



Talofa

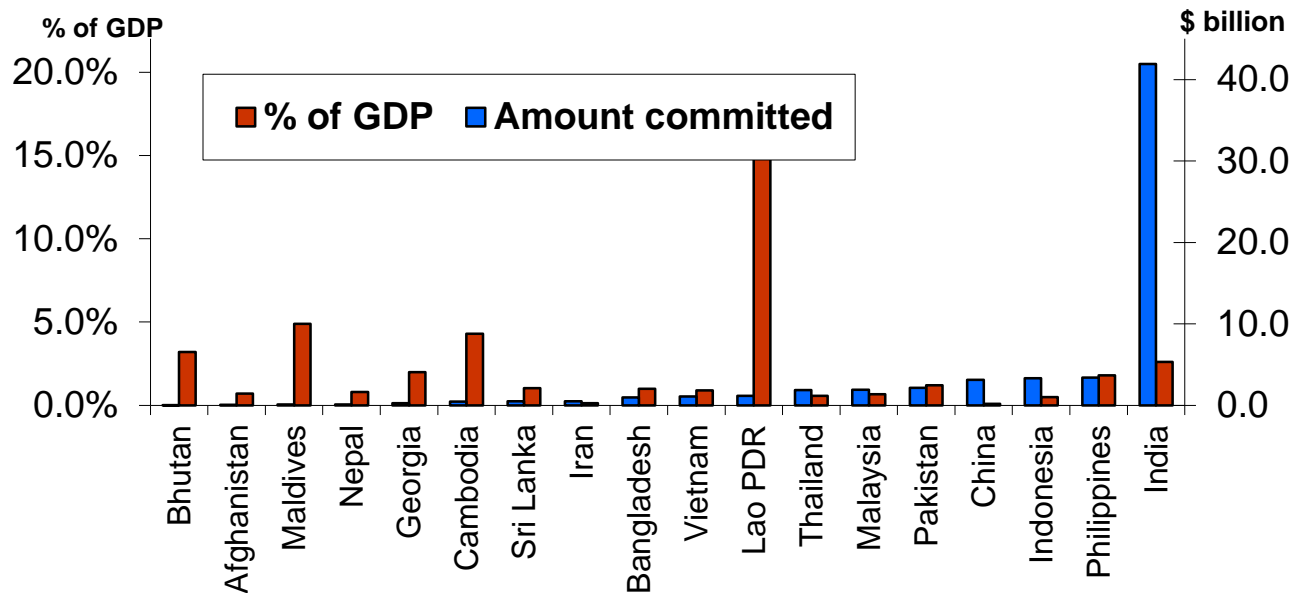
Mobilizing public resources and including gender-responsive infrastructure development



The essential role of public resources for infrastructure financing

Public resources remain the backbone for infrastructure financing

- In most Asia-Pacific developing countries, private infrastructure investment is less than 1% of GDP, far below the normal infrastructure spending needs of 5-10% per year;
- Tax to GDP ratio in the region is however among the lowest in the world



Private infrastructure investment by Asia Pacific
countries in 2008-2012

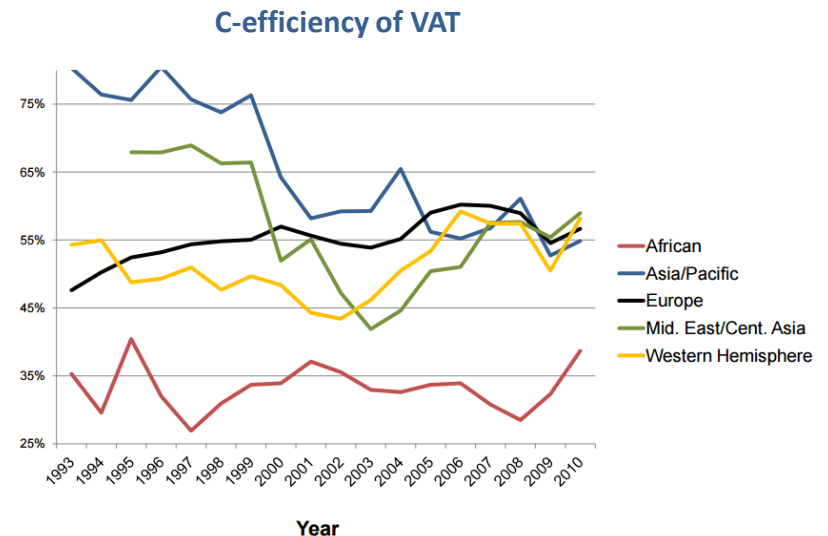
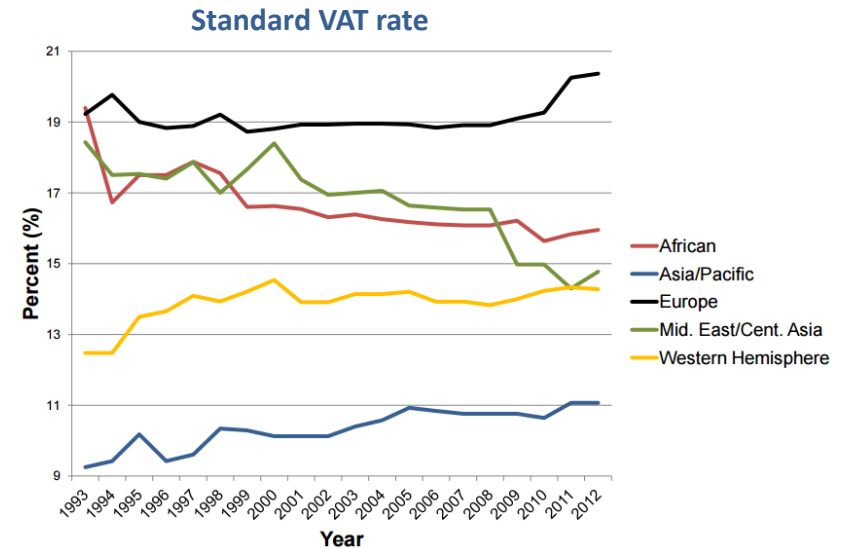


Enhancing tax revenues – make VAT perform

Relatively low VAT rates and decreasing c-efficiency of VAT have led to VAT revenue stagnation in Asia-Pacific

- Asia-Pacific has the world's lowest standard VAT rates, which partly reflects the intense competition for investment and export market;

- Although average VAT rate in Asia-Pacific has gradually increased from around 9% to 11% since the early 1990s, the continuing deterioration in collection efficiency almost wiped out any revenue gain.





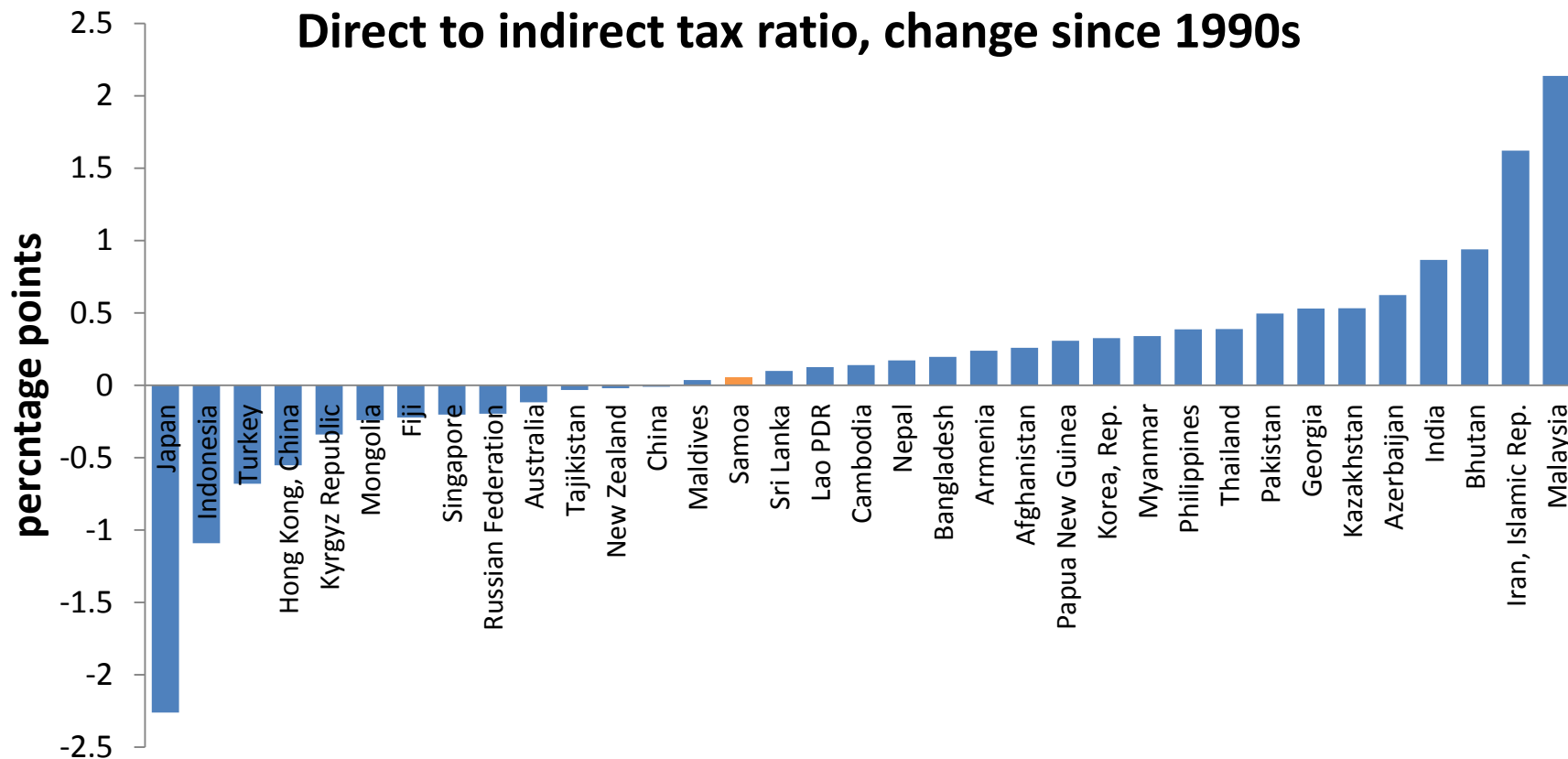
Enhancing tax revenues – make VAT perform

Low collection efficiency is the main problem for VAT in A-P developing countries

- Broad-based and streamlined VAT reform is viewed as an effective way to enhance GST revenue while reducing economic distortions;
- However, the introduction of VAT itself doesn't automatically deliver on revenue promises;
- Effective VAT administration proved to be a significant institutional and capacity challenge in many cases
 - ✓ Collection of business data and institutional/procedural reforms to support the VAT system
 - ✓ Excessive exemptions to basic consumption goods, agriculture and export sectors
 - ✓ The presence of large informal sector
 - ✓ Fake VAT vouchers and export invoices
- VAT implementation is often shaped by the underlying capacity, institutional, legal and political economic factors.



Enhancing tax revenues – explore the potentials of direct taxes (Corporate and Personal Income Tax)



Enhancing tax revenues – rethink tax incentives

	Number of Countries Surveyed	Tax holiday/Tax exemption	Reduced Tax rate	Investment allowance/Tax credit	R&D Tax Incentive	Super-deductions	SEZ/Free Zones/EPZ/Freeport	Discretionary process
East Asia and Pacific	12	92%	75%	67%	83%	33%	92%	83%
Eastern Europe and Central Asia	16	88%	38%	25%	31%	0%	100%	38%
Latin America and the Caribbean	25	88%	32%	52%	12%	4%	72%	40%
Middle East and North Africa	15	80%	40%	13%	0%	0%	80%	40%
OECD	33	21%	36%	64%	76%	21%	67%	33%
South Asia	7	100%	43%	71%	29%	71%	71%	43%
Sub-Saharan Africa	45	78%	62%	78%	11%	18%	64%	82%



Public resource mobilization at subnational levels – property taxes

Property taxes are important for subnational governments, despite being minor revenue sources

- Property taxes currently contribute only an insignificant amount of revenue ;
- Property taxes in developing A-P are viewed more as a luxury consumption tax and a policy tool to adjust housing market rather than a main revenue source;
- While property taxes are attractive for subnational governments, securing public support and effective tax administration is very challenging.

Subnational property tax as share of GDP, (%)

	1970s	1980s	1990s
OECD countries (number of countries)	1.24 (16)	1.31 (18)	1.44 (16)
Developing countries (number of countries)	0.42 (20)	0.36 (27)	0.42 (23)
Transition countries (number of countries)	0.34 (1)	0.59 (4)	0.54 (20)
All countries (number of countries)	0.77 (37)	0.73 (49)	0.75 (58)

Subnational property tax as share of subnational revenue, (%)

	1970s	1980s	1990s
OECD countries (number of countries)	17.4 (16)	17.0 (17)	17.9 (16)
Developing countries (number of countries)	27.6 (21)	24.3 (27)	19.1 (24)
Transition countries (number of countries)	6.7 (1)	8.51 (4)	8.8 (20)
All countries (number of countries)	22.8 (38)	20.4 (48)	15.6 (59)





Leveraging public assets – the challenge of value capture

Effective value capture is key for fast expansion of public financing for infrastructure

- Public infrastructure improvement has been a main driver behind the real estate booms in Asia-Pacific developing countries. Capturing a small proportion of such value addition might be the greatest opportunity and an appropriate means for public revenue enhancement;
- However, with the exception of property taxes, current tax tools are largely ineffective in value capture of real estate booms, and the natural revenue increase as the economy grows could be inadequate to sustain large-scale greenfield infrastructure investments;
- The mainland China and Hong Kong models, on the other hand, are not replicable as they heavily rely on broad public ownership of land assets;
- Finding out innovative solutions for value capture would be a major policy challenge for countries with great infrastructure ambitions.

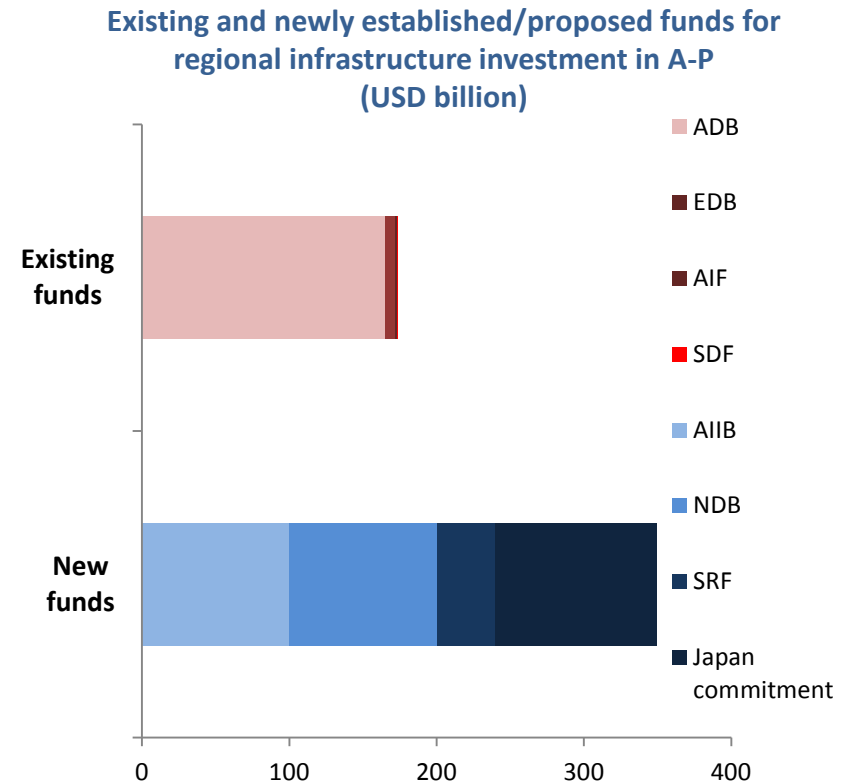


Semi-public sources – regional development banks and infrastructure funds

Significant expansions of regional infrastructure financing in the coming years

- The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) are expected to double the multilateral funding available for the A-P region
- The Asian Development Bank (ADB) also pledges to increase its financing capacity by 50% between 2015 and 2017
- New national initiatives like the \$40 billion Silk Road Fund (SRF) will further boost regional financing for infrastructure

Strategic vision and the quality of planning, project preparation and implementation will determine the ability of a country to tap into these funds



Note: Asian Development Bank (ADB), Eurasian Development Bank (EDB), ASEAN Infrastructure Fund (AIF), SAARC Development Fund (SDF), Asian Infrastructure Investment Bank (AIIB), New Development Bank (NDB), Silk Road Fund (SRF)

Gender-responsive infrastructure development

Target 5.4: Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies ...

- Infrastructure projects cannot be assumed to deliver benefits to men and women equally



Gender mainstreaming in infrastructure (conscious approach / explicit)

- Gender involvement and consultation
- Supporting women employment in the project
- Key performance indicators with regard to female benefits
- Monitor against gender impact
- Lack of sex-disaggregated data is an issue





Gender-responsive infrastructure development

Is gender something you include in infrastructure project preparation in Samoa? How do you do it?

Do you monitor gender impact of infrastructure project?

Do you take any actions specific actions to ensure that gender are included in the stakeholder consultation process?

