



Good Governance, Better Results

GOVERNANCE THEMATIC GROUP

ADB's Proposed Work on Domestic Resource Mobilization

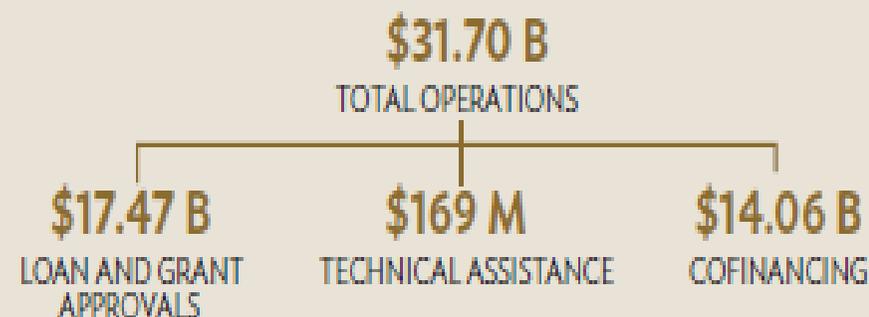
Governance Thematic Group

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About ADB

ADB is an international development finance institution. Our goal is to reduce poverty and promote sustainable economic growth in Asia and the Pacific. We provide loans, grants, equity investments, and guarantees to our developing member countries. We supplement our financial support with development knowledge and policy advice.

2016's RECORD RESULTS



The Governance Group's mandate is to help ADB's developing member countries improve development results by...

- investing in public sector reforms and supporting improved performance of institutions

17.3%

PSM (as sector), % of ADB's total approved sovereign operations, 2016

- supporting identification and mitigation of governance risks in ADB operations
- focusing on capacity development

85%

GCD (as driver of change), % of total ADB sovereign operations, 2016

Sectoral focus

PSM Reforms

7 sub-sectors

PEFM (52%)

Economic affairs management (5%)

Reforms of SOEs (12%)

Decentralization (9%)

Social protection initiatives (13%)

Public administration (9%)

Law & judiciary (0%)

PSM as a sector in ADB's total approved sovereign operations (2016): 17.3%

Figures in parentheses above are share of sub-sector investments as total sectoral investments of \$5.55 billion (2014-2016)

Thematic focus

Governance and Capacity Development (GCD) as a theme in total ADB sovereign operations (2016): 85%

On Governance Risks

To development effectiveness of ADB's investments; focus on risks in public financial management, procurement, and corruption

On Capacity Development

Ensuring governments have the capacity to implement reforms, and manage investment projects and development programs

As a sector, GovTG is engaged in three main areas of work

| <u>Governance and PSM Area</u> | <u>Outcome</u> |
|---|---|
| Domestic resource mobilization | <i>Greater capacity of DMCs to raise revenues from domestic sources</i> |
| Reforms of SOEs | <i>Better knowledge gathering and sharing on SOE reform work of ADB</i> |
| Local governance and localizing global agendas | <i>Innovative development ideas incubated at local level and scaled up, as feasible</i> |

- \$11.4 trillion a year needed for SDGs
- Developing countries have resource gap of \$1.9 trillion to \$3.1 trillion a year
- UNCTAD estimates(a)

Sustainable Development Goal 17.1

“... the crux of our common pursuit of sustainable development and achieving the SDGs.” - The Addis Tax Initiative – Declaration, July 2015

Better Tax System with:

Better tax policies

More efficient and transparent tax administration

Enhancing the tax base

Fair international taxation rule and enhanced regional co-operation

Global agendas (eg, BEPS, AEOI, EIOR)
(\$0.24 trillion a year loss by tax avoidance – OECD estimates)(b)

But it's more than that...

SOE reforms

Procurement reforms

Encourage private capital, use of remittances (\$0.43 trillion, 2015)(c)

Stemming illicit financial outflows

(\$5.6 trillion: estimated loss from illicit financial outflows, 2001-2010. Asia accounted 61% of such loss)(d)

With respect to specific work on tax systems, ADB will ...

- Use a multi-donor trust fund
 - Seek to enhance skills (of government officials and ADB staff)
- Work with partners (e.g. OECD, Global Forum, National Tax Agency, Australian Tax Office, and others)
 - Support regional associations (e.g. SGATAR, PITAA)
 - Mainstream the DRM agenda in ADB's country operations
 - Make it a core area of work of the Governance Thematic Group

Tax Policy and
Administration
Reforms

Capacity
Development

International
Cooperation

TECHNICAL ASSISTANCE

Knowledge Products

- A comparative analysis of tax administration
- Revenue statistics in Asia

Country Approach

- Capacity development needs assessment
- In-country consultations
- In- country training seminars
- Diagnostic assessment and recommendations
- Policy advice

Regional Approach

- Knowledge sharing workshops
- Recommendation for regional best practice and international standards
- Regional training seminars and workshops to enhance regional cooperation

... With selected partners, among others:

- Centre for Tax Policy and Administration of OECD
- Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum)
- Study Group of Asian Tax Administration and Research (SGATAR)
- The tax authorities of ADB member countries
- OECD Korean Policy Centre
- Asian Development Bank Institute (ADBI)

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