

4th High-Level Dialogue
on Financing for Development in Asia and the Pacific
28-29 April 2017

Tentative Agenda

This version: 25 April 2017

The Addis Ababa Action Agenda (AAAA) adopted by the international community in 2015 charted out a comprehensive and integrated framework on financing for sustainable development. Building on the three earlier high-level regional consultations, with the 2014 and 2015 events providing regional inputs to global discussions towards the adoption of the AAAA and the 2016 event serving as the first regional dialogue to help identify priority issues for the region, the 4th High-Level Dialogue on Financing for Development in Asia and the Pacific aims to deepen the policy debate on three selected issues: tax and public finance, sustainable infrastructure development and financing, and financial inclusion. The Dialogue will review latest analytical thinking and policy experiences of the region in these three priority areas, develop specific and action-oriented policy recommendations that can facilitate an effective pursuit of the Addis Ababa Action Agenda and the 2030 Sustainable Development Agenda, and consolidate Asia-Pacific's vision and perspectives as inputs to the global financing for development debate and cooperation.

Day 1	28 April 2017
09:00 – 09:30	Registration
09:30 – 10:30	<p>Opening</p> <ul style="list-style-type: none"> ▪ Welcome remarks Shamshad Akhtar, Under-Secretary-General and Executive Secretary of UNESCAP ▪ Introductory remarks Song Eon-seog, Vice Minister, Ministry of Strategy and Finance, Republic of Korea ▪ Keynote speech Ravi Karunanayake, Finance Minister of Sri Lanka ▪ Keynote addresses Mark Brown, Minister of Finance and Economic Management, Cook Islands Ali Tayebnia, Minister of Finance and Economic Affairs, Islamic Republic of Iran Tevita Lavemaau, Minister of Finance & National Planning, Tonga
10:30 – 10:45	Group photo & coffee Break

10:45 – 12:00	<p>Session 1: Enhancing public revenues for sustainable development</p> <p>The United Nations Sustainable Development Solutions Network (UNSDN) has estimated that the attainment of Sustainable Development Goals (SDGs) in low income countries will require mobilization of additional public revenues equivalent to about 2.5 percent of their GDP on average. This will be extremely challenging for many countries in Asia and the Pacific that have tax-to-GDP ratios close to single digits for decades. In addition, the region is at the center of the world’s largest urbanization in history, accommodating more than 30 million new rural-urban migrants every year. The lack of sufficient and stable local government revenue sources has already led to a chronic investment deficit in essential urban infrastructure and public services, as well as issues pertaining to local government debt.</p> <p><u>Suggested questions and issues:</u></p> <ul style="list-style-type: none"> ▪ How can Asia-Pacific developing countries address such enormous public financing needs? What would be feasible? And what would be necessary? ▪ What lessons can be learnt from international experiences regarding greater accountability and efficiency of public expenditure, and establishing an effective social contract for tax compliance and responsible spending? ▪ Does property tax have the potential to become the revenue backbone for local governments in developing countries? What alternative revenue sources could be exploited for sustainable city financing? ▪ How can international organizations and development partners better support developing countries in enhancing public revenues?
12:00 – 13:00	Lunch
13:00 – 14:30	<p>Session 2: Rethinking public finance for a sustainable future</p> <p>Debates over public finance are often about what kind of society we want, and the 2030 Agenda has provided the answer for countries worldwide. Tax policy and public spending play a crucial role in countries’ efforts towards environment-friendly economic growth, inclusive development, and shared prosperity. Governments not only finance essential investments in health, education, infrastructure, social welfare and environmental protection, but also balance overall income and wealth distribution and set incentives for responsible behavior of private companies and individuals to ensure that they comply with sustainable development principles. However, the potential of income taxes, wealth taxes and environmental taxes and targeted social spending are yet to be fully explored in Asia-Pacific developing countries.</p> <p><u>Suggested questions and issues:</u></p> <ul style="list-style-type: none"> ▪ Given the high and widening income gap in Asia and the Pacific, is this the right time for developing countries of the region to reconsider the emphasis on indirect taxes and better leverage income tax for revenue mobilization and redistribution? ▪ As the region now hosts the world’s largest population of the super-rich, can wealth taxes play a greater role for social inclusion and equity? ▪ How can Asia-Pacific countries mobilize greater social consensus and political support to enhance social protection spending and public investment in developing the skills of the poor so that development gains are self-sustaining?

	<ul style="list-style-type: none"> ▪ How can Asia-Pacific developing countries address the implementation challenges of green taxation and green public spending, in particular weak institutions, capacity constraints, concerns over adverse impacts on income distribution and over decreased competitiveness of domestic industries?
14:30 – 14:45	Coffee Break
14:45 – 16:15	<p>Session 3: Addressing tax challenges beyond national borders</p> <p>As global economic integration deepens, taxation is increasingly becoming an international policy issue. On the one hand, tax havens and aggressive tax planning by multinationals have created new challenges for developing countries to effectively protect their tax base. On the other hand, growing competition pressure for investment and exports has led to decreasing corporate tax rates and widespread use of tax incentives that further drain revenues. Given the complexity of international taxation issues and limited technical capacities, developing countries need to adopt targeted and appropriately sequenced strategies. At the same time, stronger coordination between developing countries will be required to strengthen their voices in the on-going negotiation of new international taxation norms and manage tax competition to avoid the risk of a race to the bottom.</p> <p><u>Suggested questions and issues:</u></p> <ul style="list-style-type: none"> ▪ How can developing countries best benefit from new international norms to address tax base erosion? How much effort should they devote to this agenda as opposed to enhancing domestic tax collection? ▪ What is the right balance between the legitimate goal of attracting investment and the need to protect tax bases? What policy lessons can be learned from experiences of Asia-Pacific economies? ▪ How to promote closer cooperation of Asia-Pacific countries to address tax competition? What can Asia-Pacific learn from other regions around the world? ▪ What role should international organizations and development partners play to better support developing countries on this front? In particular, what can ESCAP do to further promote regional voice and policy coordination?
16:30 – 18.00	Reception

Day 2	29 April 2017
08:30 – 9:00	Registration
09:00 – 10:30	<p>Session 4: Engaging the private sector for infrastructure investment</p> <p>The Addis Ababa Action Agenda estimated the annual global infrastructure gap in developing countries to be between \$1 trillion to \$1.5 trillion. To bridge this gap, public resources alone are and will be insufficient, especially with most governments facing budget constraints and limited borrowing capacity. Mobilizing private resources is therefore crucial for infrastructure development in the region, and Public-Private Partnerships (PPPs) can be a key mechanism for this purpose. So far, bank loans have been the main source of funding, but banks have generally short-term liabilities and are not well-placed to hold long-term assets in their balance sheets. Developing bond and equity markets could provide an alternative to bank financing and create avenues for institutional investors, such as pension funds and insurance companies seeking investment opportunities in emerging markets, to enhance the availability of financing for infrastructure.</p> <p><u>Suggested questions and issues:</u></p> <ul style="list-style-type: none"> ▪ What are the legal, policy and institutional frameworks required for the successful involvement of the private sector, including through PPPs? ▪ What safeguards, mechanisms and incentives can be used to enhance the impact of private investments on sustainable infrastructure development? ▪ How to mobilize private resources for regional infrastructure networks? What is the potential of PPPs in this context? ▪ How to tap capital markets and institutional investors for infrastructure financing?
10:30 – 11:00	Coffee Break
11:00 –12:00	<p>Session 5: Building resilient and sustainable infrastructure</p> <p>Developing sustainable infrastructure is a complex but critical element of the 2030 Agenda. Since Asia and the Pacific is responsible for more than half of the global greenhouse gas emissions, the future of the region depends on finding sustainable solutions for its infrastructure development, including transportation, energy, ICT, and water systems. The issue is particularly important as rapid urbanization in Asia and the Pacific is expected to aggravate the prevailing congestion and pollution in cities. Unbalanced development of ICT infrastructure in the region has also created a digital divide with millions of people excluded from opportunities related to modern technologies. Infrastructure development also ought to be more resilient given that Asia and the Pacific is the most disaster-prone region in the world. Building resilient infrastructure can reduce the impacts of these events by ensuring that essential services remain operational during and after disasters and limiting reconstruction efforts. Sustainable, inclusive and resilient infrastructure development calls for technologically advanced and innovative solutions, and addressing barriers to investment and access to finance. Many good examples from the region point to ways to blend public and private financing sources and put in place enabling policy frameworks. Financial regulation can play an important role to ease the risks for private investors and overcome the major challenges for the financial system and unlock private finance for green investment.</p>

	<p><u>Suggested questions and issues:</u></p> <ul style="list-style-type: none"> ▪ What is the role of financial regulation, market incentives and voluntary measures to attract investments for sustainable infrastructure development? ▪ Which are the main barriers, including those related to financing aspects, to make infrastructure environmental-friendly, inclusive and resilient? ▪ What are the practical aspects of project selection, preparation and management to support sustainable infrastructure investments?
12:00 – 13:00	Lunch
13:00 – 14:10	<p>Session 6: Addressing the multifaceted challenge of financial inclusion</p> <p>A growing body of research suggests that access to financial services can reduce poverty and promote economic growth. Despite some progress, there are two key challenges for greater financial inclusion, as outlined in the 2030 Agenda: Financing constraints for small and medium-sized enterprises (SMEs) and lack of proper financial regulation to ensure financial system stability. SMEs are the backbone of a resilient national economy due to their impact on stimulating domestic demand through job creation, innovation, and competition. In Asia-Pacific, however, most SMEs suffer from poor access to finance, which is one of the core factors impeding their development. While promoting financial inclusion, it must be remembered that over-extension of credit to noncredit-worthy borrowers and relaxation in borrowing standards could lead to financial instability. As the subprime crisis in the United States in 2008 illustrated, uncontrolled expansion in access to financial services could lead to financial instability and social discontent without proper supervision and regulation. Further, although FinTech companies have a promising role in reducing the supply-demand gap in lending to SMEs, these firms pose the cyber and credit risks that have potential to distort financial stability. However, there is not much clarity for regulators whether these providers are a bank or simply a platform or digital service. In this respect, the key challenge for policymakers is how to achieve financial inclusion, such as through providing basic financial services to SMEs, while maintaining the stability of the financial system. To this extent, a proportional approach to regulation can be an essential alternative means for the development of financial inclusion while maintaining financial stability.</p> <p><u>Suggested questions and issues:</u></p> <ul style="list-style-type: none"> ▪ What are the best financing modalities to serve the various financing needs of SMEs and expand their financial access? ▪ How FinTech companies should be regulated without impeding their positive contribution to financial inclusion? ▪ How can financial regulations be designed to achieve a balance between financial inclusion and financial stability? <p><u>Part a. Financial regulatory challenges</u></p>
14:10 – 14:20	Short Break

14:20 –15:30	<p>Session 6: Continued</p> <p><u>Part b. Innovative SME financing and FinTech</u></p>
15:30 – 16:30	Coffee Break
16:30 – 17:00	<p>Presentation of the Chair’s Summary and Closing</p> <p>This session is devoted to considering the draft Chair’s Summary of the Dialogue, which will contribute to the implementation of the Addis Ababa Action Agenda (AAAA), through global and regional platforms such as the Inter-agency Task Force on Financing for Development, the ECOSOC Forum on Financing for Development, and the ESCAP Commission.</p> <ul style="list-style-type: none"> ▪ Reporting on the draft Chair’s Summary Ravi Karunanayake, Finance Minister of Sri Lanka ▪ Closing remarks Shamshad Akhtar, Under-Secretary-General and Executive Secretary of UNESCAP