

Remarks – ESCAP 4th High Level Dialogue

Bangkok

Well first of all I'd like to personally recognise the work that Dr Akhtar has done to pursue the inclusive prosperity agenda for ESCAP.

The quality of papers that have been circulated demonstrates a high level of expertise and understanding of the scale of the challenges ahead of us.

The establishment of the Eminent Expert Group (EEG) on Tax Policy and Public Expenditure Management is a critical step for ESCAP in building momentum to achieve the Sustainable Development Goals (SDGs).

The EEG is an independent advisory board providing strategic guidance, policy priorities and technical inputs on public finance issues to the Executive Secretary of ESCAP.

For me personally as Chair of the Group, I will listen intently to the discussions today and tomorrow because the group understands that there isn't "a one size fits all" policy response in the region given the diversity of ESCAP's constituency.

There can be no meaningful progress on **SDG Goals 3 (Health), 4 (Education), 8 (Work & Economic Growth) and 10 (Economic Inequality)** without the mobilisation of additional public revenues equivalent to 2.5% of GDP on average.

The EEG which met here in December last year discussed targeted public finance reform, revenue enhancement measures and public expenditure policies which would drive higher growth, higher living standards and provide critical additional funding for public services such as health and education.

The EEG also recognised the importance of an inclusive regional platform for cooperation on public finance to promote the exchange of knowledge and policy debate, including between tax policy makers and tax administrators, and to facilitate effective participation in international tax issues.

The ESCAP Secretariat can prioritize examination of these issues in the first meeting of the 'Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development', scheduled to be held in November 2017.

I believe the Committee could be a broad-based Asia-Pacific platform for policy makers, tax administrators, and relevant regional and subregional organizations to coordinate capacity building initiatives in areas such as:

- *Tax and public expenditure policies conducive to inclusive and sustainable development;*
- *International tax reforms and their implications for developing countries in the region;*
- *Unique local challenges such as municipal public finance for urbanization; and*
- *Cross-cutting issues such as building a broad social contract for responsible public spending and taxpayer consent for sustainable revenue mobilization.*

At the moment there is a patch work quilt of regional bodies providing some guidance to some countries in the area of tax administration.

However advice is fragmented and there is no overarching regional body that addresses tax issues such as they have in other regions.

Nor is there a regional body where the big international policy issues of Base Erosion and Profit Shifting (BEPS) and tax competition are addressed.

It's good to see representatives here from the IMF and the OECD because many countries in the region want stronger input into their norm setting.

The IMF Financial Stability report published last week complements the conclusions of the EEG made in December last year.

In particular their stress on the greater role for fiscal policy in fostering sustainable and inclusive growth supports the EEG's central conclusion that the region's widening income and wealth gaps must be countered with a combined approach of progressive taxation and social spending.

The EEG emphasised the importance of the wealthy and multinational corporations **paying and being seen to pay taxes** according to their ability to pay, both for the distributive effect and to strengthen tax morale in the population as a whole.

The EEG also stressed that lifting revenues has to be done in such a way that enhances competitiveness in the short term and the longer term.

This means the right balance between regressive and progressive taxation is critical to sustainable growth.

In particular, over reliance on consumption taxes punishes those on modest incomes and is a drag on consumption and incentives in the company tax system should back long term investment rather than short term rent seeking.

The EEG and ESCAP welcome collaboration with the IMF, OECD and World Bank to ensure that the needs of the region are taken into account.

Tax compliance in the region is generally weak.

We know tax bases across the region are too narrow and that the progressivity of personal income tax globally and in most of Asia has declined in recent decades.

There is also a renewed interest in wealth related taxes.

Short term measures such as making existing taxation regimes more efficient and strengthening tax administration means challenging powerful elites.

The design and implementation of new progressive taxes has a higher degree of political difficulty and requires even stronger political and public resolve.

Successful tax reform requires a comprehensive plan to deal with those who will stand in the way and how to deal with them.

Building up public confidence that revenues raised will be used for beneficial public purposes, rather than the enrichment of a few, is an essential precondition for successful tax reform.

Tax reform is as much about garnering and winning public support as it is about technical design and administration.

One of the challenging areas for tax reform is to meet the growing needs for infrastructure particularly in large urban areas.

Here property taxes are critical and if constructed efficiently and fairly will be both a source of revenue and a driver of inclusive growth.

A regional tax forum is one way we could develop the expertise about how we can succeed with long term tax reform rather than short term political fixes.

One outstanding lesson from Australia is that transparency about who pays and who doesn't pay can be a powerful disinfectant to tame the vocal vested interests that stifle structural reforms.