



**ASIA-PACIFIC HIGH-LEVEL CONSULTATION ON FINANCING FOR DEVELOPMENT**

29-30 April 2015

Jakarta, Indonesia

**Chair’s summary**

1. The Asia-Pacific High-level Consultation on Financing for Development was held from 29 to 30 April. The consultation was co-hosted by the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Ministry of Finance of Indonesia, in partnership with the Asian Development Bank (ADB), the Asian Development Bank Institute, the United Nations Development Programme, the Government of the Russian Federation, and the Green Technology Center-Korea.
2. The Asia-Pacific High-level Consultation on Financing for Development was attended by more than 200 participants, including a vice-president, a former prime minister, two deputy prime ministers, and more than 50 ministers, deputy ministers, central bank governors, deputy governors and senior officials from almost 40 countries, representing ESCAP members and associate members. Representatives from international organizations, the regional development bank, and the United Nations system joined the consultation. Other entities and representatives from the private sector and civil society, as well as eminent experts, also participated.
3. The consultation built on the Asia-Pacific Outreach Meeting on Sustainable Development Financing, which took place in Jakarta from 10 to 11 June 2014, also organized by ESCAP in partnership with the Ministry of Finance of Indonesia.
4. The consultation was inaugurated with a keynote address by the Honourable Finance Minister of Indonesia, Mr. Bambang PS. Brodjonegoro. Ms. Shamshad Akhtar, Under-Secretary-General of the United Nations and Executive Secretary of ESCAP laid out the context and core areas of focus of the consultation, Participants expressed their thanks to the Government of Indonesia for its hospitality and for the hard work done by the efficient team of ESCAP.
5. This Chair’s Summary will be submitted to the Co-Facilitators for the preparatory process of the International Conference on Financing for Development as an input to the preparations for the *third International Conference on Financing for Development* to be held in Addis Ababa from 13-16 July 2015.
6. A clear message that came from the consultation is that mobilizing financial resources for development is an integral part of the post-2015 development agenda.
7. In their presentations, the participants discussed approaches and modalities of different sources of financing, shared their national experiences on key issues of financing for development, and spelled out their expectations from the forthcoming Addis Ababa Conference. This has lent concrete substance to the deliberations on financing for development in the Asia-Pacific region.
8. The consultation proposed tangible and actionable recommendations to mobilize additional financial resources, improve financial capacities, and develop innovative instruments to support the emerging sustainable development goals in the region.
9. In this context, the following priorities were identified:
* Enhance and use domestic resource mobilization to invest in the social sectors in order to address social disparities and income inequalities, including those between the genders.
* Ensure that the new financing for development framework contributes to raising living standards, creating decent jobs, and empowering women and girls of Asia and the Pacific.
* Enhance quality infrastructure investment taking into account all aspects of economic, social and environmental sustainability.
* Ensure adequate financing for sustainable infrastructure connectivity to promote regional economic and social integration.
* Increase the effectiveness and efficiency of financial markets for channeling the vast pool of regional savings towards funding major infrastructure projects.
* Ensure that unmet official development assistance (ODA) commitments are fulfilled and that ODA is deployed more strategically, prioritizing countries that need it the most, while ensuring its alignment with national development plans.
* Scale up climate finance at both at the global and regional levels, taking into account that the mobilization of resources for this purpose is new and additional to existing ODA commitments, and at the national level.
* Strengthen domestic regulatory policies and institutions and address systemic global issues to support a predictable, stable and resilient platform for finance.
* Address the special needs of LDCs, LLDCs and SIDS by leveraging trade, foreign direct investment and access to and transfer of technology, as well as by building capacity, in alignment with the implementation plans of the Istanbul Program of Action, the Vienna Program of Action, and SAMOA Pathway. Adequate support for low income countries was emphasized too.
1. Within this priority framework, the sessions in the consultation, among others, developed the following recommendations:
* Asia-Pacific economies have the potential to raise tax-to-GDP ratios. For that purpose, they could adopt tax policies and approaches to broaden tax bases, both in individual and corporate income taxes wherever coverage is limited; remove exemptions and loopholes; and improve administrative efficiency and collection.
* In order to mobilize additional public resources, it is important to improve the effectiveness and efficiency in the allocation of public expenditures and to reduce wasteful and unproductive expenditures. In addition, it was emphasized that public expenditure programs need to be reoriented so that appropriate amounts of funds are allocated to social development, education, health care and food security.
* Budgeting needs to be made gender sensitive and implemented to mainstream gender considerations into the budgeting process.
* It is important to foster international cooperation in tax matters by dealing firmly with base erosion and profit shifting, increasing global transparency and information exchanges. For that purpose, the region can enhance cooperation in tax matters by setting up an Asia-Pacific tax forum.
* Cities and sub-national governments should be provided with appropriate incentives and capacity development to ensure that they take a larger and more pro-active role in mobilizing and accessing resources for development. For that purpose, they may consider launching reforms of property taxation so that tax bases reflect market valuations, and use service charges more effectively.
* The region must encourage institutional investors to deploy their liquidity towards the development of domestic capital markets. In addition, the region should consider adopting harmonized regulations and institutions for domestic capital markets, to facilitate the trading of securities across countries, and eventually laying the groundwork for the development of a regional capital market at a later stage.
* To allow micro, small and medium enterprises (MSMEs) and small entrepreneurs to gain better access to finance, develop innovative instruments, such as hometown investment funds and diaspora bonds, promote financial education, and set up credit bureaux.
* It is important to remove barriers to entrepreneurship, increase support for research and development, and foster cooperation, including among academia, industry, government, civil society and innovation laboratories in order to encourage innovation. Such efforts can enable entrepreneurs, scientists and investors from the region to collaborate and compete in the global market place on the merits of their ideas and innovations.
* Public and private resources should be mobilized at a larger scale for infrastructure investment. The region welcomed the capital enhancement of the Multilateral Development Banks (MDBs) and newly established infrastructure financing institutions, such as the Asian Infrastructure Investment Bank (AIIB), for financing national and trans-boundary connectivity. The close cooperation between new and existing MDBs could play critical role for the promotion of sustainable and resilient infrastructure in the region.
* ODA should be more strategically deployed, prioritizing countries that need it the most, such as LDCs, LLDCs and SIDS, contributing to build capacities in areas such as domestic public finance and the development of capital markets, and leveraging other sources of funding, for instance, by helping countries in the preparation of bankable projects or contracts for public-private partnerships (PPPs), including for quality infrastructure investments.
* Access to financing for development has been more complicated for the low income countries. The graduation of lower income countries has meant less access to external finance and lower concessional flows. The aid architecture needs to reflect the transition needs of the low income countries in addition to supporting the implementation of the sustainable development agenda. ODA to these economies should focus on leveraging financial flows from capital markets and multilateral development banks.
* Private businesses in the region could bolster social-impact investing and venture philanthropy to fund education, health and environmental protection, particularly at the community level.
* A meaningful global climate deal in 2015 must entail credible public and private capital availability for the developing countries of Asia and the Pacific to help decarbonize their economies and build resilience in their communities. Delivering the existing target of $100 billion in capitalization for the Green Climate Fund will be essential in these efforts.
* National frameworks for climate finance need to include financial support mechanisms to reduce risk and create acceptable investment returns on projects for the adoption of green technologies and the development of eco-friendly products. Mainstreaming climate considerations into national budgets and development plans is an important component of such frameworks, recognizing that the UNFCCC is the main channel for addressing climate change.
* The region needs to enhance North-South, South-South cooperation and triangular-development cooperation in areas such as trade, investment, technology transfer, agriculture and rural development, gender equality and empowerment, humanitarian assistance, and capacity-building and advisory services.
* It is important to properly resource national statistical offices, so they can increase the collection, collation and publication of high quality, timely and reliable data in support of the post-2015 development agenda. Equally important are the requirements of data users, which need more support to promote better planning, monitoring, accountability and data literacy.
* Islamic finance, including non-bank financial intermediaries, has emerged as a critical source of funding for the region. In recent years, the capacities, infrastructure and regulatory environment of the Islamic finance industry have developed considerably in the Asia-Pacific region. Further exploiting and tapping this source will offer new opportunities of funding for development.
1. More details on regional perspectives on financing for development are captured in a separate document.