

Domestic Resources Mobilization and Their Use for the Transformative 2030 Agenda

Koji YAMADA
Operations Strategy, JICA
Yamada.koji@jica.go.jp

1. Context

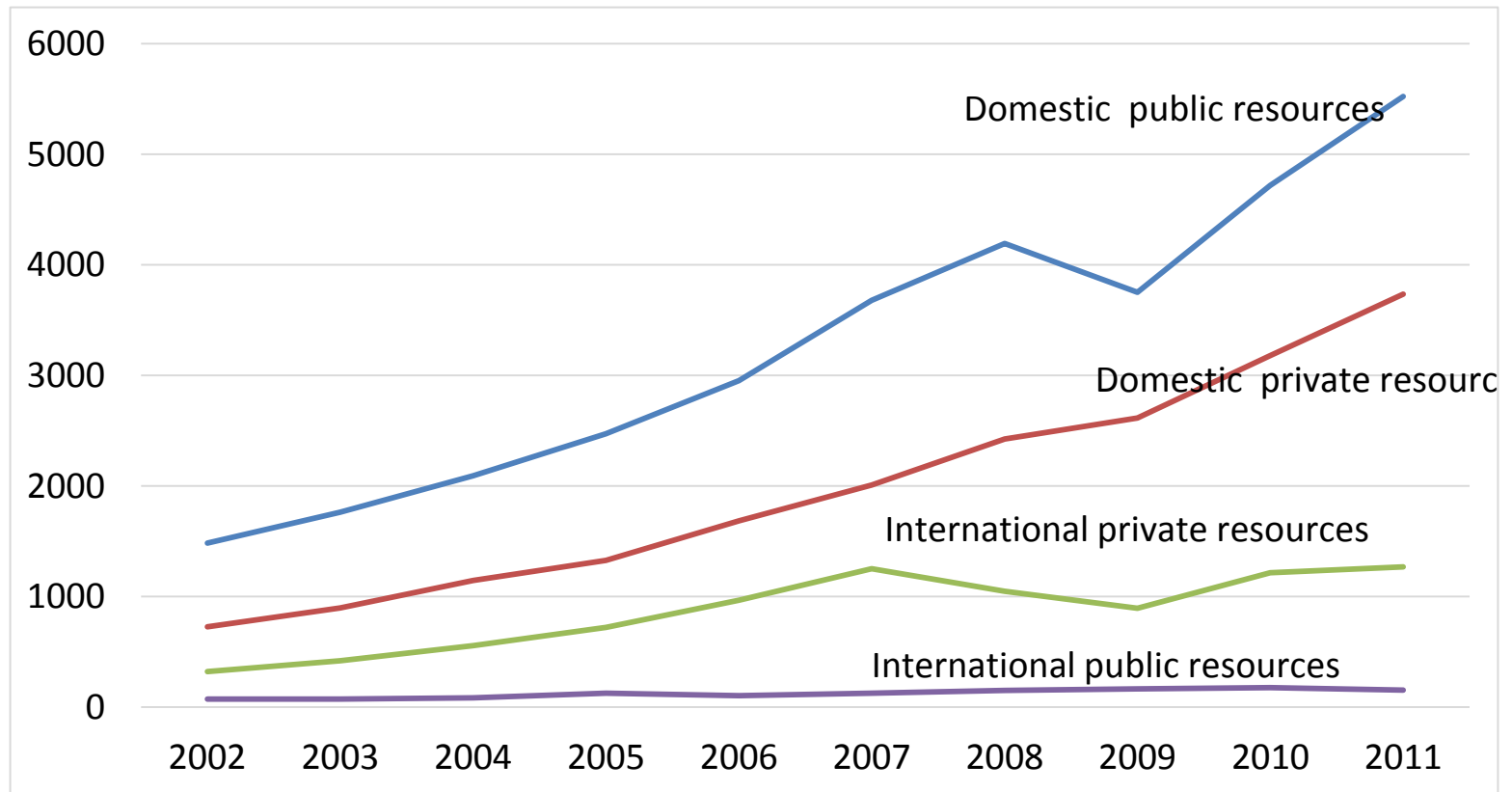
From Billions to Trillions

- From “Billions” in ODA to “Trillions” in investments of all kinds: public and private, national and global, in both capital and capacity.
- ODA: Globally, achieving the proposed SDGs will require the best possible use of each grant dollar, beginning with some **US\$ 135 billion in ODA**.
- Other International: Flows for development include **philanthropy, remittances, South-South flows and other official assistance and FDI**. These sources amount to nearly **US\$ 1 trillion** and that needs to be used just as effectively.
- National: The most substantial development spending happens at the national level in the form of public resources, while **the largest potential is from private sector business, finance and investment**. Each country and the global community must support this trajectory from billions to trillions.

Domestic resource mobilization is highlighted.

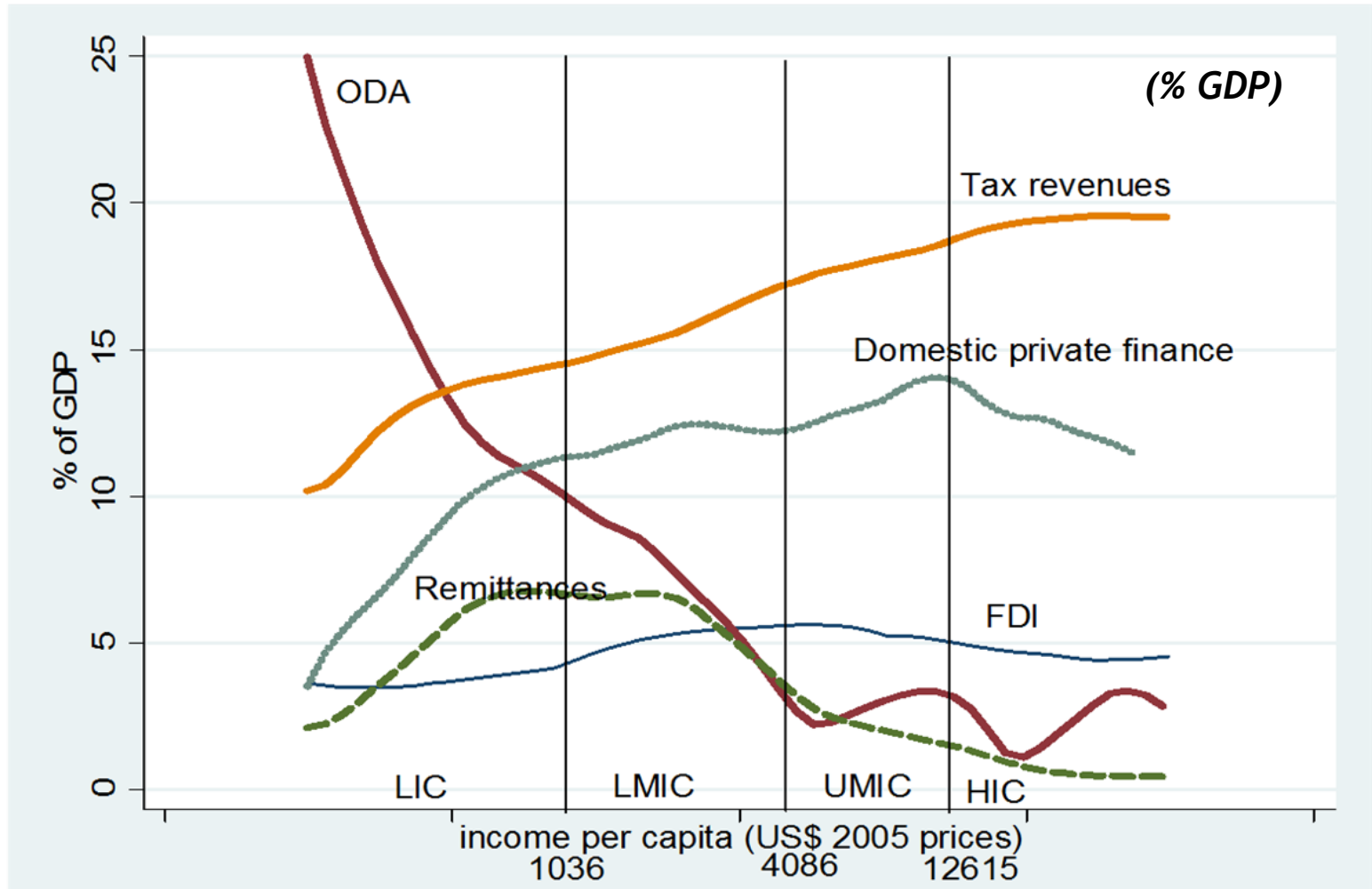
Trends in Finance to Developing Countries

(\$ billion, 2011 prices), 2002–2011



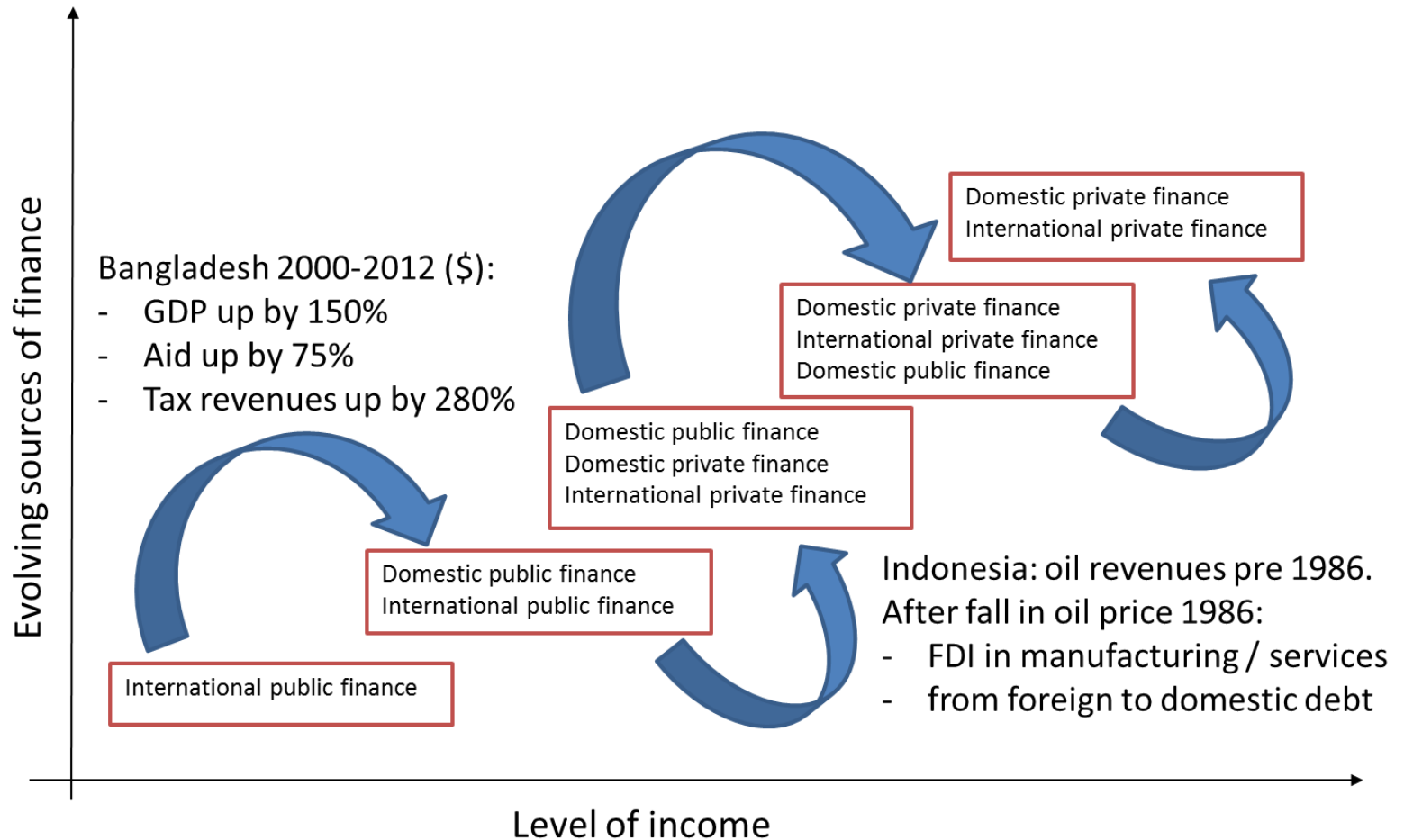
Sources: ERD 2015.

Composition of finance varies by level of income.



Sources: ERD 2015.

Typical evolution in sources of development finance.



Source: ERD country illustrations on Bangladesh, Ecuador, Indonesia, Mauritius, Moldova and Tanzania

Incremental SDG Annual Investment Needs in LICs and LMICs

Average for 2015-2030 in US\$ billion

| Investment area | "Development" investment needs | Incremental climate mitigation and adaptation investment needs | Total investment needs | Private, commercial financing (%) | Private, commercial financing | Public financing |
|------------------------------------------------------|--------------------------------|----------------------------------------------------------------|------------------------|-----------------------------------|-------------------------------|------------------|
| Health | 68 - 87 | 1 - 1.4 | 69 - 89 | 0% | 0 | 69 - 89 |
| Education | 194 | 0 | 194 | 0% | 0 | 194 |
| Social protection | ? | ? | ? | ? | ? | ? |
| Agriculture and food security | [125] | [22] | [148] | [51%] | [75] | [73] |
| Access to modern energy | 257 - 278 | 51 - 55 | 308 - 333 | [55 - 59%] | 169 - 196 | 137 - 138 |
| <i>Access to electricity and clean cooking fuels</i> | 54 - 71 | 10 - 14 | 64 - 85 | [40 - 50%] | 26 - 42 | 38 - 42 |
| <i>Power infrastructure</i> | [203 - 207] | [41] | [244 - 248] | [59 - 62%] | [144 - 154] | [94 - 100] |
| Access to water and sanitation | 29 | 13 - 16 | 43 - 46 | [5 - 26%] | 2 - 12 | 34 - 40 |
| <i>Basic water supply & adequate sanitation</i> | 28 | 6 | 34 | [0 - 20%] | 0 - 7 | 27 - 34 |
| <i>Water and sanitation infrastructure</i> | [1] | [8 - 11] | [9 - 12] | [24 - 44%] | [2 - 5] | [7] |
| Telecommunications infrastructure | [361] | [72] | [434] | [52 - 68%] | [225 - 295] | [139 - 208] |
| Transport infrastructure | [189] | [0] | [189] | [54 - 84%] | [102 - 159] | [30 - 87] |
| Ecosystems, incl. biodiversity | [21 - 28] | ? | [21 - 28] | [15%] | [3 - 4] | [18 - 24] |
| Data for the SDGs | 0.4 | 0 | 0.4 | [0%] | 0 | 0.4 |
| Emergency response and humanitarian work* | 8 - 23 | ? | [8 - 23] | [0%] | [0] | [8 - 23] |
| All SDG investment areas** | 1253 - 1316 | 160 - 167 | 1413 - 1483 | [41 - 50%] | 577 - 741 | 743 - 836 |

[Source] Guido Schmidt-Traub. "Investment Needs to Achieve the Sustainable Development Goals," SDSN Working Paper, Sept. 2015

Address Source and Use of Finance

Resource Mobilization

National:

- Regulatory framework
- Financial sector instruments
- **Public sector capacity development**
(e.g. project preparation, tax collection)

International:

- Development finance institutions / special funds / **New Development Banks**
- International policy environment (trade, tax, climate, finance)

Effective Use of Finance

National:

- **National capacity development**
- Standards, transparency
- Regulatory framework
- Policy coherence (e.g. trade policy)

International:

- Global rules/standards
- Donor co-ordination and DFIs

Financial Flows

SDGs Implementation

2. Case Study on Technical Cooperation for DRM -Tax Administration in Mongolia-

[Source]

Industrial Development and Public Policy Dept. JICA

Trend in Tax Revenue in Mongolia

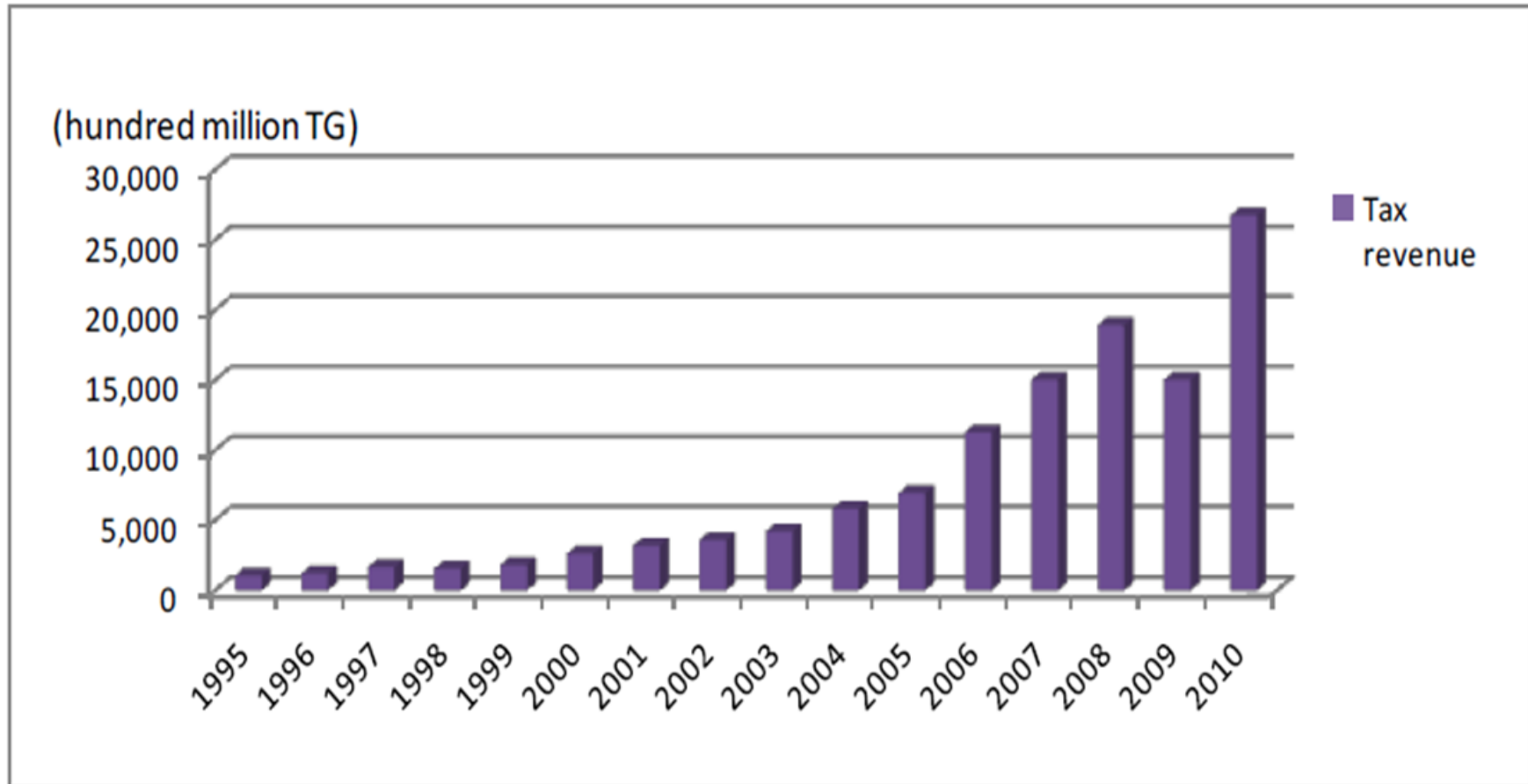

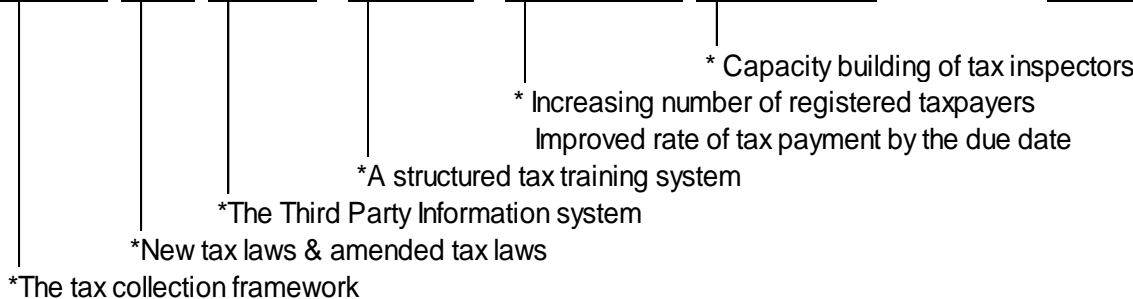



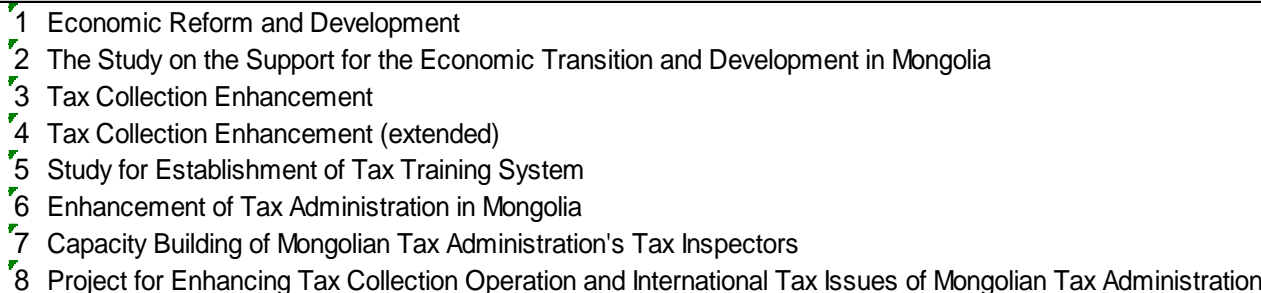


Figure 1 Trend in tax revenue

History of JICA Technical Cooperation

| Year | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | |
|---------------|-------------------------------------------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--|
| Term |  | | | | | | | | | | | | | | | | | | | | | | | |
| Achievements |  | | | | | | | | | | | | | | | | | | | | | | | |
| Scheme |  | | | | | | | | | | | | | | | | | | | | | | | |
| Inputs* |  | | | | | | | | | | | | | | | | | | | | | | | |
| Objective |  | | | | | | | | | | | | | | | | | | | | | | | |
| | *(LE) Long-term experts, (SE) Short-term experts, (Tr) Training in Japan and/or third countries | | | | | | | | | | | | | | | | | | | | | | | |
| Project Title |  | | | | | | | | | | | | | | | | | | | | | | | |

Identified Issues and Approaches Sought at Entry

The Challenge at the National Level

Unstable
Fiscal Revenue

**The Challenge at the General
Department of Taxation (GDT) Level**

Unstable
Tax Revenue

Malfunctioned
Tax Collection

Inefficient
Tax Inspection

Many Tax
Evasions and
Tax Defaults

False
Declaration

Few
Registered
Taxpayers

Insufficient
Settlement of
Tax Laws

Inefficient
Division of
Duties in Tax
Collection

Insufficient
Knowledge
and Expertise

Insufficient
Knowledge
and Expertise

Undefined
Methods of
Tax Inspection

(a) Improvement of

- Prevention Structures of Tax Evasions and Defaults
- Environment of Tax Payment
- Tax Payers' Awareness

(b) Settlement and
Improvement of
Legal Framework of
Tax

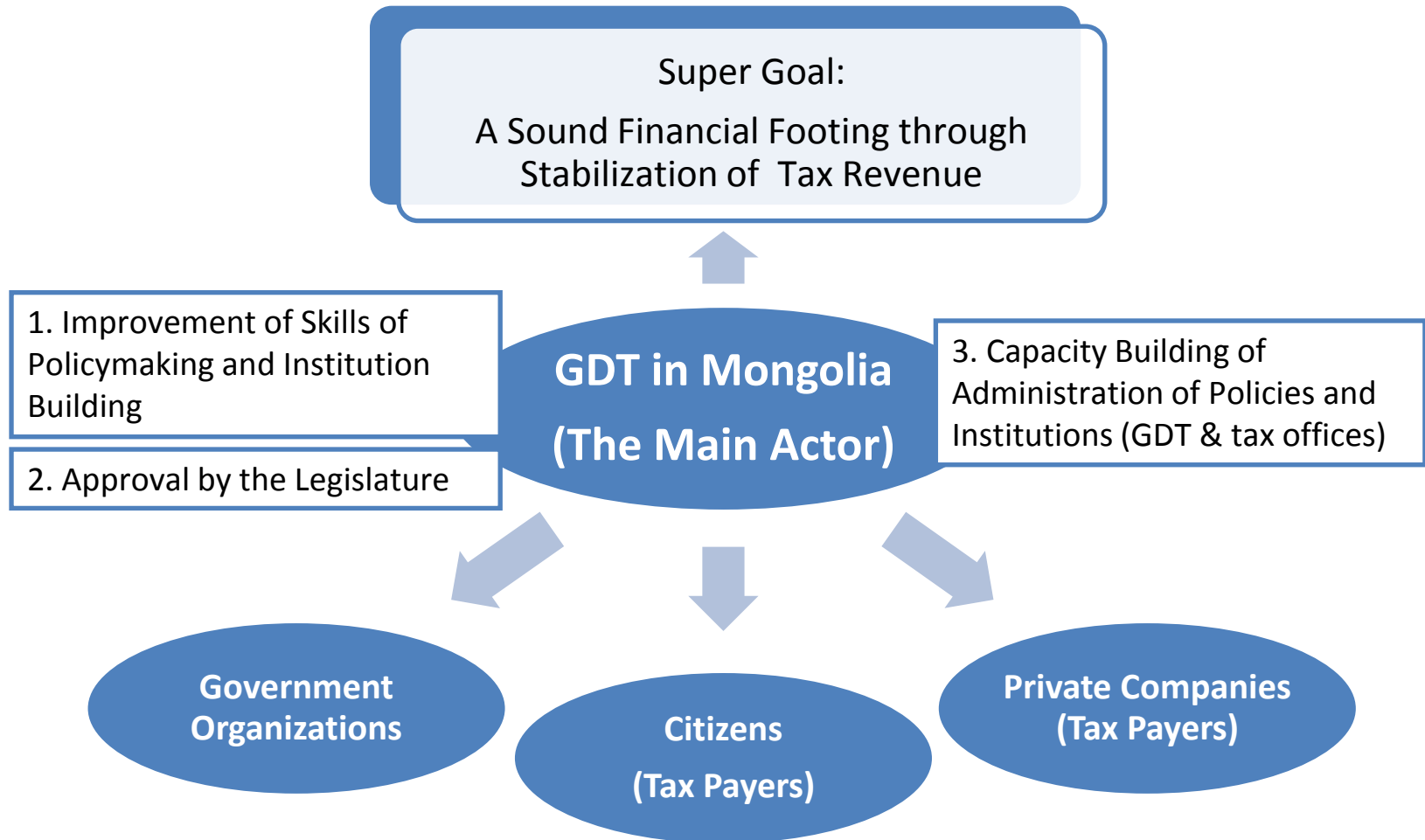
(c) Improvement of
Organization
Structure of GDT in
Mongolia

(d) Capacity
Development of
Human resources
and GDT

(e) Improvement of
Methods and
Organization
Structure of Tax
Inspection

Necessary Approaches for Attacking These Problems

Project Approach for Strengthening Policy and Institution Building



Approaches Adopted in Each Project Phase

| Project Phase | Approaches | | | | |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------|
| | (a) Improvement of - Prevention Structures - Environment of Tax Payment - Tax Payers' Awareness | (b) Settlement and Improvement of Legal Framework of Tax | (c) Improvement of Organization Structure of GDT in Mongolia | (d) Capacity Development of Human resources and GDT | (e) Improvement of Methods and Organization Structure of Tax Inspection |
| Phase 1: Economic Reform and Development | | ○ | ○ | | |
| Phase 2: The Study on the Support for the Economic Transition and Development in Mongolia | | ○ | ○ | ○ | |
| Phase 3: Tax Collection Enhancement | | ◎ | ○ | ○ | |
| Phase 4: Tax Collection Enhancement (extended) | | | | ○ | ◎ |
| Phase 5: Study for Establishment of Tax Training System | ○ | | | ○ | ◎ |
| Phase 6: Enhancement of Tax Administration in Mongolia | ◎ | | | ◎ | ◎ |
| Phase 7: Capacity Building of Mongolian Tax Administration's Tax Inspectors | | | | ◎ | |
| Phase 8: Project for Enhancing Tax Collection Operation and International Tax Issues of Mongolian Tax Administration | ○ | | ○ | ◎ | |

1. **Long-term commitment** of the TC provider to building capacity at all levels needed for DRM.
2. Departure from result management at individual project level to **program-based result management**, combining different types of operational tools, in order to meet the national development goals and strategy.
3. Strong **government ownership**. Measures to strengthen it: High-level dialogues on institutional design at initial stage; phasing-out and transition to local indigenous efforts.
4. **Start with quick-impact projects** to show quick results, then transition to the measures to assure long-term institutional sustainability.

3. For Better Use of Finance

Where to use finance?

1. ECDPM (ERD2015):
Direct all financial resources to
6 “enablers” for sustainable development
(i) (local) Governance, (ii) Infrastructure, (iii) Human Capital,
(iv) Natural Capital (Biodiversity), (v) (Green Energy)
Technology, (vi) Trade
2. Government of Japan (2015):
*Partnership for Quality Infrastructure: Investment
for Asia’s Future*
3. Copenhagen Consensus Center (2015):
Concentrate international public finance on
19 Smart Development Goals

Copenhagen Consensus Center: 19 Smart Development Goals

People

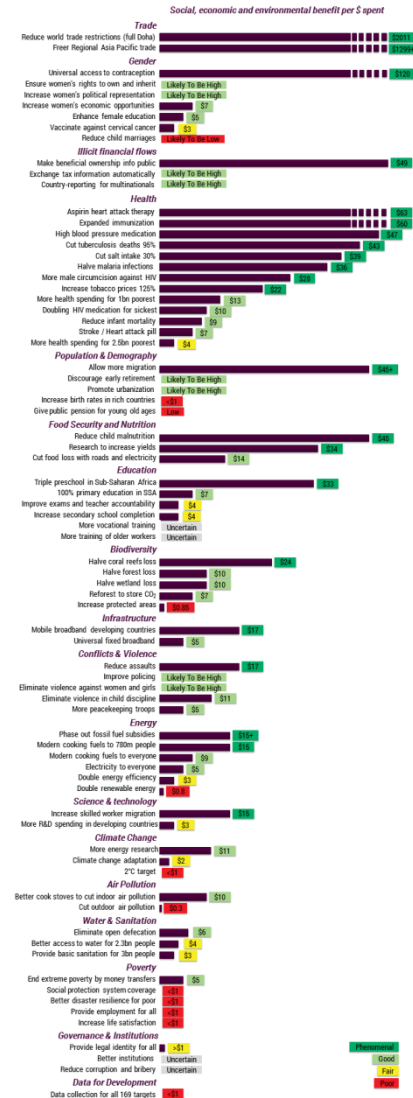
1. Lower chronic child malnutrition by 40%
2. Halve malaria infection
3. Reduce tuberculosis deaths by 90%
4. Avoid 1.1 million HIV infections through circumcision
5. Cut early death from chronic disease by 1/3
6. Reduce newborn mortality by 70%
7. Increase immunization to reduce child deaths by 25%
8. Make family planning available to everyone
9. Eliminate violence against women and girls

Planet

10. Phase out fossil fuel subsidies
11. Halve coral reef loss
12. Tax pollution damage from energy
13. Cut indoor air pollution by 20%

Prosperity

14. Reduce trade restrictions (full Doha)
15. Improve gender equality in ownership, business and politics
16. Boost agricultural yield growth by 40%
17. Increase goals education in sub-Saharan Africa
18. Achieve universal primary education in sub-Saharan Africa
19. Triple preschool in Sub-Sahara Africa.

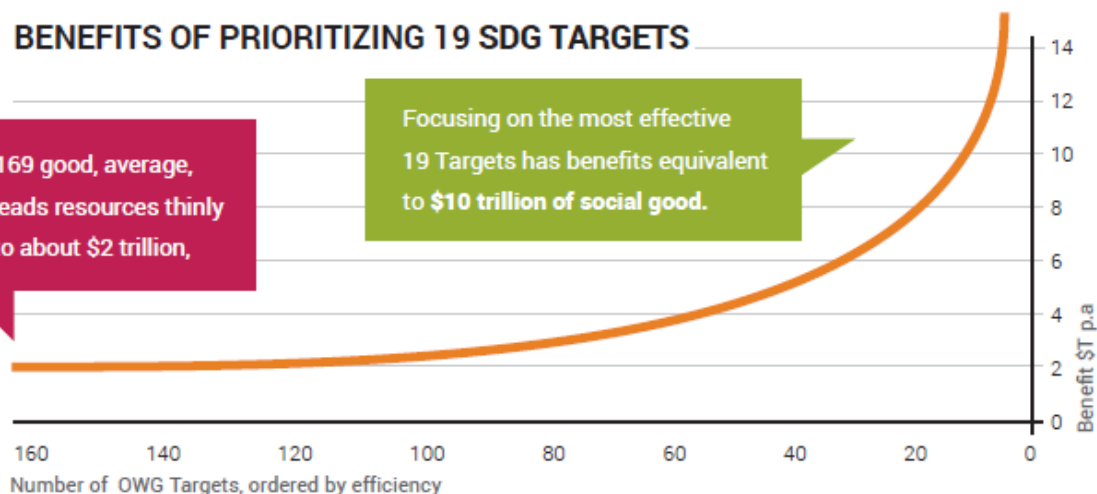


Benefits of Prioritization

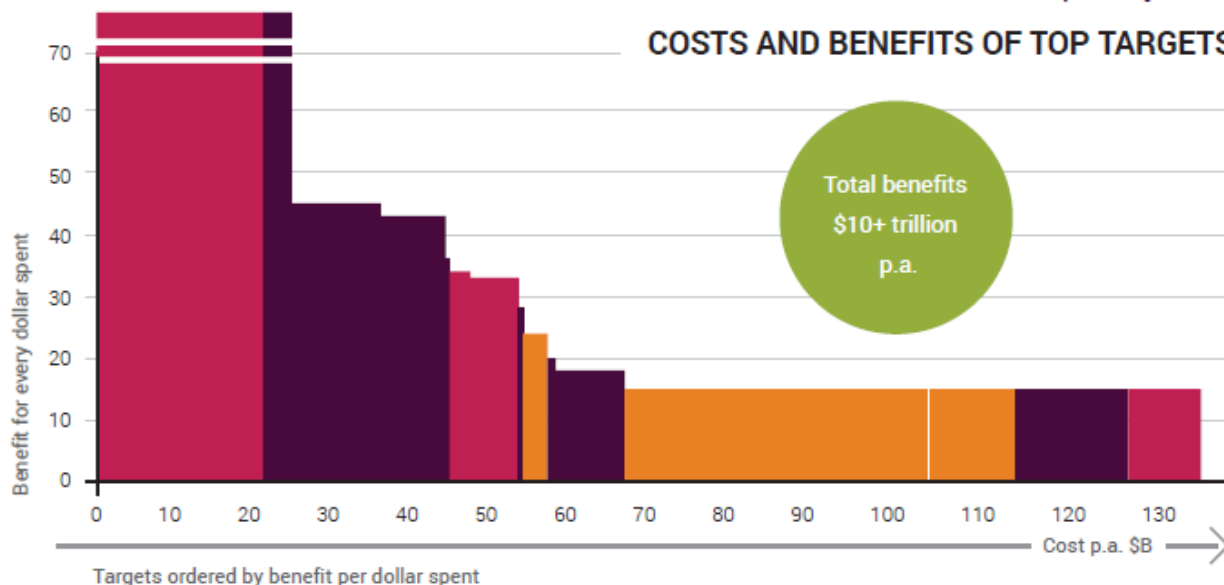
BENEFITS OF PRIORITIZING 19 SDG TARGETS

Trying to achieve all 169 good, average, and poor Targets spreads resources thinly and dilutes benefits to about \$2 trillion,

Focusing on the most effective 19 Targets has benefits equivalent to \$10 trillion of social good.



COSTS AND BENEFITS OF TOP TARGETS



Role of International Public Finance

1. Support for providing **public goods and services in LICs and LMICs**, including education, health and basic infrastructure;
2. Play a **catalytic role for private resource mobilization**, correcting market failure. Ensure the investment climate for FDIs, technological innovation, venture capital and social business; and
3. Supply **global public goods** to address global and regional issues, by providing a platform for knowledge creation and sharing, including via triangular cooperation.

Immediate Challenges to Development Cooperation

1. Better alignment with national SDGs implementation plans/strategies at country level
2. How to maximize impacts on targeted programs?
 - Long-term commitment and consultations with counterparts and other development partners;
 - Innovative program design, collaborating with new development partners, public and private, primarily at country level;
 - Innovative arrangements to mobilize private finance, primarily for infrastructure, at HQ level.
3. How to prioritize targets to concentrate aid resources?
4. Knowledge sharing for more collaborative actions
5. More interactions with research community

Thank you!!