

Asia Pacific Finance and Development Center (AFDC) Biennial Forum
Fiscal and Financial Policy Options for Clean Development
October 25-26, 2008 Shanghai, China

Back ground

Asia-Pacific is recognized as the fastest growing region in the world. However, like other regions in the world, this region is also facing increasingly serious environmental challenges accompanying its fast growth. As the massive dual progress of industrialization and urbanization accelerates, demand for raw materials has soared and ecology deterioration has reached an unprecedented level, in terms of air pollution, water pollution, resource depletion, and desertification.

Policymakers are facing the double challenge of tackling ecological and environmental issues and sustaining robust economic development and poverty alleviation. The concept of clean development is thus raised to enhance energy efficiency, reduce conventional pollution and green house gases emission and to achieve sustainable, environmentally friendly economic development.

As some economists described, pollution and green house gas emission induced climate change is the biggest market failure we have ever seen, and policies need to be adopted to address the market failure through price mechanism, taxes, quotas and trading. National policies, regulatory frameworks and collective action at the regional and international level are needed to achieve clean development. In particular fiscal and financial policies can play an important role in terms of both mitigation (reduce development's adverse impact on environment) and adaptation (adjust to ongoing and potential effects of environment change).

Fiscal policies can effectively influence a country's growth pattern. Taxation can be used as an instrument of environmental policy, as Pigou recommended in 1920: the use of corrective taxes to adjust the marginal private costs of economic activity to include its social costs. The integration of taxation into environmental policy involves: (1) redesigning existing (indirect) taxes to reflect environmental concerns; and (2) introducing direct environmental taxes aimed at correcting negative externalities. Putting an appropriate price on pollution and carbon through taxes, regulation will lead individuals and businesses to switch away from high-carbon goods and services, and to invest in low-carbon alternatives. Besides setting an appropriate price, innovation and development of new technologies also are essential in clean development. Fiscal policies such as tax, government procurement, transfer payment and public investment all can play important roles in this regard. Investment in public sector energy conservation can reduce emissions, improve public services, and foster innovation and change across the supply chain and set an example to wider society.

Well functioning financial and capital markets are also important for clean development. Creating a favorable environment, where pro-clean development technology can thrive, will require sufficient financing channels and affordable cost of financing. Innovations in financial system provide some promising approaches to promote clean development. Carbon finance allows net global greenhouse gas emissions to be reduced at a much lower global cost by financing emission-reduction projects in developing countries where costs are lower than in industrialized countries; microfinance makes it possible for low-income clients to adapt their enterprises and lifestyles toward "greener" practices; and the insurance sector can play a pivotal role from the adaptation perspective—in coping with the consequences of adverse environment events.

The design and implementation of fiscal and financial policies for clean development is still in the early learning-by-doing process, thus there is an urgent need for a concerted and coordinated effort to share existing knowledge and encourage its effective use both for analyzing and formulating policies and for taking actions on the ground. This year's Biennial Forum is intended to provide such a knowledge sharing platform for Asia-Pacific economies to further promote and advance clean development strategies.

Objectives

The main focus of the forum will be on fiscal and financial policy options for clean development, and the specific objectives include:

- Raise awareness of the potentially devastating socioeconomic implications of environment change and the urgency of pursuing a clean and sustainable development strategy;
- Share lessons and experience in the formulation and implementation of clean development policies among government officials, policy researchers and business executives in the Asia-Pacific region;
- Explore fiscal and financial policy options conducive to energy efficiency and clean development; and
- Boost regional cooperation in energy efficiency and clean development efforts to promote sustainable economic development in the region.

Date and Venue

The forum is scheduled to be held on October 25-26 for one and a half days in the Asia-Pacific Finance and Development Center (AFDC), Shanghai, China.

Format

The forum will feature keynote speeches and commentating from internationally well know experts, high level policy makers, as well as question and answer (Q&A) sessions. It will mainly consist of four sessions:

- **Session 1: The Roles of Government and Market Mechanism in Clean Development**
- **Session 2: Fiscal Policies for Clean Development**
- **Session 3: Financial Sector Policies for Clean Development**
- **Session 4: Regional Cooperation in Clean Development**

Participants

About 120 to 150 delegates, including senior government officials, business executives and policy researchers around the region and experts from international organizations, will be invited to attend the forum.

Partners

The forum will be jointly organized by AFDC and the World Bank.

Output

The presentations, speeches, and background papers made for the forum will be compiled and published in both English and Chinese, as a reference for policy makers and other stakeholders, and for broad dissemination globally.

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Fiscal and Financial Policy Options for Clean Development

October 25-26, 2008

Shanghai National Accounting Institute (SNAI), Shanghai, P.R. China

PROGRAM

Day 0 October 24, Friday

08:30-21:30 Registration
Venue: Lobby, Apartment 1, SNAI

Day 1 October 25, Saturday

08:30-08:50 Registration
Venue: International Conference Center, SNAI

09:00-09:40 **Opening Ceremony**
Venue: International Conference Center, SNAI

Chair: Xia Dawei, Director General, Asia Pacific Finance and Development Center

Opening Speeches(5-8 min each)

1. Li Yong, Vice Minister, Ministry of Finance, P.R. China
2. Yang Dinghua, Vice Chairman of Standing Committee of Shanghai Municipal People's Congress
3. Zhao Xiaoyu, Vice President, Asian Development Bank
4. Rakesh Nangia, Director of Operations, World Bank Institute, World Bank

09:40-10:50 **Session I: The Roles of Government and Market Mechanism in Clean Development**

Venue: International Conference Center, SNAI

Chair: Rakesh Nangia, Director of Operations, World Bank Institute, World Bank

Speakers: (15-20 min each)

- Lu Qingping, Deputy Director-General, State Equity & Corporate Finance Department, Ministry of Finance, P.R. China
- Chen Huan, Deputy Director-General, China CDM
- Zmarak Shalizi, Former World Bank Senior Research Manager

Q&A (Shanghai; Videoconference (VC) links- Jakarta and Hanoi)

- 10:50-11:10 Coffee break
- 11:10-12:30 **Session I: The Roles of Government and Market Mechanism in Clean Development**(continued)
Venue: International Conference Center,SNAI
- Chair: Rakesh Nangia, Director of Operations, World Bank Institute, World Bank*
- Speakers: (15-20 min each)**
- Wu Junhui, Manager, Energy and Mining, East Asia and Pacific Region, World Bank
 - B. Sudhakara Reddy, Indira Gandhi Institute of Development Research
 - Yuzo Harada, Managing Director and Head of Strategic Management Advisory Division, Daiwa Institute of Research Ltd
 - Dai Xingyi, Professor, Fudan University
- Q&A (Shanghai; VC links- Jakarta and Hanoi)
- 12:30-14:00 Working Lunch
Venue: 2nd Floor, Dining Hall III, SNAI
- 14:00-15:30 **Session II: Fiscal Policies for Clean Development**
Venue: International Conference Center,SNAI
- Part I: Government transfer payment, government procurement and public investment for clean development
 Part II: Tax-based incentives for clean production and clean consumption
- Chair: Chen Shixin, Deputy Director-General, International Department, Ministry of Finance, P.R.China*
- Speakers: (15-20 min each)**
- Hiroshi Watanabe, President & CEO, Japan Bank for International Cooperation (former Vice Minister of Finance, Japan)
 - Zeng Xiao'an, Deputy Director-General, Economic Construction Department, Ministry of Finance, P.R.China
 - Yan Wang, Sr. Economist, World Bank Institute
 - JR Nereus Acosta, Professor, Asian Institute of Management
- Q&A (Shanghai; VCs- Jakarta and Hanoi)
- 15:30-16:00 Coffee break
- 16:00-17:30 **Session II: Fiscal Policies for Clean Development** (continued)
Venue: International Conference Center, SNAI
- Chair: Chen Shixin, Deputy Director-General, International*

Department, Ministry of Finance, P.R. China

Speakers: (15-20 min each)

- Wang Xiaohua, Deputy Director-General, Tax Policy Department, Ministry of Finance, P.R.China
- Jia Kang, Head of the Research Institute for Fiscal Science, Ministry of Finance, P.R. China
- Shreekant Gupta, Associate Professor, Lee Kuan Yew School of Public Policy, National University of Singapore
- Anil Terway, Director, Energy Division, East Asia Department of ADB

Q&A (Shanghai; VC links- Jakarta and Hanoi)

18:30-20:00

Dinner Reception

*Hosted by Li Yong, Vice Minister, Ministry of Finance, P.R. China
Venue: Swan Lakeside Lawn, SNAI*

Day 2 October 26, Sunday

09:00-10:40

Session III: Financial Policies for Clean Development

Venue: International Conference Center, SNAI

Chair: Hiroshi Watanabe, President & CEO, Japan Bank for International Cooperation (former Vice Minister of Finance, Japan)

Speakers: (15 min each)

- Edgardo J. Angara, Senator, Senate of the Philippines (former President of the Senate of the Philippines)
- Je-Yoon Shin, Vice Minister, Ministry of Strategy and Finance, Korea
- Ye Yanfei, Deputy Director-General, Statistics Department, China Banking Regulatory Commission
- Calvin Xu, IFC Senior Energy Specialist
- Wang Hua, Sr. Environmental Economist, World Bank

Q&A (Shanghai; VC links- Jakarta and Hanoi)

10:40-11:00

Coffee break

11:00-12:10

Session IV: Regional Cooperation in Clean Development

Venue: International Conference Center, SNAI

Chair: Li Kouqing, Deputy Director General, Asia Pacific Finance and Development Center

Speakers: (15 min each)

- Ken Waller, Advisor, APEC Business Advisory Council (ABAC)
- Nobumitsu Hayashi, Deputy Vice Minister for International Affairs, Ministry of Finance, Japan
- David Millar, Chief Operating Officer, The Professional Risk

- Managers' International Association(PRMIA)
- Chen Hongbo, Fellow, Research Centre for Sustainable Development, Chinese Academy of Social Sciences, P.R.China

Q&A (Shanghai; VC links- Jakarta and Hanoi)

12:10-12:30 Closing Remarks
Venue: International Conference Center, SNAI

12:30-14:00 Working Lunch
Venue: 2nd Floor , Dining Hall III, SNAI