

Workshop on Domestic Public Resource Mobilization for Sustainable Development

**6-7 December 2017
Bangkok**

DRAFT CONCEPT NOTE

I: Background

Public finance is the financial backbone for an effective pursuit of the 2030 Agenda for Sustainable Development. In particular, public funding and the borrowing backed by public credit remain the main source of financing for infrastructure investment in developing countries, despite increasing mobilization of private resources.

In developing Asia, infrastructure investment is estimated to require \$26 trillion, equivalent of 6% of GDP, between 2016-2030 to effectively support the 2030 Agenda, and an overwhelming share of it would be financed by public resources. Many Asia-Pacific countries are ill-equipped for this challenge. The region as a whole has relatively low tax revenue levels, which averaged 17.6% of GDP in 2014 compared to 34.2% of GDP in OECD countries. More importantly, a number of the region's least developed countries are still experiencing by close-to-single-digit tax to GDP ratios, a level far from being adequate for the sustainable development tasks ahead.

Asia-Pacific is also in the midst of the world's largest rural-urban transformation. Between 2000 and 2015, 940 million people have moved into Asian cities and today the region accommodates more than 30 million new rural-urban migrants every year. Providing essential urban infrastructure and public services for the fast-growing urban population is a huge fiscal challenge for municipal governments of the region, which have long been suffering from significant vertical imbalances, limited policy space and lack of effective revenue mobilization tools at their disposal.

In addition, Asia-Pacific is highly integrated into the global value chains. It is susceptible to the risk of harmful tax competition for investment and export market, and also to the tax loopholes in cross-border trade and investment. Recent years have witnessed a downward trend of statutory corporate tax rates and wide-spread use of tax incentives in several countries of the region. Moreover, expected tax cuts in some major economies in the world may put further pressure on tax revenues due to competition for investment.

These challenges require strengthened efforts in domestic public resource mobilization at all government levels as well as broad-based cooperation and coordination among countries to work together in addressing common and cross-cutting issues. In particular, continuous dialogue and knowledge exchange between countries, international organizations and the academia would be extremely important to identify potential solutions and discuss pros and cons of different policy options for informed decision making.

As a regional arm of the United Nations in Asia and the Pacific and a most inclusive intergovernmental platform of the region, ESCAP is devoted to promoting knowledge exchange and policy debate on tax and public finance issues among broad stakeholders. It has so far organized four consecutive High-Level Dialogues on financing for development and is seeking to further align this exercise with its intergovernmental processes for greater impact and concrete results. It has also initiated cooperation with strategic partners like the ADB and the OECD towards shared objectives of promoting domestic resource mobilization and tax reforms oriented towards the new requirements of sustainable development. Within ESCAP, we have established an advisory Eminent Expert Group on tax and public finance for sustainable development in 2016 to provide technical guidance and support to the efforts of the ESCAP member States in strengthening public finance for sustainable development.

II: Objectives

The workshop aims to increase knowledge and awareness of the challenges and opportunities regarding domestic public resource mobilization for sustainable development in Asia and the Pacific, in view of the region's enormous infrastructure investment and urban development needs.

It also serves as an interactive platform for knowledge exchange between policy makers, international organizations and the academia on the priority issue of the subject, and informs the intergovernmental deliberations at the *Committee on Macro Economic Policy, Poverty Reduction and Financing for Development* on 6-8 December 2017.

III. Organization and participation

The workshop comprises two interactive panels, on **Enhancing tax revenue through domestic reforms and Regional cooperation to address shared challenges in tax base protection** on 6 December 2017 and a learning session on **Infrastructure Financing Studies in Selected Asia-Pacific Countries** on 7 December 2017.

The panels will feature high-level policy makers working on tax and fiscal matters from the region, experts from partner institutions, in particular the Asian Development Bank and the OECD, and the members of the ESCAP Eminent Expert Group on tax and public finance for sustainable development.