



Strengthening public finance in North and Central Asia

An overview





Public finance is the financing backbone for sustainable development and infrastructure investment

The financing demand for the implementation of the 2030 Agenda for Sustainable Development is enormous

- \$1.4 trillion of incremental spending annual would be required for low and lower-middle income countries alone to achieve the Sustainable Development Goals (SDGs) by 2030;
- The public sector is expected to shoulder half of this financing demand.

Public finance still provides the bulk of the infrastructure financing in Asia-Pacific countries

- In most countries of the region, private investment in infrastructure remain limited;
- Public sector provides important seed investment, guarantees and grants for PPP projects, and in many cases remains the final payer for private sector services;
- Strong public credit also lower the borrowing cost for PPP projects;





Tax reform initiatives to strengthen revenue mobilization and improve tax administration

A number of Asia-Pacific developing countries have made ambitious reforms to meet the fiscal challenges in the aftermath of the global economic crisis and the financing demand for sustainable development

- India's reform of Good and Services Tax (GST)
- Indonesia's tax amnesty campaign
- Cambodia's elimination of the Estimated Tax Regime to integrate the informal sector into formal tax systems





India's reform of Good and Services Tax (GST)

The landmark good and services tax (GST) bill became effective in April 2017

- Aim to streamline the country's fragmented tax system and contribute to the creation of an unified domestic market;
- Integrate 17 different central and state taxes in to a streamlined and more transparent GST system and reduce internal frictions caused by fragmented local tax regimes;
- Introduce the VAT principle to eliminate the cascading impact, reduce the tax burdens of manufacturers, and create incentives for honest reporting through input credit;
- Reduce tax exemptions at the same time.





Indonesia's tax amnesty campaign

Indonesia implemented a 9-month tax amnesty (from July 2016 to March 2017) program In an effort to increase its tax base

- Offer incentives and immunity from prosecution to tax evaders who declare and repatriate offshore funds;
- The incentives were also extended to Indonesians who decide to repatriate their funds and keep their money in the country for at least three years;
- The Tax Amnesty proved partially successful.





Cambodia's elimination of the Estimated Tax Regime

In 2016, Cambodia eliminated the Estimated Tax Regime (ETR), one of the country's most significant tax reforms in years

- ETR was designed to encourage small taxpayers in the informal regime to pay taxes. But in practice, it discouraged firms from entering the real tax system;
- The reform aims to streamline tax administration and more importantly better integrate the country's large informal sector into the formal tax regime.
- It established an integrated cooperate tax system with three tiers for small, medium, and large taxpayers;
- It also introduced a progressive tax rate regime based on profit levels and measures to ease the burden of small and median firms transitioning into the formal tax system;

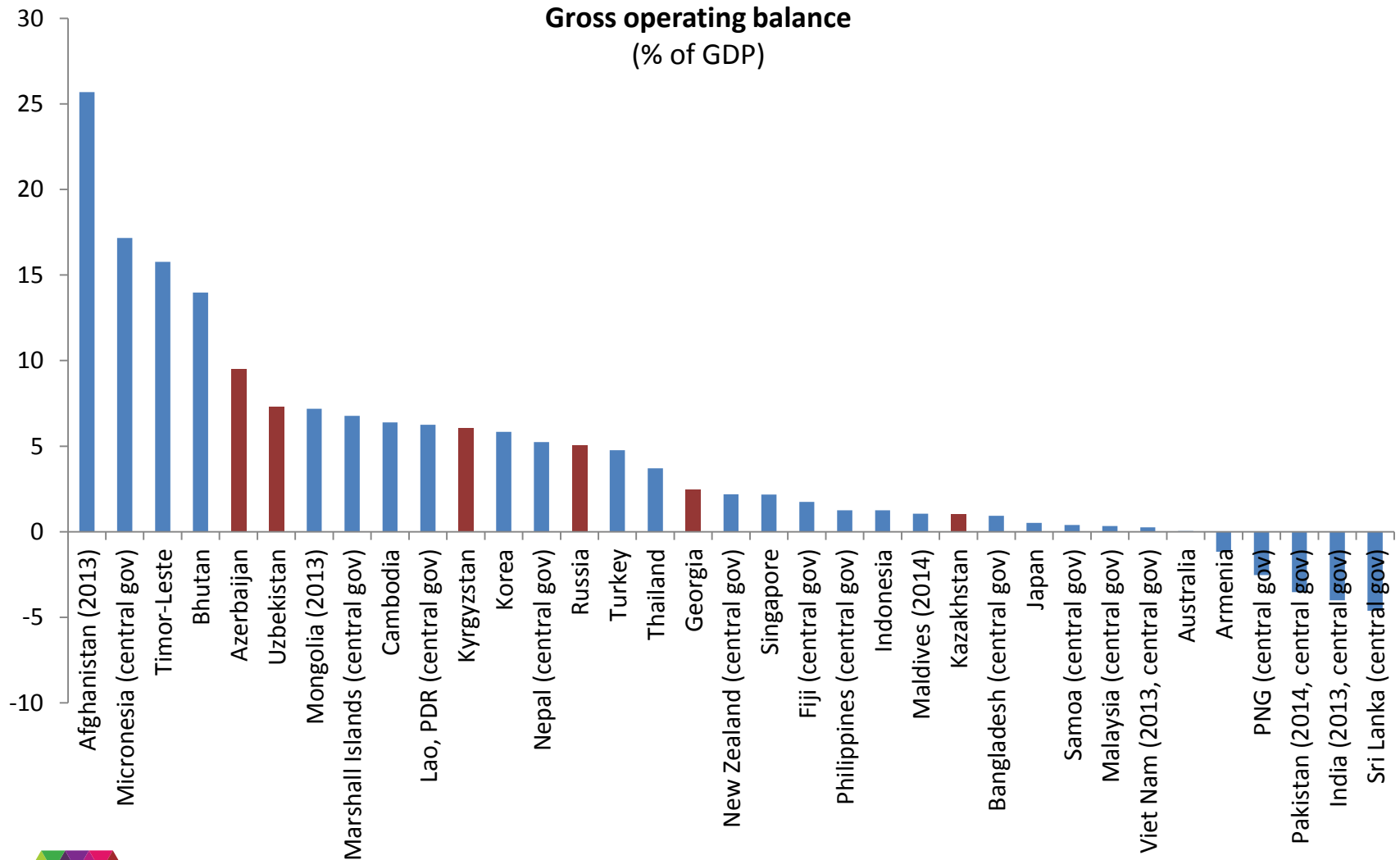




**An overview of public revenue mobilization in Central Asia
and how it compares to other Asia-Pacific sub-regions.**



Central Asian countries have relatively healthy fiscal margins despite short-term difficulties and uncertainties

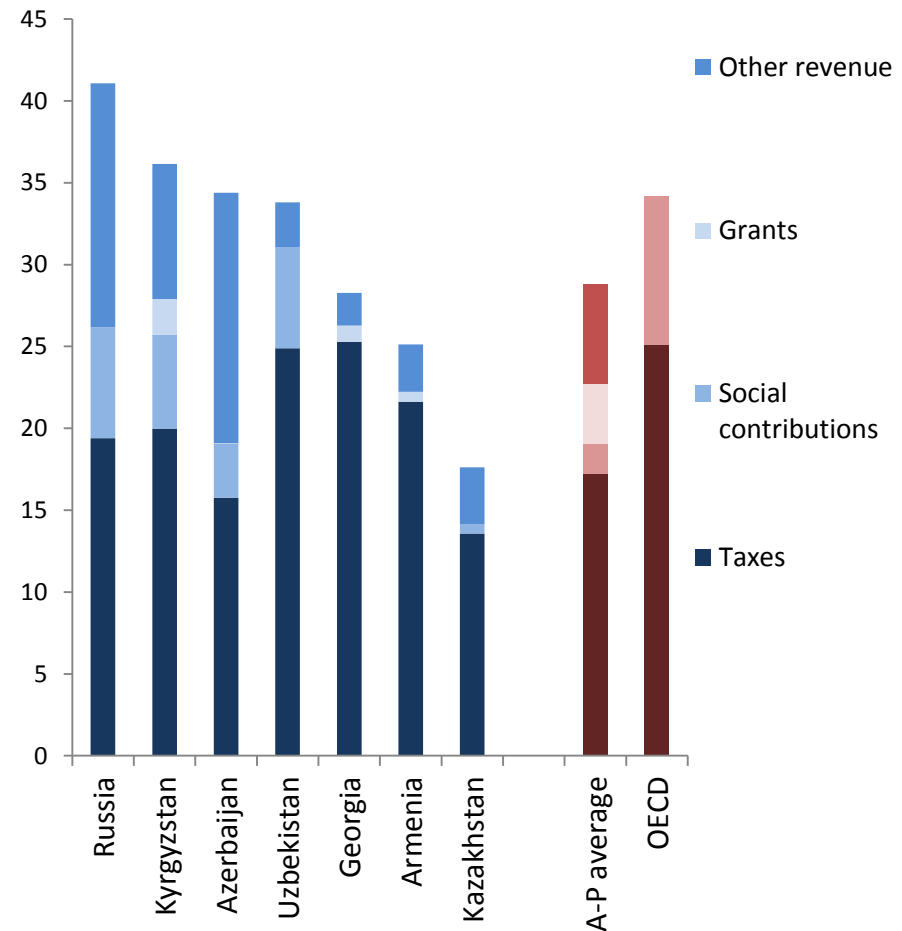


Public revenue levels in Central Asia

Central Asian countries have relatively high public revenue levels

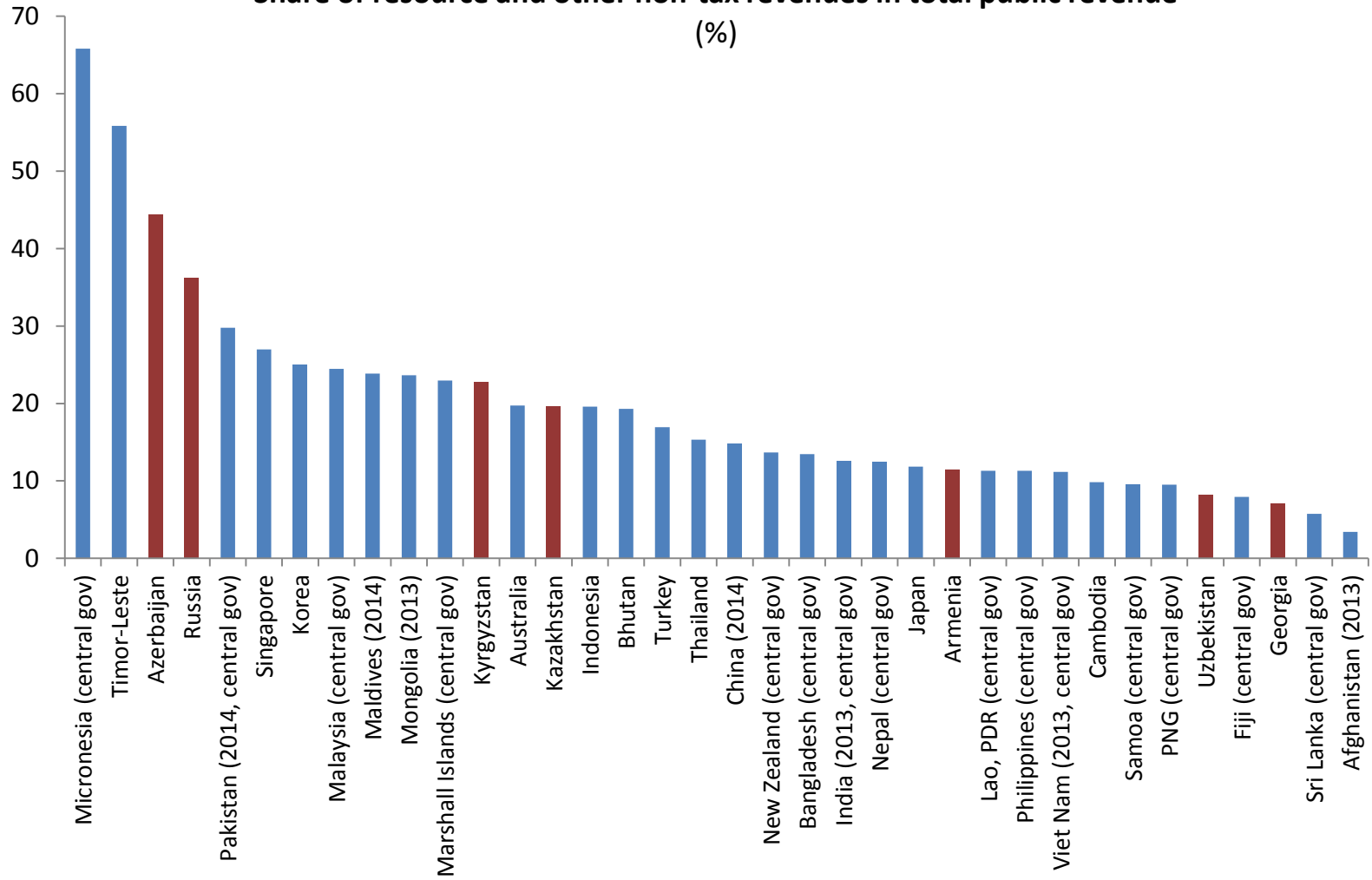
- Overall revenue levels out-perform Asia-Pacific average and are close to OECD levels;
- There is space for tax revenues to further increase;
- Dependence on volatile resource and other non-tax revenues deserves concern;

Composition of public revenues
(% of GDP)



Dependence on resource revenues is a source of unpredictability

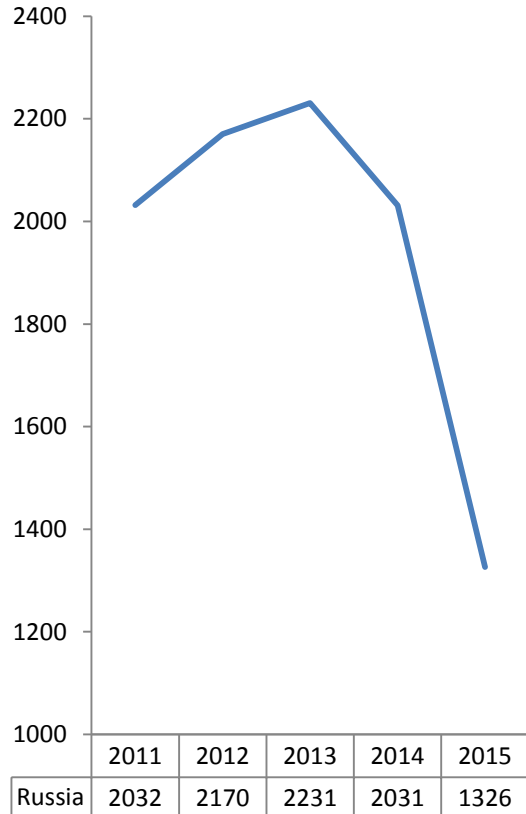
Share of resource and other non-tax revenues in total public revenue (%)



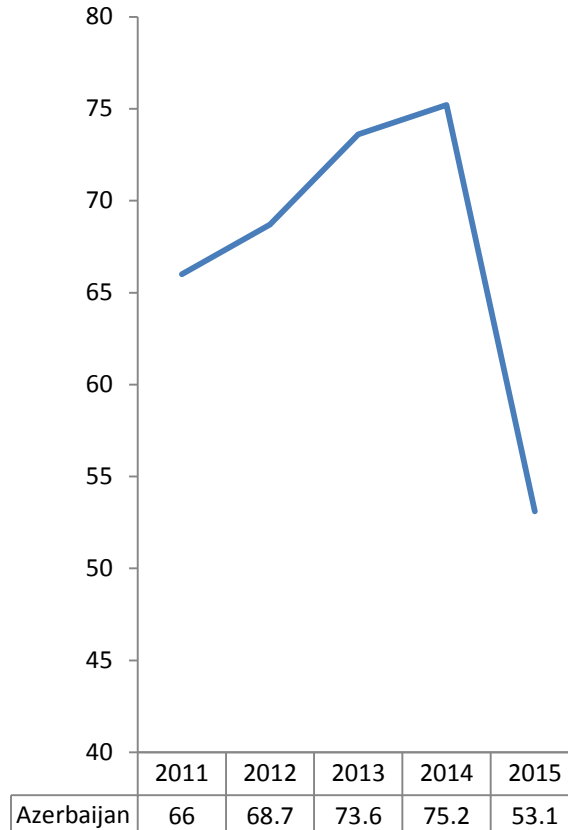
Volatile exchange rates and GDP growth also changes the perception of revenue stability

Nominal GDP (USD billion)

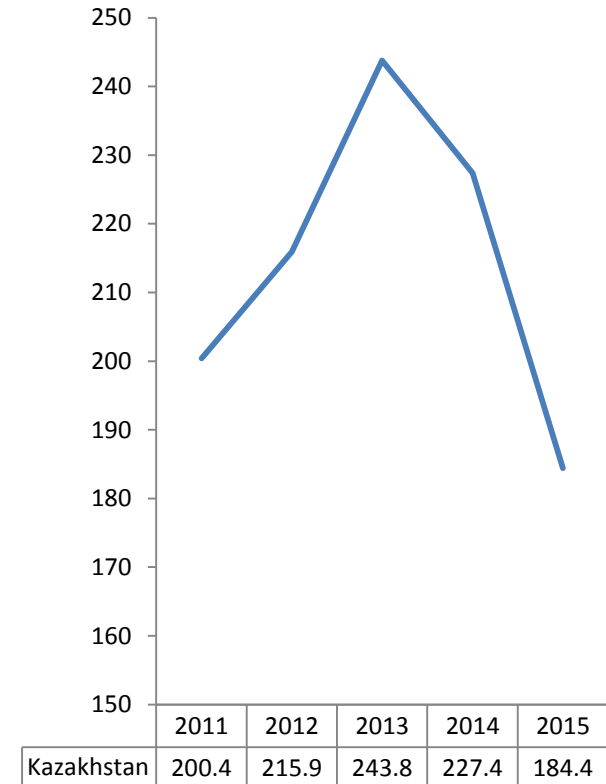
Russian Federation



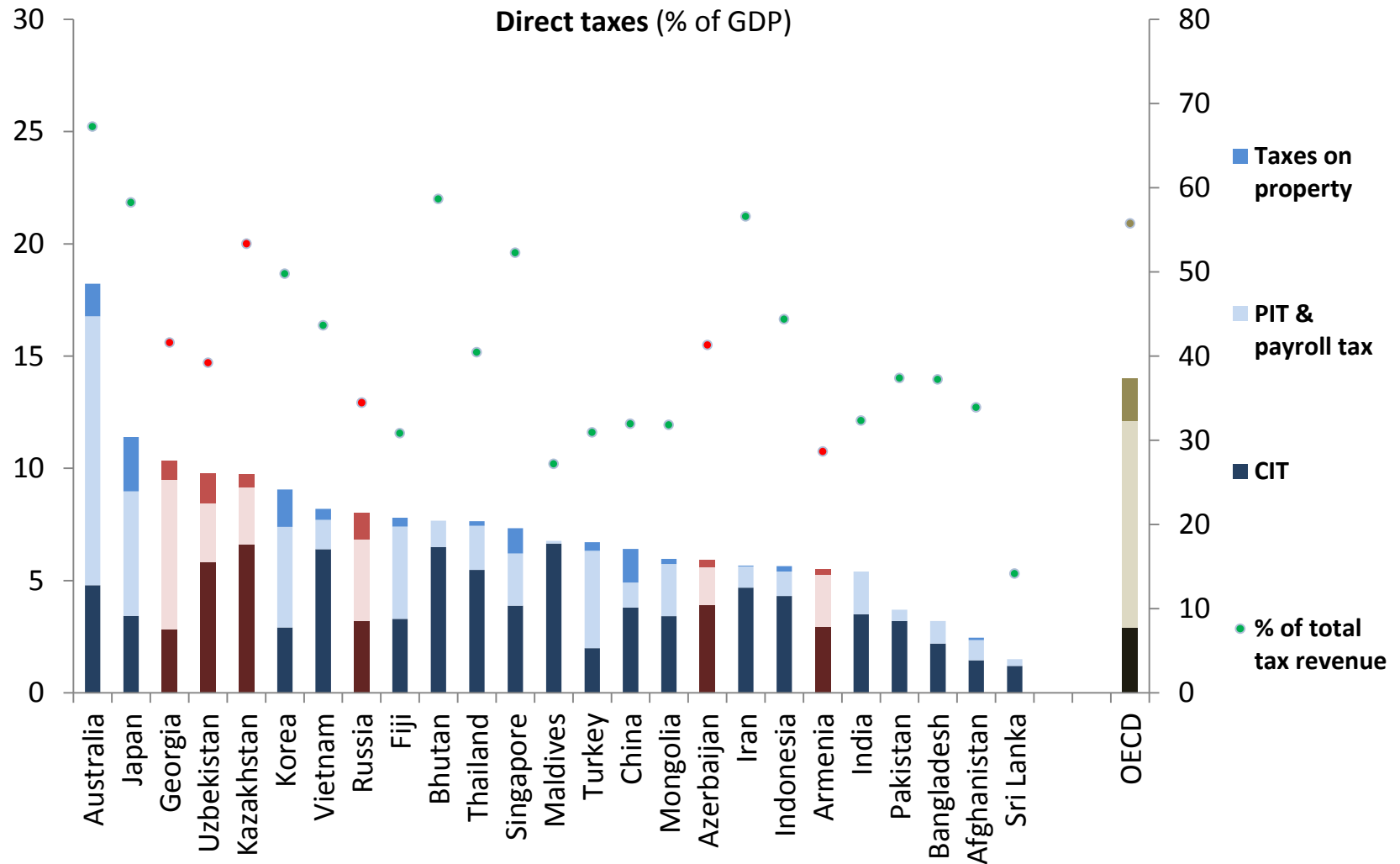
Azerbaijan



Kazakhstan

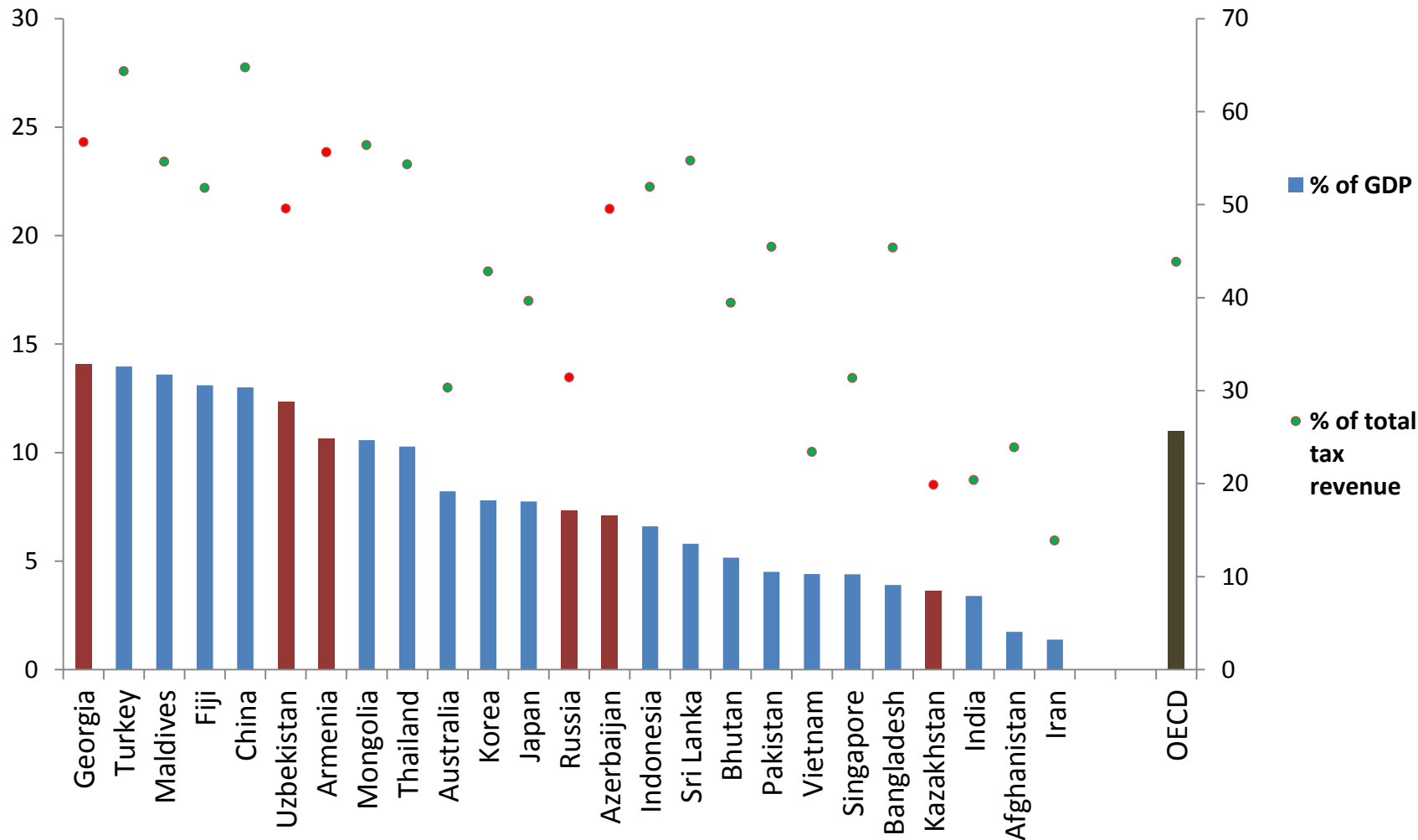


There is space for improved collection of direct taxes



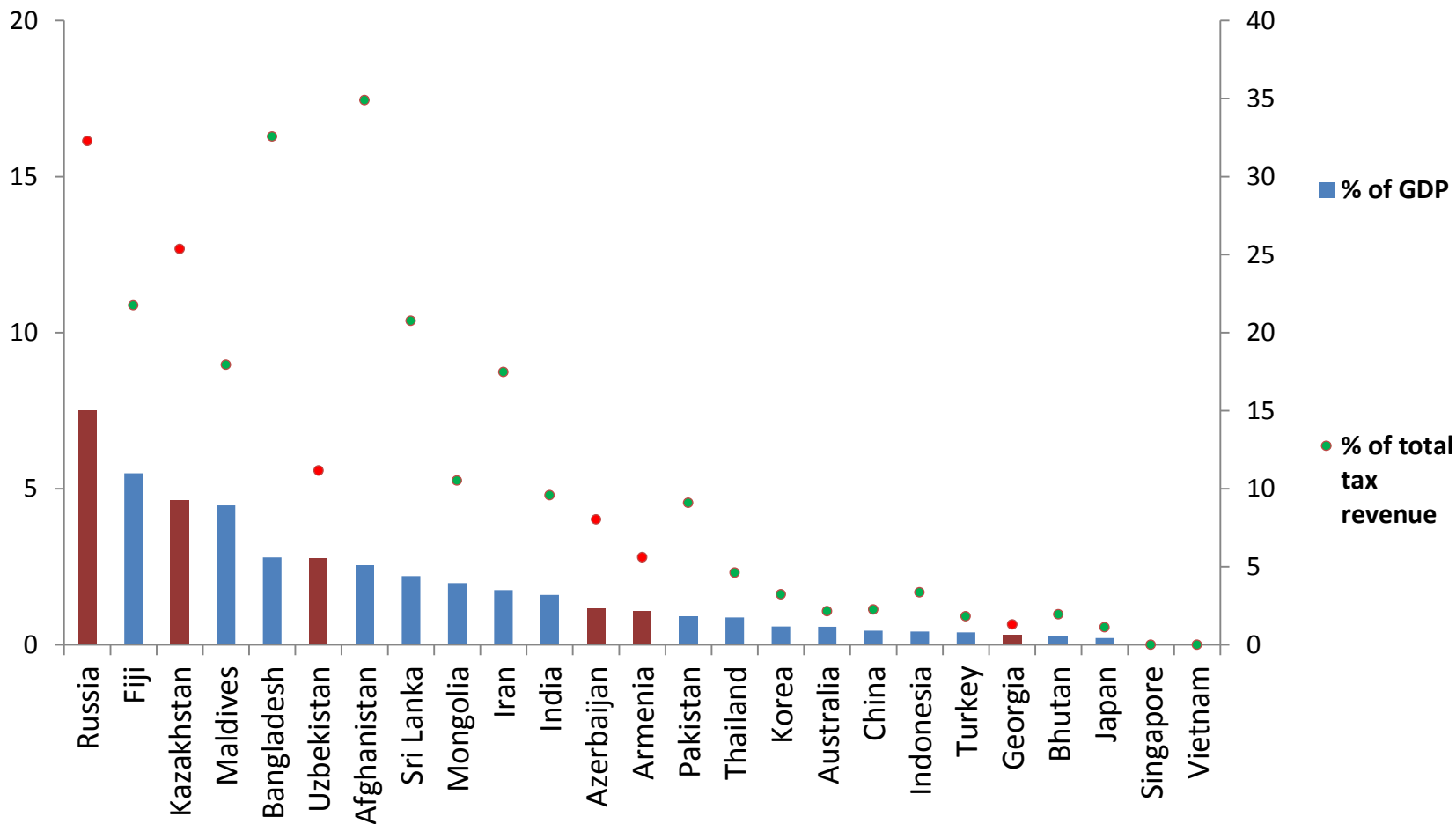
Increase use of goods and service taxes in some cases

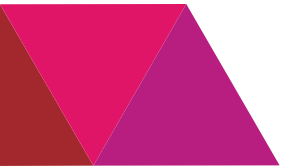
Taxes on goods and services



Reduce dependence on trade taxes in some cases

Taxes on trade





Thank you !

www.unescap.org



twitter.com/unescap



facebook.com/unescap



youtube.com/unescap

