Financing for Development in Asia and the Pacific

Highlights in the Context of the Addis Ababa Action Agenda

Tientip Subhanij
Foreign Correspondents’ Club
Bangkok, Thailand

10 April 2019
Overview

- The Addis Ababa Action Agenda of the Third International Conference on Financing for Development has been recognized as critical for the realization of Sustainable Development Goals.

- Seven key areas are discussed.

- Main features: Highlights in the region, policy actions and recommendations.

- ESCAP role: Intergovernmental meetings, policy dialogues, expert group meetings, publications, capacity building.
Key Messages: Domestic Public resources

- Low levels of tax revenues remain a major bottleneck for developing Asia-Pacific countries to finance sustainable development.
- Greatest challenges are with LDCs, e.g. Afghanistan, Bangladesh and Myanmar where tax to GDP remain in single digit.
- Asia-Pacific is also under pressure to finance its expanding cities.
- Tax revenue mobilization has improved in 5 years from 16.1% in 2012 to 16.8% in 2017.
Tax revenue mobilization has improved

- Tax Revenue increase
  - Maldives, Nepal, Cambodia, Myanmar, Samoa, Tonga and Sri Lanka brought up their tax revenue levels significantly

- Comprehensive tax reforms are key
  - Rationalization in tax composition
  - Tax base broadening
  - Strengthen tax administration
  - Targeted reform at the sub-national level
Key Messages: Infrastructure financing

- Infrastructure financing requirement is large
- Most infrastructure investments are funded by the public sector
- Private infrastructure investment also declined in Asia and the Pacific
Key Messages

- Countries in Asia and the Pacific have made progress to finance infrastructure through several modalities
  - Public sector infrastructure financing
  - Public-Private Partnership
  - Capital market development: 2017-2018 has been marked the year of sovereign green bonds in the Asia-Pacific region

- Effectively engage multiple stakeholders in consultations on new and existing projects is necessary

- There is the need to deepen capital market and develop critical mass of long-term domestic institutional investors
Key Messages: MSME financing

- MSMEs are unable to meet 80% or more of their financial needs in 15 out of 33 Asia-Pacific countries.

- The lack of finance is severe in LDCs, ranging from 80.1% in Solomon Islands to 99.3% in Afghanistan.
Key Messages

- During 2017-2018, a number of countries in the region introduced new legislation, policy reforms and private sector initiatives to support MSMEs’ access to finance

- Examples include Viet Nam, Thailand, Myanmar, Tajikistan, Australia, Malaysia and Hong Kong, China.

- Several policy options
  - Improve lending infrastructure, including credit bureaus, credit guarantee agencies and collateral registries
  - Leverage national development banks to support MSMEs
  - Set appropriate regulations for FinTech, e.g. regulatory sandbox in Singapore, Malaysia, Thailand, and Hong Kong, China.
Key Messages: Climate Finance

- Policy actions were geared to
  - Enhance countries’ readiness for climate finance
  - Implement funding proposals and scale up disbursement
  - Improve the leverage ratios of public climate finance through blended finance instruments

- In Asia-Pacific region, there is still limited awareness of climate finance risks to private sector investors, lenders and insurance underwriters

- Need to refine and harmonize green taxonomies and sustainability standards
Thank you!

Full copy of the report is available at: