



Asia Expert Consultation

Implementing the Addis Ababa Action Agenda and the Sustainable Development Goals: Strengthening Municipal Finance in LDCs

Bangkok, Thailand
5-6 September 2016
The Sukosol Bangkok Hotel
Room: Kamolmart, Siam Wing 6th floor

AGENDA

Organizers:

United Nations Capital Development Fund (UNCDF) and
Financing for Development Office, UN-DESA

Background: The international community and development actors have increasingly recognized the importance of broadening fiscal space at the national and local level in the Least Developed Countries (LDCs). Greater fiscal space increases the resilience of their economies, frees up domestic resources for transformative fixed capital formation and increases opportunities for domestic private sector growth and competitiveness through fuller integration into regional and global value chains. Sound local governments and institutions are crucial for meeting this goal.

The Addis Ababa Action Agenda (AAAA), adopted at the Third International Conference on Financing for Development (Addis Ababa, 13-16 July 2015), recognizes that “expenditures and investments in sustainable development are being devolved to the sub-national level, which often lack adequate technical and technological capacity, financing and support” (para 34) and calls for greater international cooperation “to strengthen capacities of municipalities and other local authorities”. The commitment in the AAAA to strengthen subnational finance is particularly relevant in the context of Goal 11 of the 2030 Sustainable Development Agenda which sets out to “make cities and human settlements inclusive, safe, resilient and sustainable”.

This increased importance given by the international community to local development finance, including in LDCs was evident in the Addis Conference with an unprecedented engagement of local authorities from both developing and developed countries, as well as in the call to action from mayors across the globe during the adoption of the Sustainable Development Goals in New York in September 2015.

Rationale: While there is recognition of the need for the empowerment of local authorities to finance their local development objectives, in practice, the ability of municipal governments to provide essential services, let alone to make longer-term investment in support of sustainable development, has often been weak. This is due to both capacity constraints in terms of revenue generation and management, as well as regulatory and/or legislative obstacles.

Mobilizing resources to finance investments and improve services at the municipal level is one of the most challenging aspects of local development, especially if the goal is to tap resources on market-like conditions in a sustainable manner, for instance from loans or bonds. Even when government transfers are predictable and generous (which is the exception), they are rarely adequate to finance major infrastructure improvements in growing cities. At the same time, the devolution or delegation of public service responsibilities has frequently not been supported through fiscal reforms and fiscal decentralization that would help increase domestic revenue generation by local governments.

Moreover, the capital investment financing that is available to local governments is often provided by national agencies whose own access to capital is highly constrained, especially in LDCs. Winning funding allocations from national budgets requires local governments to compete with line ministries and other priorities of the government in power. The critical challenges for greater capital investment are bringing borrowers and lenders together in a sustainable market relationship, and managing the risks inherent in this type of financing. This is particularly important in LDCs where the financial options available to cities have not kept pace with the growth and increasing complexity of the cities themselves.

Furthermore, despite the consensus among bilateral and multilateral donors on the need to strengthen local development actors, external support for targeted improvements has been limited or has had limited impact. There is increased recognition for the importance of strengthening donor engagement at the subnational level and to go beyond one-off engagements to take a longer-term, systematic and sequenced approach to engagement of development partners.

This meeting builds on the previous regional consultation in Africa held last Feb 29-Mar 1 and aims to share knowledge among stakeholders on how internal (e.g., taxes, user fees, land value capture) and external sources (e.g., intergovernmental transfers, borrowing, aid) can be strengthened for financing sustainable development at the urban, peri-urban and rural levels.

The organizers will prepare a publication that summarizes major findings of regional consultations and provides some general guidelines for more effective international cooperation on municipal finance taking the different local contexts into consideration. The publication will provide substantive inputs to the Annual Economic and Social Council forum on financing for development follow-up (Financing for Development Forum), the Istanbul Programme of Action mid-term review process, as well as UN Habitat III and its preparatory process.

DAY 1
PANELS

8.30 – 9.00 a.m.	Registration
9.00 – 9.45 a.m.	<p>Session 1: Opening</p> <p>Introductory remarks: Introducing the project, setting the agenda for the meeting</p> <p>Welcome: Mr. Tim Hilger (Consultant, UNCDF)</p> <ul style="list-style-type: none"> • Mr. Suwit Rojanavanich (Director-General, The Public Debt Management Office (PDMO), Ministry of Finance, Government of Thailand) • Mr. Nicholas Rossellini (Deputy Regional Director, UNDP) • Mr. David Jackson (Director Local Development Practice Area, UNCDF) • Mr. Daniel Platz (Economic Affairs Officer, Financing for Development Office, UN-DESA)
9.45 – 10.00 a.m.	Coffee break
10.00 – 11.15 a.m.	<p>Session 2: Development context and economics: Strengthening municipal finance in the context of increasing urbanization. Inputs to Habitat III</p> <p>Moderator: Mr. Md. Aamir Hossain Shikder (Coordinator, Urban Local Body, Bangladesh Municipal Development Fund (BMDF))</p> <ul style="list-style-type: none"> • Mr. Govinda Marapalli Rao (Emeritus Professor, National Institute of Public Finance and Policy, India) • Mr. Rajivan Krishnaswamy (Consultant and Former Chief Executive Officer of the Tamil Nadu Urban Development Fund, India) • Mr. Anouj Mehta (Municipal Finance Expert, Asian Development Bank) • Mr. Suwit Rojanavanich (Director-General, The Public Debt Management Office (PDMO), Ministry of Finance, Government of Thailand) <p>Questions for discussion: How has increased urbanization influenced political and/or fiscal decentralization in Asian LDCs in support of sustainable development? How to trigger a virtuous cycle of sustainable municipal finance and local private sector development? Are there any region-wide issues to be brought up to Habitat III?</p>
11.15 a.m. – 12.30 p.m.	<p>Session 3: Local Fiscal Space: Promoting local revenue sources for sustainable development to ensure financial sustainability and affordability of services</p> <p>Moderator: Mr. Maniram Singh Mahat (Executive Director, Town Development Fund (TDF), Nepal)</p> <ul style="list-style-type: none"> • Ms. Sujatha Srikumar (Director Powertec Engineering Private Limited, India) • Mr. Ian Lloyd (Independent Consultant)

	<ul style="list-style-type: none"> • Ms. Uyanga Gankhuyag (Program Specialist/ Economist, Extractive Industries, UNDP) • Mr. Gopi Krishna Khanal (Joint Secretary from Ministry of Federal Affairs and Local Development, Government of Nepal) <p>Questions for discussion: What determines the effective choice, combination and design of appropriate revenue tools (user fees, property tax)? What is the potential for land value-capture as a source of revenue in Asia? How can local authorities improve revenue collection? How should we define financial sustainability at the subnational level? How can local authorities ensure proper cost accounting for basic services? What are the right policies to ensure affordability to pay (e.g., general subsidies like price regulation and/or targeted subsidies to households/cash subsidies or in-kind subsidies)? How should local authorities take other factors into account in the policy design when choosing the right tax and user fee revenue policies (e.g. efficiency, equitability, impact on the distribution of income, environmental impact)?</p>
12.30 – 1.30 p.m.	Lunch
1.30 – 2.45 p.m.	<p>Session 4: Grants and intergovernmental fiscal transfers</p> <p>Moderator: Mr. Suresh Balakrishnan (UNCDF Regional Technical Advisor)</p> <ul style="list-style-type: none"> • Mr. Fakri Karim (UNCDF LoCAL Project Manager) • Mr. Pasang Dorji (Executive Secretary, Thimphu City) • Mr. Nisith Keopanya (Director General of Department of Planning and Cooperation, Ministry of Home Affairs, Vientiane, Lao PDR) • H.E. Mrs. Mum Krasal (Vice President, National Association of Capital and Provincial Councils (NACPC), Cambodia) • Mr. Purusottam Nepal (Joint Secretary, Government of Nepal; Member Secretary: Local Bodies Fiscal Commission) <p>Questions for discussion: Which type/level or tier of government (central, state, subnational) does (or should do) what? Which type/level of government does (or should) generate which types of revenue? How can the coordination of different government levels be improved? How can intergovernmental transfers improve the capability of subnational governments to deliver public services and also strengthen the institutional capacity to generate revenues? How should government ministries design and implement intergovernmental transfers in support of sustainable development? How can vertical fiscal imbalances (between the center and units) and horizontal imbalances (across subnational jurisdictions) be addressed?</p>
2.45 – 3.00 p.m.	Coffee break
3.00 – 5.15 p.m.	<p>Session 5: Local fixed capital formation: Enhancing subnational access to long term-finance for capital investments</p> <p>Moderator: Mr. Rajivan Krishnaswamy (Consultant and Former Chief Executive Officer of the Tamil Nadu Urban Development Fund, India)</p> <ul style="list-style-type: none"> • Mr. Keshav Varma (Managing Director, Cities International, India)

	<ul style="list-style-type: none"> • Mr. Kanamarla Phanindra Reddy (Principal Secretary to Government of Tamil Nadu, Municipal Administration & Water Supply Department, India) • Mr. Maniram Singh Mahat (Executive Director, Town Development Fund (TDF), Nepal) • Mr. Md. Aamir Hossain Shikder (Coordinator, Urban Local Body, Bangladesh Municipal Development Fund (BMDF)) • Mr. Md. Maroof ur Rahman Mazumder (Executive Director, Head of Capital Markets, Financial Markets, Standard Chartered Bank) <p>Questions for discussion: How can local authorities identify projects that are worthwhile to finance with market (expensive) resources? What does it take to formulate “bankable” project proposals and how can they strengthen the capacity in project development? When should local authorities pursue alternative forms of borrowing, including banks and capital markets? How should the macroeconomic environment and financial sector depth shape the decision to borrow? When is there potential for pooled finance to lower borrowing costs? What potential do subnational bonds hold in the most vulnerable countries, especially LDCs, where these instruments have not yet been effectively utilized? What are the costs, risks and prospects of issuing subnational bond in developing countries, especially LDCs? How can public investment banks and subnational development funds assist in promoting access to market finance for subnational governments? What is the role for national development banks? When should central governments empower subnational governments to borrow? Should the central government impose debt limits? How should the central government supervise subnational debt? How should the central government deal with subnational default? How should the central government address moral hazard problems at the local level? How can the development of subnational ratings agencies help build investor confidence?</p>
5.15 – 5.30 p.m.	<p>Closing remarks:</p> <ul style="list-style-type: none"> • Mr. Vito Intini (Municipal Investment Finance Programme Manager, UNCDF) • Mr. Daniel Platz (Economic Affairs Officer, Financing for Development Office, UN-DESA) • Mr. David Jackson (Director Local Development Practice Area, UNCDF)

DAY 2

ROUND TABLES (WITH MODERATORS)

9.00 – 10.30 a.m.	<p>Session 6: How to bridge the funding gap (1) Innovative local finance instruments</p> <p>Moderator: Mr. Md. Maroof ur Rahman Mazumder (Executive Director, Head of Capital Markets, Financial Markets, Standard Chartered Bank)</p> <p>Questions for discussion: Is there any potential for introducing innovative instruments on LDC markets? What are the preconditions? What are the lessons learned? How can these instruments be progressively introduced? Is there any risk of crowding out vis-à-vis the more traditional financial instruments? How to capture new funding sources such as philanthropic foundations, pension funds and sovereign wealth funds?</p>
10.30 – 10.45 a.m.	<p>Coffee break</p>
10.45 a.m. – 12.45 p.m.	<p>Session 7: How to bridge the funding gap (2) Enhancing access to long term capital investments: PPP</p> <p>Moderator: Mr. Syed Afsor Hassan Uddin (Chief Executive Officer, Public Private Partnership Authority, Prime Minister's Office, Bangladesh)</p> <p>Questions for discussion: What is the potential role for public-private partnerships in reducing risks for issuer and investor (e.g. through guarantees and other credit enhancements)? What are the experiences with different PPP models (build-operate-transfer, build-own-operate-transfer, etc.)? What is the prospect of PPPs in Asia's LDC cities? How can we ensure that PPPs add value for money? Should we move towards common guidelines for PPPs in LDCs?</p>
12.45 – 1.45 p.m.	<p>Lunch</p>
1.45 – 3.45 p.m.	<p>Session 8: Strengthening international cooperation for municipal finance. Identifying priority areas for international cooperation on subnational finance</p> <p>Moderators: Mr. Keshav Varma (Managing Director, Cities International, India) and Ms. Sujatha Srikumar (Director Powertec Engineering Private Limited, India)</p> <p>Questions for discussion: How can donors ensure a holistic approach that addresses capacity, revenue and regulatory constraints? With limited resources, which projects can add the highest value? How can the international community best reconcile national, subnational and donor priorities? How should the international community mainstream the 2030 Agenda and AAAAA into international cooperation? What steps can the international community take for greater bilateral and multilateral collaboration and coordination? How can the international community ensure donors extend their assistance beyond one-off engagements and take a longer-term, systematic and sequenced approach to engagement of development partners? Where is the greatest potential for South-</p>

	South Cooperation and what role is it already playing? How can we increase subnational access to ODA and climate finance? How to coordinate more effectively with central governments on subnational priorities?
3.45 – 4.00 p.m.	Coffee break
4.00 – 5.00 p.m.	<p>Session 9: Conclusion and press release</p> <p>Presentation of initial key messages:</p> <ul style="list-style-type: none"> • Mr. Vito Intini (Municipal Investment Finance Programme Manager, UNCDF) <p>Next steps:</p> <ul style="list-style-type: none"> • Mr. Daniel Platz (Economic Affairs Officer, Financing for Development Office, UN-DESA) • Mr. David Jackson (Director Local Development Practice Area, UNCDF)