- The investment community is increasingly drawn towards assets that emphasize the 'environmental, social, and good governance' criteria. The region should make the 'sustainability' a key feature in all its projects. CAREC could be a coordinator to set common 'ESG-benchmarks' for the region.
- But it should not only be about 'sustainability' but even a step further to foster creativity, entrepreneurship, innovative concepts going far beyond 'sustainability'.
- The smartphone revolution with all its new apps created a whole new universe of FINTECH applications of which we even could not dream ten years ago but is uplifting all the social levels in the region on a scale never witnessed before.
- CAREC should look at innovative models and mechanisms of finance. A 'regional' or 'CAREC Fintech Infrastructure Fund' could be a model to leverage a regional FINTECH revolution.
- Finally, this is a competitive world. CAREC should promote the 'Central Asian FINTECH Investment Opportunity' through presentations and 'road-shows' across the globe. The 'European Institute for Asian Studies', in cooperation with the local diplomatic representatives, would be glad to host such seminars in Brussels and Luxembourg, the capitals of Europe.