

# First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific

30 and 31 March 2016, Incheon, Republic of Korea

## ABSTRACTS

### Session 1 | Regional Tax Cooperation in Asia and the Pacific

#### 1. **The Asia Pacific Tax Forum for Sustainable Development (AP-TFSD): A Proposal** ESCAP Secretariat

Taxes, and more generally the public revenue system, have provided the fiscal backbone for the remarkable development of Asia and the Pacific over the past few decades. However, growing public spending requirements for infrastructure, social and environmental investment for implementation of the SDGs, and the region's unprecedented urbanization, call for strengthening fiscal positions. Additionally, globalization and cross-border business activities have created new challenges for national tax administrations. In response to these new trends and the needs of Asia-Pacific countries, the idea to create a new regional tax forum was brought up at ESCAP's 70th Commission Session in 2014 and further developed at a number of regional events. The proposed tax forum would seek to address the key issues that are most pertinent to the region, but yet to be addressed by existing international and regional tax cooperation mechanisms. This paper highlights the rationale of the proposed forum, discusses five potential focal areas for the forum and suggests a working blueprint for the forum.

#### 2. **Sustainable Tax for Development in a Global Context: Some Australian Experiences** Wayne Swan, Former Deputy Prime Minister and Treasurer of Australia

Over the past decade, Australia has attempted to reform its taxation policies on a number of occasions. The outcomes of these reforms can provide some guidance for other countries in the Asia-Pacific region. This paper briefly considers four areas of tax reform undertaken in Australia: attempts by business to increase consumption taxes and reduce company income tax; taxing resource rents; improving the equity of tax expenditures; and linking tax reform to expenditure pressures. The Australian experience presents interesting insight into the international tax discussion and how we can better support tax reform in our region. In particular, it points to the need to revisit how we engage in the tax debate both domestically and internationally and what we as a region can do to strengthen domestic revenue as we seek to find new sources of finance for inclusive development.

#### 3. **Urban Infrastructure Financing in China**

Shuanglin Lin, Professor and Director, China Center for Public Finance, National School of Development, Peking University

This paper introduces the ways in which urban infrastructure investment has been financed in China. It explains the main source of urban infrastructure financing in China's development since the 1980s and the rationale behind such development and its evolution; highlights the policy actions, fiscal reforms in particular, taken by the Chinese government at both central and local levels to meet the infrastructure investment needs at different development stages since the 1980s and explains the policy thinking behind these decisions; provides an analysis of the achievements as well as pros and cons of these policy actions and fiscal reforms, and highlights the lessons learnt. The paper concludes by providing a discussion of China's recent fiscal reform agenda and how it would affect urban infrastructure and public services financing in future. It focuses on fiscal reforms at the local/municipal level and fiscal federalism reforms, highlighting the pros and cons of tax (property tax in particular) versus other public revenues as sources of urban infrastructure financing in the case of China and the policy concerns of the Chinese government in this area.

#### 4. **Financing Urban Infrastructure in India: An Overview of Policy Lessons**

Mahesh C. Purohit, President and Director, Foundation for Public Economics and Policy Research

Development of urban infrastructure is vital for the economic growth of a country where urbanization is growing at a higher rate and concentrating in large cities. Given the current rate of growth of infrastructure, the deficit in infrastructure in India is not only large but growing. This paper discusses the status and required estimates for infrastructure in India, and the innovative financing vehicles that could be utilized to address the financing gap. The paper emphasizes encouraging Public-Private Partnerships and considering the setting up of a National Local Body Financing Authority and a State Local Body Financing to instill confidence in the local bodies and increase volume of bonds and lending credibility to attract investors.

#### 5. **Issues for the Asia Pacific and Developing Countries in the Context of the OECD/ G20 Income Tax Initiatives**

Nolan Sharkey, Winthrop Professor of Law, University of Western Australia

There has been growing concern about the erosion of sovereign country tax bases internationally. This concern has been particularly prominent since the Global Financial Crisis (GFC). The paper contextualizes the OECD/ G20 tax initiatives and considers the issues that the Asia Pacific and Developing Countries need to carefully consider in weighing up their commitment and support.



# First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific

30 and 31 March 2016, Incheon, Republic of Korea

## ABSTRACTS

### Session 2 | Capital Markets, Securities Commissions and Regulations in Asia and the Pacific

#### 6. Corporate Bond Market in Asia and the Pacific and its Role in Financing for Development

Seiwoon Hwang, Chief Economist, Capital Markets Division, Korea Capital Market Institute

The role of the local corporate bond market is very important in obtaining stable long-term fund for private sector. Many countries in Asia and the Pacific still heavily rely on banking sector to meet with the demand for funding from company side. However, as highlighted from previous crises, heavy dependence on bank loans is likely to undermine an economy's steady growth because the risk in the economy concentrates on banking sector. An economy with balanced funding sources, including banks and capital markets, is more robust to financial crisis, and thus is more likely to stably maintain its economic growth. This paper investigates the current status of corporate bond markets in Asia and the Pacific, and analyzes corporate bond market development in Korea as a case study. Based on the analysis, it provides strategies for local corporate bond market development in the region.

#### 7. Financing Growth through Venture Capital in Asia and the Pacific

Marco Da Rin, Associate Professor of Finance, Tilburg University

This study provides an assessment of the factors that make Venture Capital (VC) a form of financial intermediation able to contribute to fostering innovation and economic growth, with particular reference to Asia and the Pacific. It reviews the economics of VC, focusing more on the aspects that are relevant for policy. It also discusses what conditions are conducive to innovation and growth, and examines recent evidence on public policy for venture capital. The paper concludes by examining some descriptive evidence on the state of VC markets in the Asia and Pacific, and compares them to those of North America and Europe.

#### 8. Capital Market Development in ASEAN Economic Community: Issues and Opportunities for Other Sub-regions of the Asia-Pacific Region

Santi Chaisrisawatsuk, Director of the Center for Development Economics Studies, National Institute of Development Administration

It has long been argued that capital market improvement is a necessary and sufficient condition for fostering economic development. To achieve better living standards, the expected roles of the financial market include: increasing supply of capital, providing better use of (financial) resources and improving allocation of funds available. The ASEAN region is diverse in terms of economic development and the ways to narrow development gaps, particularly financial development gaps, has been among the key discussion issues in almost every regional economic integration agreements. This paper investigates the current status of the region's capital market development. After reviewing the state of financial market depth, accessibility, efficiency and stability in the ASEAN region, the paper provides an overview of the process of financial sector development and then discusses capital market integration in the region. It concludes by providing recommendations for further capital market development to help reduce financial development gaps in the region.

#### 9. Thoughts from Islamic Capital Markets for Sustainable Development in Asia and the Pacific

Obiyathulla Ismath Bacha, Professor of Finance, INCEIF, the Global University of Islamic Finance

The world now appears to have worked itself into a corner. Many nations have hit very high levels of debt and need to deleverage. However, deleveraging will mean deep cutbacks and sacrificing new growth. This paper argues that the risk sharing instruments of Islamic Capital Markets can offer a way out. Their use would allow continued funding of development without any increase in debt. Though the cost may be higher than conventional debt, for developing nations they bring many benefits, the most important of which would be enhanced macroeconomic stability. Being risk sharing, they raise the threshold of prudence in evaluating investment projects. Though emanating from Islamic finance, the risk sharing principles underlying these instruments can be adopted universally.



# First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific

30 and 31 March 2016, Incheon, Republic of Korea

## ABSTRACTS

### Session 3 | Financing for Infrastructure Development

#### 10 Mobilising Private Capital Flows for Infrastructure Development in Asia and the Pacific

Rajiv Biswas, Senior Director and Asia-Pacific Chief Economist, IHS Economics and Country Risk

The infrastructure financing needs for the developing Asia-Pacific region are estimated to be in the trillions per year over the next decade. With many Asian governments struggling with high levels of government debt as well as large fiscal deficits, their capacity to finance such large annual infrastructure spending is being severely stretched. Private capital flows will need to play an important role in filling the infrastructure financing gap; however, they have been constrained by considerable hurdles in the region. Through a number of country case study examples, this paper discusses the challenges to boosting private investment flows to infrastructure in the region. The paper concludes by emphasizing that Asian governments will need to work together with the international financial institutions and multilateral development banks in order to create new innovative approaches that will help to boost private capital flows into Asia-Pacific infrastructure.

#### 11. The Role of Institutional Investors in Financing Development in Asia and the Pacific

Hans Genberg, Executive Director, The SEACEN Centre

The developing world needs USD 1 to 1.5 trillion per year in finance for infrastructure development expenditures to reach the sustainable development goals by 2030. Given this challenge, this paper looks at the question of what is the role of institutional investors in financing development in Asia and the Pacific? The short answer is “currently small, but potentially significant”. This paper identifies a number of impediments to the growth of institutional investments in development projects and the corresponding solutions. Impediments discussed include: limited size of capital markets; complexity of infrastructure projects; and the political risks associated with financing projects. The solutions identified require sustained efforts in a number of areas: securing a stable macroeconomic environment; maintaining a strong legal framework; streamlining infrastructure project management; encouraging public private partnerships; and insuring regulatory consistency and transparency as well as the rule of law in dealing with potential disputes related to infrastructure investments.

### Session 4 | Financial Inclusion

#### 12. Financial Inclusion in Asia and the Pacific

Ezazul Islam, Deputy General Manager, Chief Economist's Unit, Bangladesh Bank

Financial inclusion strategy has emerged as an effective tool for achieving the Sustainable Development Goals (SDGs). In recognizing the need to mainstream financial inclusion strategies in the Asia and the Pacific, this paper provides a regional overview of the current trends and patterns of financial inclusion in the Asia Pacific region, with a special focus on LDCs, LLDCs, SIDs. It emphasizes that consumer protection, financial literacy and governance frameworks are crucial factors for advancing financial inclusion in the region by 2030. The paper also highlights selected issues related to providing financial services for all, including promoting lending to micro, small and medium-sized enterprises, increasing and diversifying lending and financial tools for increased access, and promoting financial literacy. In focusing on the development of enabling environment at the country level, the paper concludes by highlighting a set of policy recommendations to increase overall access to financial inclusion in the Asia-Pacific region.

#### 13. Innovation Finance for Inclusive Growth

Ishrat Husain, Former Governor, State Bank of Pakistan and Former Dean and Director, Institute of Business Administration

One of the rapidly growing and innovative modes of financing in the last decade has been Islamic Finance (IF). Advancing IF as a possible alternative or supplementary means of financial intermediation and a reliable instrument of promoting inclusive growth and reducing income inequalities and financing infrastructure in Asia and the world needs to be explored. If IF can demonstrate in practice that its unique and distinctive features and asset-backed transactions are able to reduce the fragility and volatility of the financial system in a convincing manner then there would be a lot of interest generated in IF among other players in the world. This paper explores the possible role of IF and the risks and gaps that need to be filled to realize its potential.



# First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific

30 and 31 March 2016, Incheon, Republic of Korea

## ABSTRACTS

### Session 5 | Climate Finance

#### 14. Climate Finance in and Beyond the Paris Agreement: Implementing Climate Finance Commitments in the Asia and the Pacific Region

Yuqing Ariel Yu, Senior Policy Researcher and Task Manager Climate and Energy Area, Institute for Global Environmental Strategies

The Paris Agreement concluded a decade-long struggle to agree on a comprehensive global climate agreement, and for the first time ever, all the 195 Parties to the UNFCCC signed on to it. The Agreement sends a clear signal to make all financial flows consistent with a pathway towards low-carbon, climate-resilient development and to shift investments away from activities that are incompatible with achieving the temperature goals. Although the Paris Agreement makes significant progress, lots of work remains. Recognizing this, this paper answers the following question: In what ways will the Paris Agreement bring out opportunities and challenges of implementing climate finance commitments in the Asia and the Pacific region? This paper discusses planned action prior to 2020, the landscape of climate finance, climate public expenditure in selected countries, and best practices of mobilizing climate finance in the region. The paper concludes with a timeline proposal for implementing climate finance commitments in the region.

### Session 6 | South-South Cooperation and Triangular Cooperation, a focus on the countries with special needs

#### 15. South-South and Triangular Development Cooperation in Asia

Salehuddin Ahmed, Former Governor, Bangladesh Bank and Professor, BRAC University Business School

South-South and Triangular cooperation (SSTDC) is needed to encourage global partnership and solidarity to transform the conditions of the countries with special needs. There are several areas in which SSTDC is likely to contribute to helping countries graduate from LDC, LLDC, and/or SIDS status, including through becoming partners in development, sharing experiences in good practice, capacity building and the strengthening of networks. This paper provides a review of current SSTDC in the region, focusing in particular or regional cooperation in Asia-Pacific countries. Additionally, it explores how public and private resources can contribute to financing sustainable development through SSTDC, in particular through public-private-partnerships. Finally, the paper concludes by outlining the key drivers for and the key priorities areas of SSTDC in the region.

#### 16. Financial Development and Growth: Does One Size Fit All? Evidences from a Nonparametric Estimation

Monica Das, Associate Professor, Department of Economics, Skidmore College and Sudip Ranjan Basu, Economic Affairs Officer, Macroeconomic Policy and Finance for Development Division, ESCAP

The objective of the paper is to use nonparametric methodology to examine the relationship between indicators of financial development and economic growth. The paper uses the Li-Racine (2004) generalized kernel estimation methodology to examine the role of financial development in understanding economic performance across countries and country-groups. We also control for other factors that influence economic performance such as, trade openness, government policies and institutional quality. The paper supports the view that countries with larger and well-diversified financial markets are in a better position to reap benefits from financial sector deepening and forward-looking public policies. This holds true irrespective of the initial size of the financial sector in the country as well as the strength of institutional quality.

Join in on the conversation and follow us #MPFDAP



facebook.com/  
unescap



twitter.com/  
unescap



youtube.com/  
unescap



flickr.com/  
unitednationscap



Visit ESCAP website for further information: <http://www.unescap.org/events/apffd-rok>