

Joint Statement of the 10th ASEAN Finance Ministers' and Central Bank Governors' Meeting (AFMGM)

Jakarta, Indonesia, 25 August 2023

1. The 10th Joint Meeting of the ASEAN Finance Ministers and Central Bank Governors (AFMGM) was convened under the co-chairmanship of H.E. Sri Mulyani Indrawati Finance Minister, and H.E. Perry Warjiyo, Governor of Bank Indonesia. This is the second meeting under Indonesia's ASEAN Chairmanship in 2023.

ASEAN Chair 2023 Priorities

2. The Meeting commended Indonesia's significant progress in its 2023 Priority Economic Deliverables (PEDs), delivering more emphasis on four major themes: (i) finance and health cooperation; (ii) food security; (iii) local currency transactions; and (iv) regional payment connectivity. The Meeting further reiterated its commitment to maintain financial stability and promote deeper financial integration in ASEAN. The Meeting looked forward to the completion of the remaining PEDs before the end of the year.

Economic Update and Policy Challenges

3. The Meeting noted that the ASEAN continues to be a bright spot amid subdued global economic growth. ASEAN's robust economic growth is underpinned by resilient domestic demand and supported by continued recovery of tourism. Looking ahead, however, the global economic outlook remains uncertain. ASEAN needs to remain vigilant given the slightly lowered growth outlook of 4.5 percent¹ in 2023 due to weakening export demand. Inflation is expected to remain high in several ASEAN Member States (AMS) due to elevated input prices, increased demand for services, and continued currency pressures. This situation underscores the importance of strengthening ASEAN macroeconomic policy mix to enable AMS to use all the available tools to ensure the stability of our economies.
4. The Meeting noted that the global policy responses to the pandemic and current global economic condition have left countries with elevated debt pressures and limited policy spaces. Intensifying geopolitical tensions, and slower-than-envisioned policy responses to climate change issues, could also exacerbate global fragmentation, which could hamper global trade and investment. Food and energy security issues remain critical and require well-coordinated policy actions.

Health and Finance Collaboration

5. The Meeting recognised the importance of collaboration between finance and health authorities to strengthen regional health capacity and welcomed the Joint Finance and Health Ministers Meeting held on 24 August 2023. The Meeting noted the study on national and regional financial architecture for strengthening post-

¹ ASEAN+3 Regional Economic Outlook (AREO) – quarterly update, July 2023

COVID-19 pandemic prevention, preparedness and response (PPR) in Southeast Asia. The Meeting noted the findings of the study, including the significant financing gaps in the report to achieve PPR readiness in all AMS, and the modalities for a possible regional financial facility through the utilisation of the existing COVID-19 and Other Public Health Emergencies and Emerging Diseases ASEAN Response Fund. The Meeting called on our officials to discuss the merits of appointing the Asian Development Bank (ADB) to further refine the study, and assist ASEAN in further discussing the options, including the possible governance and financing structure, fundraising, and shifting the fund management.

Food Security

6. The Meeting recognised the importance of the finance sector's support to ensure regional and global food security. The Meeting endorsed the cross-sectoral collaboration under the ASEAN Finance Process to examine the contribution of the finance sector, including but not limited to: (i) improve policy to reduce challenges to food security, (ii) enhance availability and affordability of healthy diets, (iii) improve financial access for MSMEs and small farmers to support food security, and (iv) enhance trade facilitation to drive food security, including the unimpeded trade and flow of foodstuffs and essential farm inputs during times of crises. The Meeting tasked the ASEAN Secretariat to support the collaboration between the ASEAN Finance Process and other related ASEAN sectoral bodies. The Meeting also acknowledged the proposal of the ASEAN Finance Process Support for Food Security Agenda in collaboration with international organisations (FAO, WB, ADB, OECD) on the initiative. The Meeting also looked forward to acting in accordance with the ASEAN Leaders' Declaration on Strengthening Food Security and Nutrition in Response to Crises at the second Summit in September which will foster prosperity and stability in the region.

Financial Integration and Liberalisation

7. The Meeting commended the efforts of the Working Committee on Financial Services Liberalisation (WC-FSL) on the notable progress in ongoing and new financial services liberalisation initiatives. These include (i) the progress of the WTO notification process of the Protocol to Implement the 7th Package of Commitments on Financial Services (7th Protocol) under the ASEAN Framework Agreement on Services (AFAS); and (ii) the ongoing *ad referendum* signing of the 9th Protocol to implement the last package of financial services commitments under AFAS before transitioning to the ASEAN Trade in Services Agreement (ATISA). The Meeting likewise welcomed the completion of the legal scrubbing of the Financial Services Annex of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) and the subsequent signing of the upgraded AANZFTA, the ongoing progress of the ASEAN-Canada Free Trade Agreement (ACaFTA) discussions pertaining to the architecture and fundamental issues of the financial services text, and the commencement of the preliminary work on the review of the ATISA Financial Services Annex in anticipation of its mandatory review in 2025. The Meeting

recognised the ongoing upskilling related initiatives at the WC-FSL, i.e., plans for targeted capacity building programmes on digital economy and green finance, and a study on the impact of financial services liberalisation in ASEAN. Finally, the Meeting endorsed the recently revised Terms of Reference (TOR) of the WC-FSL.

8. The Meeting welcomed the progress of the review of the ASEAN Banking Integration Framework (ABIF) documented in the ABIF Review Progress Report, which will be continually updated until the completion of the ABIF review. The progress report highlighted the process of the ABIF review based on three (3) fundamentals, namely: (i) institutional arrangements; (ii) flow of services to include cross-border digital financial services; and (iii) regulatory considerations for financial stability and resilience. The Meeting expressed support to the proposed way forward for the ongoing work in reshaping the ABIF Guidelines to ensure that ABIF remains relevant with the developments in the new digital financial landscape.
9. The Meeting welcomed the progress of the Digital and Technology Network (DTN) of the ASEAN Cybersecurity Resilience and Information Sharing Platform (CRISP) with capacity building efforts among members through cybersecurity incident handling simulations; a live fire immersive cyber range exercise, which is a fully customised, live and realistic five day exercise for security defenders and incident responders; sharing of recent threats and initiatives, and discussions on cybersecurity toolkits in cyber incident reporting.

Trade and Investment Facilitation

10. The Meeting commended the Working Committee on Capital Account Liberalisation (WC-CAL) for its continued efforts in strengthening policy dialogue and information exchange on capital flows trends, statistics, and measures among AMS. The Meeting welcomed the establishment of the ASEAN Local Currency Transactions Task Force (LCT-TF) and endorsed the High Level Principles (HLP) on the ASEAN LCT Framework, which will provide the key principles in establishing and implementing the ASEAN LCT Framework to guide the collaboration between AMS to enhance accessibility and efficiency in local currency transactions and promote its wider adoption by market participants in the region. The Meeting looked forward to the enhancement of the Consolidated CAL Plan and the improvement of the CAL Learning Roadmap to meet the expectations and capacity-building needs of AMS.
11. The Meeting welcomed the progress of the ASEAN Forum on Taxation's (AFT) initiatives to support the completion and improvement of the network of bilateral tax agreements to address the issue of double taxation and encouraged AMS to expedite the completion and improvement of the network of bilateral tax agreements to improve investment climate in the region. The Meeting welcomed the progress of discussion towards the enhancement of withholding tax (WHT) structures including by implementing an online system-either for the whole process or partly and by sharing WHT regulation on the ASEAN Website to promote the broadening of the investor base in ASEAN debt issuance and achieve

greater economic integration. The Meeting endorsed the AFT's endeavour to improve the implementation of exchange of information in accordance with internationally agreed standards as well as deliberate measures to address the issue of base erosion and profit shifting (BEPS) in order to strengthen tax basis and domestic resource mobilisation, including by adopting a new reporting Exchange of Information (EOI) implementation format to better reflect EOI implementation. The Meeting acknowledged the discussion to improve AMS understanding to anticipate the Global Minimum Tax implementation and its impact to tax incentive policy as well as discussion on crypto asset taxation and carbon taxation to raise AMS' readiness to face current and future challenges.

12. The Meeting also welcomed the information sharing among AMS on excise data of alcohol, implementation of digital stamp on excise taxation and capacity building on health excise to improve readiness for future challenges on international excise issues.
13. The Meeting commended the ASEAN Customs for its effort in the implementation of the Strategic Plans of Customs Development (SPCD) 2021-2025 programme. The Meeting acknowledged the significant progress of ASEAN Customs cooperation, which includes: (i) the implementation of the ASEAN Harmonised Tariff Nomenclature (AHTN) 2022 by all AMS; (ii) the implementation of national Authorized Economic Operator (AEO) programme in all AMS and the signing of ASEAN AEO Mutual Recognition Arrangement (AAMRA) by 9 (nine) AMS, and encouraged the remaining AMS to expedite the signing process to enable AMS to proceed with the AAMRA implementation which will benefit businesses by promoting efficiency in cross border trade within ASEAN; (iii) the live operations of ASEAN Customs Transit System (ACTS) in which Myanmar's preparation to join the live operations is underway, and encouraged further efforts to increase the utilisation of ACTS; (iv) the endorsement of the feasibility study report on the simplification of customs procedures for ASEAN Low Value Shipments, wherein AMS are encouraged to strive towards simplifying customs procedures for these goods; (v) the endorsement of the ASEAN Guidelines on Cooperation Between Customs Administrations and Tax Authorities, wherein AMS are encouraged to promote such cooperation at the national level through various synergy programmes; (vi) the endorsement of the Framework of ASEAN Customs Integrity, wherein ASEAN Customs administrations are encouraged to develop national practices on customs integrity; and (vii) the live operation of ASEAN Customs Declaration Document (ACDD) exchange among 9 (nine) AMS, to which the remaining AMS was encouraged to join.
14. The Meeting welcomed the full implementation of the Electronic Certificate of Origin (e-Form D) through the ASEAN Single Window (ASW). The Meeting acknowledged the progress of ASW and encouraged AMS to expand the number of trade documents to be exchanged electronically within the region. The remaining AMS were also asked to intensify domestic preparations to exchange the ACDD, e-SPS and e-AH certificates. The Meeting also noted the ongoing discussion on the exchange of trade-related documents with Dialogue Partners, including exploring feasible options for the exchange and the required legal

instrument that would need to be adopted to enable the exchange. All of which could accelerate ASEAN's existing work in the area of trade facilitation and digitalisation, as well as enhance resilient supply chains.

Financing, Payment and Service Connectivity

15. The Meeting was pleased with the expansion of the bilateral cross-border QR payment linkages, with the launch of Singapore-Malaysia QR payment linkage and looked forward to the upcoming (i) QR payment linkage launches between Cambodia and Viet Nam, Cambodia and Lao PDR, Viet Nam and Lao PDR, Philippines and Malaysia, Indonesia and Singapore, and Thailand and Lao PDR; and (ii) on cross-border remittance linkage launches between Thailand and Malaysia, Indonesia and Malaysia, and Singapore and Malaysia.
16. The Meeting welcomed the completion of the Roadmap on Regional Payment Connectivity (RPC) for ASEAN which laid out the timeline for other ASEAN members to sign the Memorandum of Understanding (MOU) on RPC. The Meeting welcomed Viet Nam and Brunei Darussalam as incoming RPC participants, and looked forward to the accession of remaining AMS to the RPC and the expansion to other neighboring countries beyond ASEAN.
17. On multilateral payment linkages, the Meeting noted the ongoing work to facilitate the regional connectivity of ASEAN members with or without instant payment systems (IPS). Good progress is being made in the collaboration between the Bank for International Settlements Innovation Hub (BISIH) and ASEAN members on the Project Nexus multilateral network model, particularly on governance framework, scheme rulebook, and functional design. ASEAN members without IPS have been invited to participate as special observers.
18. The Meeting commended the Working Committee on Payment and Settlement Systems' (WC-PSS) completion on the revision of its TOR to incorporate new developments such as payments connectivity and innovations and to continue serving as a platform for information sharing and capacity building and for collaboration with stakeholders.
19. The Meeting noted the progress of the study on the approach to monitor AMS' progress in meeting the G20 cross-border payment targets on cost, speed, transparency and access and looked forward to the deeper analysis to explore how local currency transactions can lower the cost of cross-border payments.

Infrastructure Financing

20. The Meeting endorsed the result of the High-Level Dialogue on Promoting Sustainable Infrastructure Development held on 24 August 2023, to strengthen the AMS perspectives on: (i) financing gaps and infrastructure investment opportunities in ASEAN; (ii) the need to increase private sector participation in infrastructure financing; and (iii) the importance of exploring more innovative sources of infrastructure financing.

21. The Meeting endorsed the repositioning of the ASEAN Infrastructure Fund (AIF) as an ASEAN green fund through mainstreaming of the ASEAN Catalytic Green Finance Facility (ACGF) to enhance its credibility to international investors and increase its potential to attract more green fund and financing partners. Following the three-pronged approach to expand AIF capacity, the Meeting agreed to: (i) align AIF financing the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy), (ii) strengthen AIF's business processes by involving multiple parties to participate as lead co-financier, and (iii) look forward to further studies on AIF recapitalisation contribution and optimisation of AIF's existing capital, including through innovative financing tools such as asset recycling.
22. The Meeting was pleased with the amount of issuance under the ASEAN Green, Social and Sustainability Bond Standards which has reached US\$ 40.77 billion as at July 5th, 2023. The Meeting welcomed the first Sustainability Bonds Knowledge Sharing Session in July 2023 as part of the Sustainable Finance for Sustainable Projects initiative.

Sustainable Finance

23. The Meeting noted the progress of the ASEAN Taxonomy Board's (ATB) targeted consultation process on Version 2 of the ASEAN Taxonomy, which commenced in June 2023. The consultation, which involves stakeholders from the financial and real economy sectors, government bodies, and regional and international organisation, is expected to be completed by November 2023, ahead of the 28th United Nations Climate Change Conference in Dubai. The consultation Findings will further refine Version 2 of the ASEAN Taxonomy, and inform the development of technical screening criteria (TSC) for the remaining focus and enabling sectors under Version 3 of the ASEAN Taxonomy, which will be released in phases over the next two years. The Meeting looked forward to finalisation of Version 2 of the ASEAN Taxonomy and the plans for Version 3 such as the development of the TSC for the remaining focus sectors.
24. The Meeting noted that Version 2 of ASEAN Taxonomy is an example of how ASEAN members are working to enable a just, affordable, credible and orderly transition in the region. The Meeting emphasised that the ASEAN Taxonomy should continue to ensure that it is interoperable with other international taxonomies, in order to attract and channel the investments needed to support the region's transition.
25. The Meeting recognised the importance of managed coal phase-out in significantly lowering ASEAN's carbon emissions, and acknowledged that the process is dependent on AMS' readiness and timeline in achieving their transition goals. The Meeting noted the importance of developing innovative financing mechanisms and financial structures to support a just, affordable, credible and orderly energy transition in the region, building on early initiatives such as Energy Transition Mechanism (ETM) and Just Energy Transition Programme (JETP). The Meeting encouraged further innovation to accelerate transition of other sectors. Considering the significant mobilisation of private capital required, the Meeting

welcomed industry-led initiatives that provide practical voluntary guidance to Financial Institutions (FIs) on facilitating the managed coal phase-out transactions.² These complement regional efforts such as the ASEAN Taxonomy for Sustainable Finance Version 2, which introduced the early retirement of coal-fired power plants consistent with global science-based decarbonisation pathways, or coal phase-out (CPO)³ as an activity that can be classified as green or transition activity. The Meeting noted the success of the Seminar on Energy Transition Mechanism, which was conducted on 23 August 2023.

26. The Meeting welcomed the development of Transition Finance Guidelines for ASEAN which will serve as a common set of guidance for what constitutes a just, affordable, credible and orderly transition. The Meeting looked forward to the completion of the Phase 1 of the Guidelines by the end of 2023.
27. The Meeting noted the ASEAN Capital Markets Forum (ACMF) - International Sustainability Standards Board (ISSB) Joint Conference and Technical Training in Singapore in June 2023, which saw 1,000 participants across ASEAN. The event marked the launch of two inaugural International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (ISSB Standards) in Asia, and builds on the ongoing regular dialogue between the ACMF and the ISSB, as the ACMF evaluates the feasibility of adopting the ISSB Standards based on each jurisdiction's own legal and regulatory arrangements with respect to international standards, in a way that promotes consistent and comparable sustainability disclosures across ASEAN. The Meeting looked forward to the development of a protocol which would serve as a guide for ACMF's engagement with the ISSB going forward.
28. The Meeting welcomed the adoption of the ASEAN Sustainable and Responsible Fund Standards by Malaysia, Philippines, Singapore and Thailand (signatories to the ASEAN Collective Investment Scheme (CIS) Framework). The Meeting looked forward to the endorsement of the Handbook for Cross-border Offerings of ASEAN Sustainable and Responsible Funds (ASEAN CIS-SRF) under a "green lane" within the ASEAN CIS Framework. The Handbook will facilitate the cross-border distribution of sustainable and responsible funds (also known as ESG funds) in signatory jurisdictions, by providing guidance to market participants on the different regulatory requirements and the administrative procedures that apply to the cross-border offering of ASEAN CIS-SRF under the "green lane".
29. The Meeting commended the continued efforts of the ASEAN Working Committee on Capital Market Development (WC-CMD) and ACMF in promoting sustainability in the ASEAN region with the ongoing ASEAN Carbon Market Study and by deepening industry engagement through their Joint Sustainable Finance Working

² This may include efforts by the Glasgow Financial Alliance for Net Zero (GFANZ) Asia Pacific Network Office.

³ Asia-Pacific Network of the Glasgow Financial Alliance for Net Zero, Financing the Managed Phaseout of Coal-Fired Power Plants in Asia Pacific, PUBLIC CONSULTATION: Guide to support the financing of the early retirement of coal-fired power plants as part of a just net-zero transition, https://assets.bbhub.io/company/sites/63/2023/05/gfanz_consultation_managed-phaseout-of-coal-in-Asia-Pacific.pdf

Group (JSFWG) Industry Advisory Panel (IAP) in the priority areas of taxonomy and transition; disclosures and data; and strengthening demand and supply. The Meeting welcomed the publication of the IAP's White Papers on the ASEAN Taxonomy, Transition Finance Pathways for ASEAN, Sustainability Disclosures and Strengthening Demand and Supply for Sustainable Finance, which can contribute to the shaping of the ASEAN sustainable finance ecosystem.

30. The Meeting welcomed the considerable progress made by the ASEAN Central Banks in promoting the sustainable finance agenda including the progress of the second iteration of the ASEAN Learning Curriculum on Sustainable Finance which continues to provide important capacity-building for ASEAN Central Banks. The Meeting noted the progress of the ASEAN Green Map, which will serve as an overarching framework to guide the development of a sustainable finance ecosystem in ASEAN, taking into account initiatives by other sectoral bodies of the ASEAN Finance Process and other relevant initiatives such as the Implementation Plan for the Framework for Circular Economy and the ASEAN Carbon Neutrality Strategy.
31. The Meeting recognised the contribution of the ASEAN Insurance Regulators' Meeting (AIRM) in strengthening ASEAN insurance cooperation by exchanging knowledge and updates on recent developments, particularly on sustainable insurance and enhanced the role of insurance sector in support of ASEAN's sustainable development goals. The Meeting welcomed Viet Nam's Chairmanship for the next AIRM to be held in Ha Long, Viet Nam in December with the topic of "Resilience, inclusion and interconnection".

Financial Inclusion

32. The Meeting acknowledged the continued improvement of the average level of ASEAN financial exclusion, which is now at 21.8 percent based on AMS' national data, surpassing the 2025 target of 30 percent in the Strategic Action Plans (SAP) for Financial Integration 2016-2025. The Meeting commended the Working Committee on Financial Inclusion (WC-FINC) for the efforts in enhancing digital financial inclusion and digital financial literacy in ASEAN. The Meeting welcomed the progress of the WC-FINC initiatives, including the completion of the Implementation Guideline to Strengthen Digital Financial Literacy in ASEAN, which aims to provide action-oriented guidance for policymakers in ASEAN and will complement existing guidance in the ASEAN and global financial inclusion agenda; the successful conduct of the Digital Financial Inclusion Festival on the sidelines of the 10th AFMGM in August 2023; the development of an ASEAN Policy Toolkit on Enhancing MSME Digital Payment Use and Digital Financial Inclusion; and the ongoing Study on Interoperable Digital Identity (ID) as a Catalyst for Financial Inclusion, which seeks to identify common requirements to enable mutual recognition of digital IDs in the region.
33. The Meeting welcomed the WC-FINC's collaboration with the ASEAN Coordinating Committee on Micro, Small, and Medium Enterprises (ACCMSME) in the area of

MSME financing and digital financial literacy, including in the development of a platform to exchange information, good practices and country experiences on digital financial services and literacy to support MSMEs. The Meeting acknowledged the efforts to utilising digital financial services to increase MSME's access to finance, including to facilitate business matching between MSMEs and FinTechs in the region.

34. The Meeting noted the slight drop in insurance penetration in the region, among others, due to the pandemic. However, with the easing of travel restrictions and social and economic movements in the region, the Meeting looked forward to a better trajectory of insurance penetration in the near term together with the acceleration of digitalisation initiatives and amendments of implementing regulations to enable insurance businesses to seamlessly adapt to the new operating digitalised environment accelerated by the pandemic.

Disaster Risk Financing

35. The Meeting welcomed the progress made by the ASEAN Disaster Risk Financing and Insurance (ADRFI) Phase 2 to help policymakers quantify their financial exposure to natural disasters, assess the gap from existing contingency financing, adopt effective natural disaster risk financing, and plan for targeted capacity building to enhance financial resilience. On Risk Assessment and Risk Advisory, the Meeting noted the completion of the Economic Exposure Database (EED) and Economic Loss Database (ELD) for seven (7) AMS, one country more than the initial target, and the completion of the six (6) AMS individual country profiles for perils and exposures. On the capacity building programme, the Meeting also noted the implementation of DRFI country report briefing, ADRFI Phase 2 Platform train-the-trainers workshop, and concluding workshop on risk assessment and risk advisory pillars.
36. The Meeting noted the approval of all AMS to expand the scope to ACSCC-DRFI to include pandemic health risk, and AMS will give detailed inputs for the concept note intersessionally. The Meeting also noted the next steps for 2023-2024, namely: (i) the transfer of the ADRFI Phase 2 Platform; (ii) finalisation of country risk profiling; and (iii) capacity building activities.

Strengthening ASEAN Finance Process and New Initiatives

37. Given the fast-paced and constant evolution of global and regional development challenges, the Meeting agreed on the need to enhance coordination and dialogue among ASEAN members and acknowledged the potential benefits of having more frequent meetings during a chairmanship year. The 10th AFMGM, as the second AFMGM held in 2023 was welcomed by the Meeting and showed how Indonesia's arrangement demonstrates the benefits of having a second AFMGM in a year. The Meeting agreed that similar or enhanced arrangement in the future will be based on the incumbent Chair's discretion on the need for additional meetings.

38. The Meeting welcomed the proposal to foster closer collaboration among ASEAN sectoral bodies in order to discuss cross-sectoral matters including but not limited to financing initiatives in the health and agriculture sectors. The Meeting tasked the AFCDM Working Group to continue discussions on the proposal to establish an ASEAN Cross-Sectoral Working Committee under the ASEAN Finance Process, including initiating preliminary discussions with the relevant ASEAN sectoral bodies involved, and developing a TOR for the proposed WC by 2023.
39. The Meeting acknowledged the importance of discussions on treasury management among AMS, and gained a solid support from AMS on the initiative of establishing ASEAN Treasury Forum. The initiative would drive collective steps to modernise both practices and policies towards a more transparent and accountable public finance management (PFM) specifically treasury management.
40. The Meeting reiterated the needs for the ASEAN Finance Process to tackle economic and financial developments in a systematic manner, to deliver relevant solutions that support regional economic growth, financial stability, and prosperity. Against this background, the Meeting commended the progress made by some ASEAN working committees in reviewing their mandates, in line with the Chairmanship's early concept notes, and endorsed the establishment of the ASEAN Task Force on Revisiting WC Mandates – Aligning with Post-2025. While the process may differ across committees, the Meeting looked forward to the Task Force's work that would guide the WCs in revisiting their mandates.

Closing

41. The Meeting appreciated the support given by the ASEAN Secretariat to the 10th AFMGM and its Related Meetings.
42. The Meeting expressed its deep appreciation to Indonesia for hosting the 10th AFMGM and its Related Meetings and looked forward to Lao PDR's Chairmanship in 2024.

