

Economic and Social Survey of Asia and the Pacific 2017

Governance and Fiscal Management

Manila, Philippines
30 August 2017



Structure

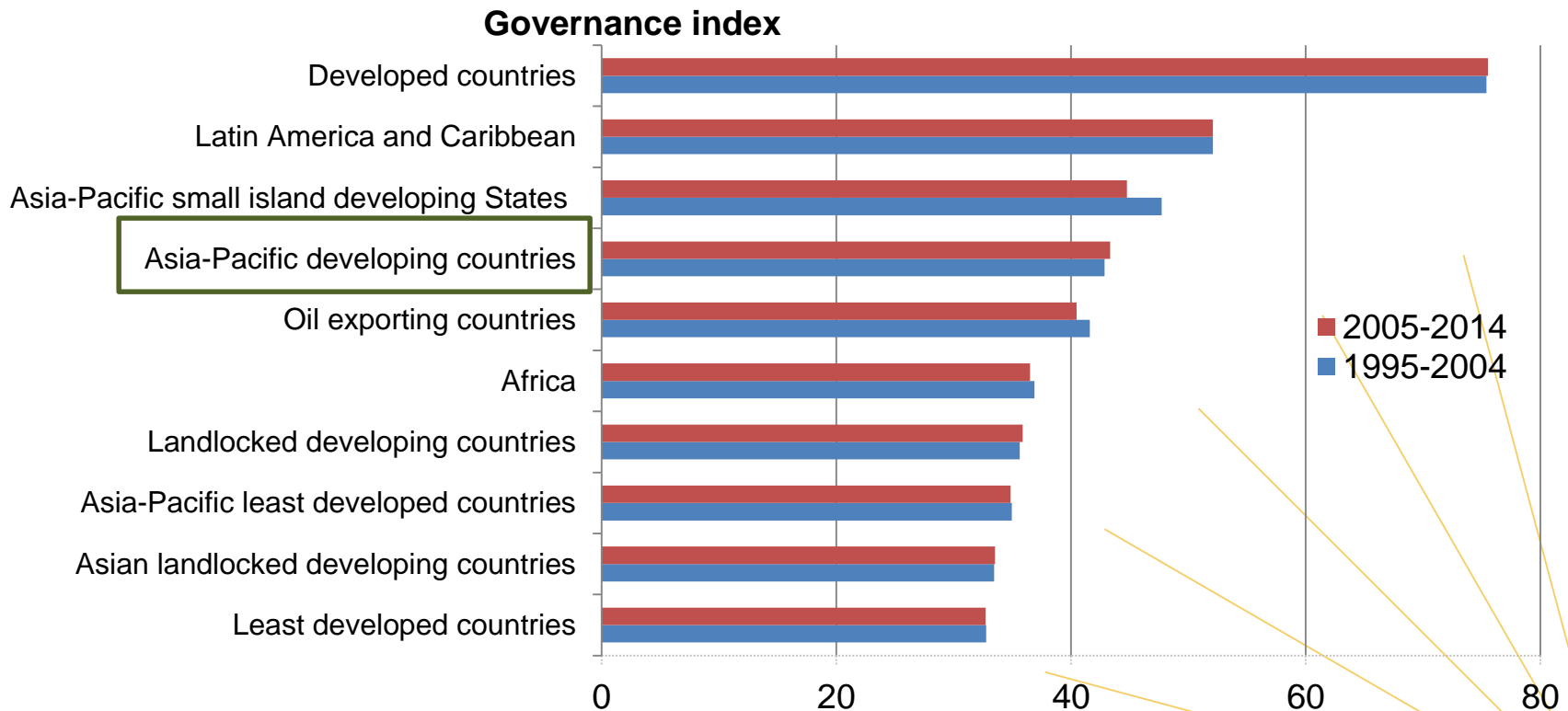
- a) What is governance and how is it measured?
- b) Governance in Asia-Pacific
- c) Governance and fiscal management
 - Revenue Mobilization
 - Expenditures
- d) Understanding corruption
- e) Key policies to improve Governance
- f) Concluding remarks

What is Governance and how is it measured?

- How authority is exercised
- Governance and a typical production function:
 - TFP -> efficiencies, innovation, patents, environmental performance...
 - K -> investments (credit to good projects) and stock (maintenance)
 - L -> skills of labor force
- Subjective vs objective measures
 - Government effectiveness
 - Regulatory quality
 - Rule of law
 - Control of corruption

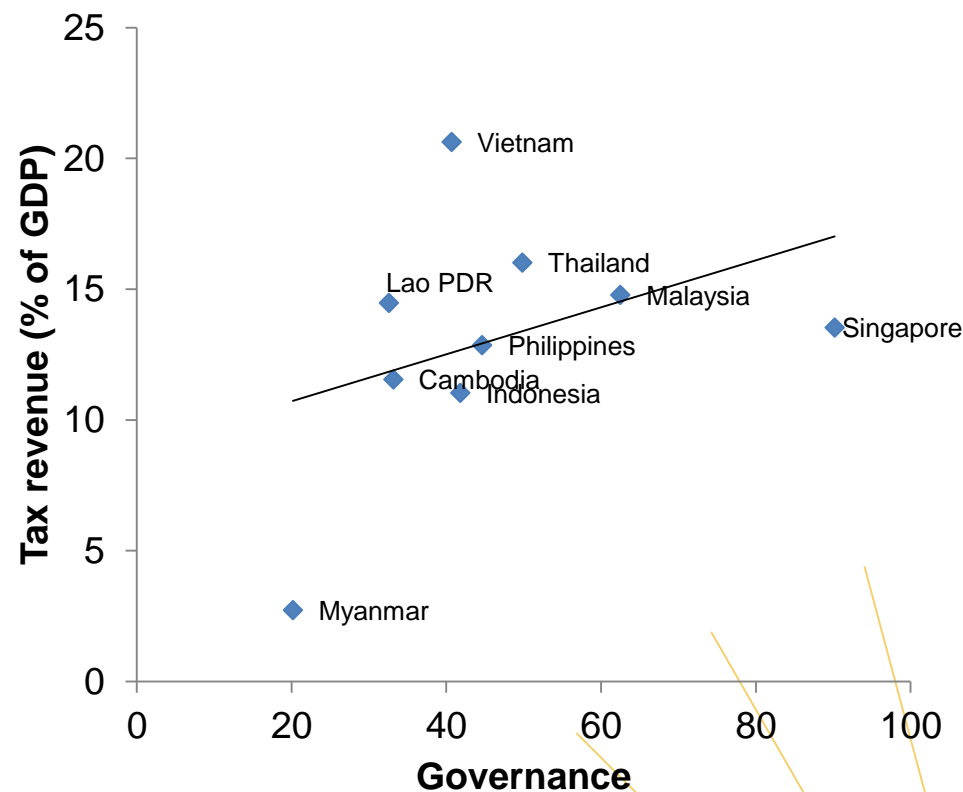
Governance in Asia-Pacific

- a) Since the 1990s, governance has improved
- b) Drivers: ENEA (Japan and Korea) and NCA (Soviet Republics)
- c) Deteriorated in Pacific, SA and SEA



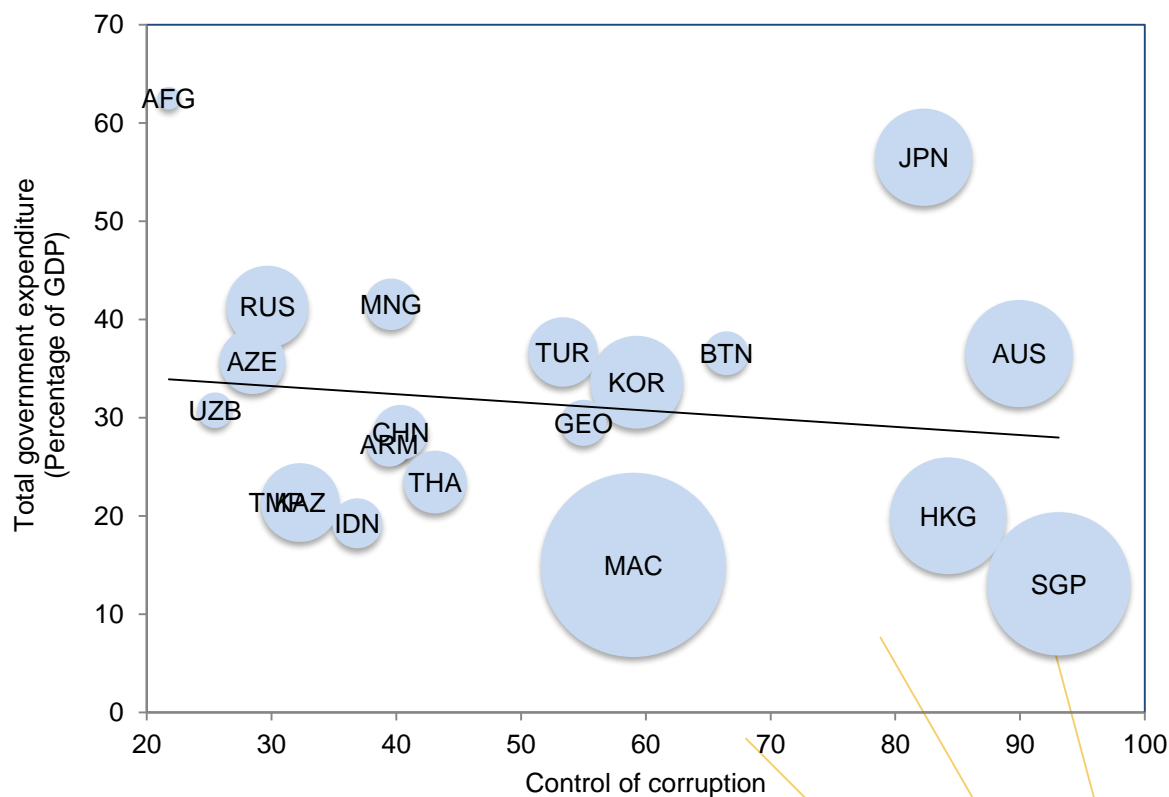
Governance and Fiscal Management: Revenue

- a) Clear relationship between governance and capacity to collect taxes
- b) Governance explains from 8% (Pakistan) to 21% (21%) in tax revenue



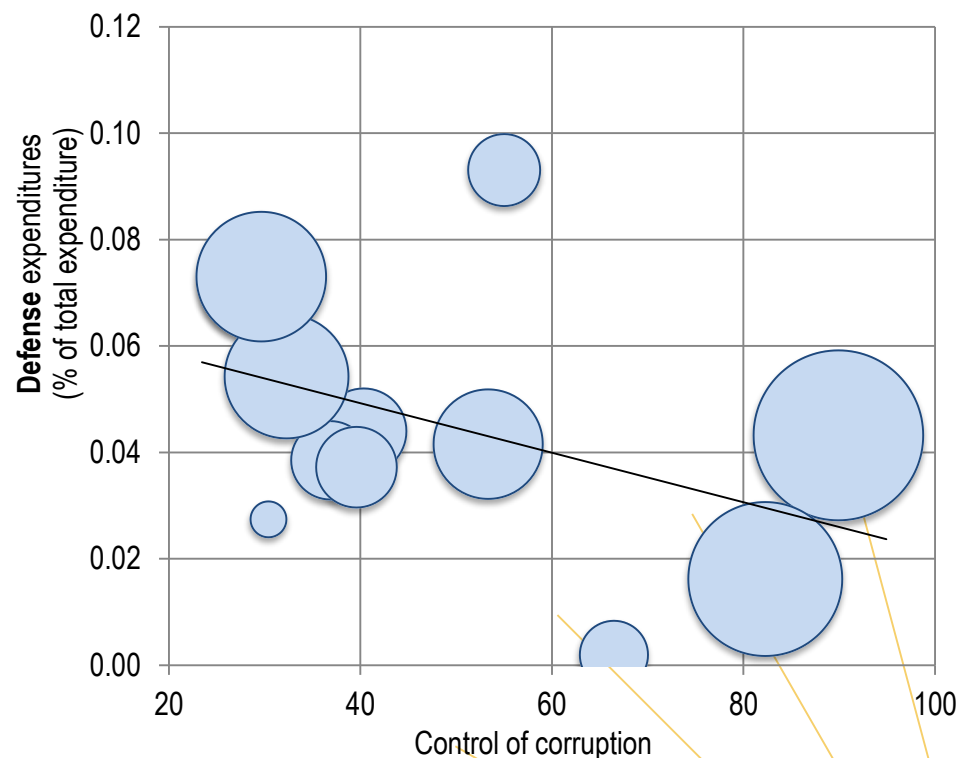
Governance and Fiscal Management: Expenditures (Volume)

- a) The role of the state in a given country is not necessarily linked to governance
- b) Examples: Japan vs Singapore, US vs Scandinavian countries, etc.



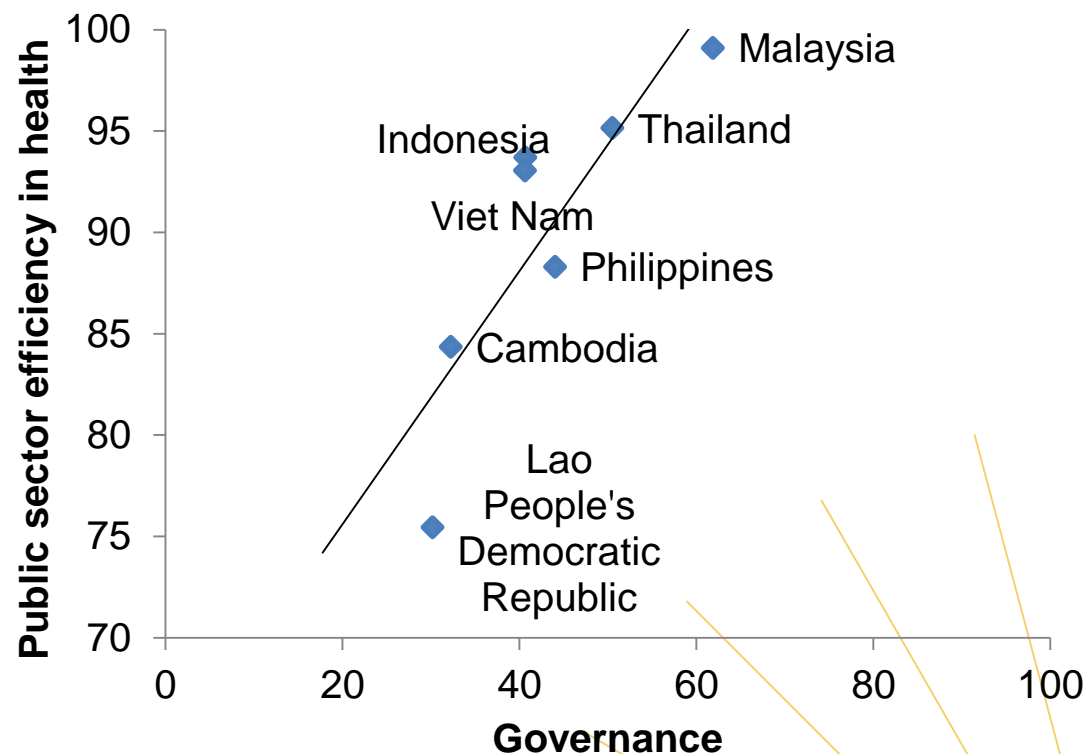
Governance and Fiscal Management: Expenditures (Composition)

- a) More on social protection (health, education, etc.)
- b) More on R & D
- c) Less on defense, energy subsidies, law and order...



Governance and Fiscal Management: Expenditures (Efficiency)

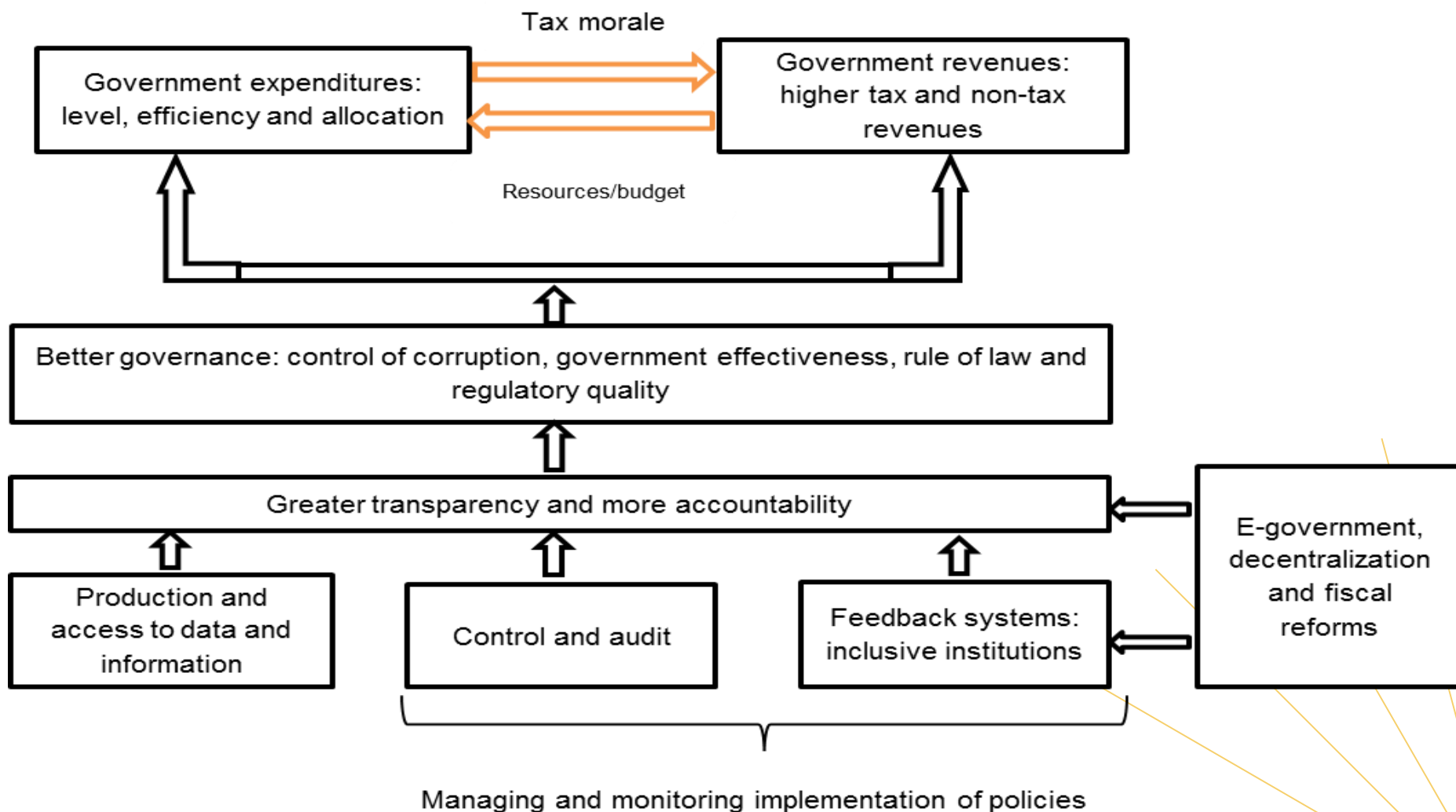
- a) Governance is critical to tackle inequality*
- b) Example: Public sector efficiency in education and health are good *conditional on good governance*



Understanding corruption

- a) Corruption as a special tax -> unwillingness -> few spillovers
- b) Types of corruption
 - a) Grand vs Petty
 - b) Centralized vs Decentralized* -> Have very different effects!
- c) Effects of corruption
 - a) Low tax morale -> tax evasion
 - b) Regressive effects
- d) Circumstances favoring corruption
 - a) Low education (demand for good governance)
 - b) Low wages of tax officials (especially linked to tax structure, e.g. income)
 - c) Number of sources for revenue (e.g. big projects, tax base, natural resources)
 - d) Frequent interaction with tax officials
 - e) Complicated tax systems
 - f) Weak legal & judicial systems

Key Policies to Improve Governance



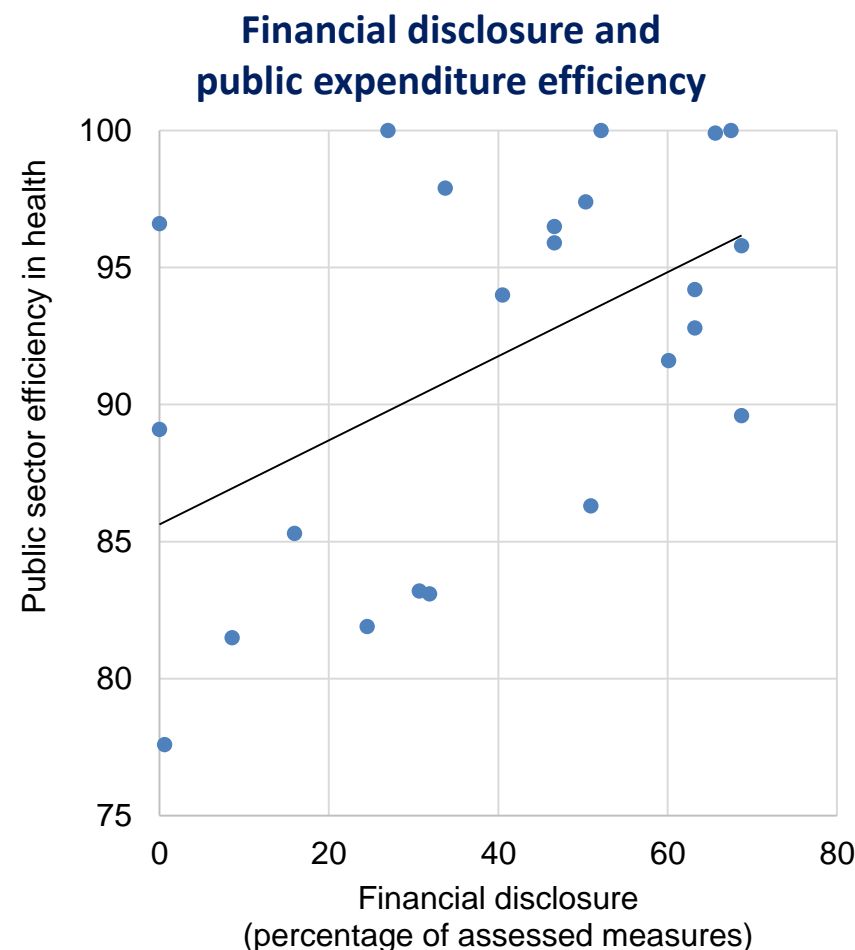
Key Policies to Improve Governance: Data for Transparency

a) Public Officials

- a) Conflict of Interest
- b) Financial Disclosure in Georgia vs Kyrgyzstan
- c) Poor capacity -> codes of conduct

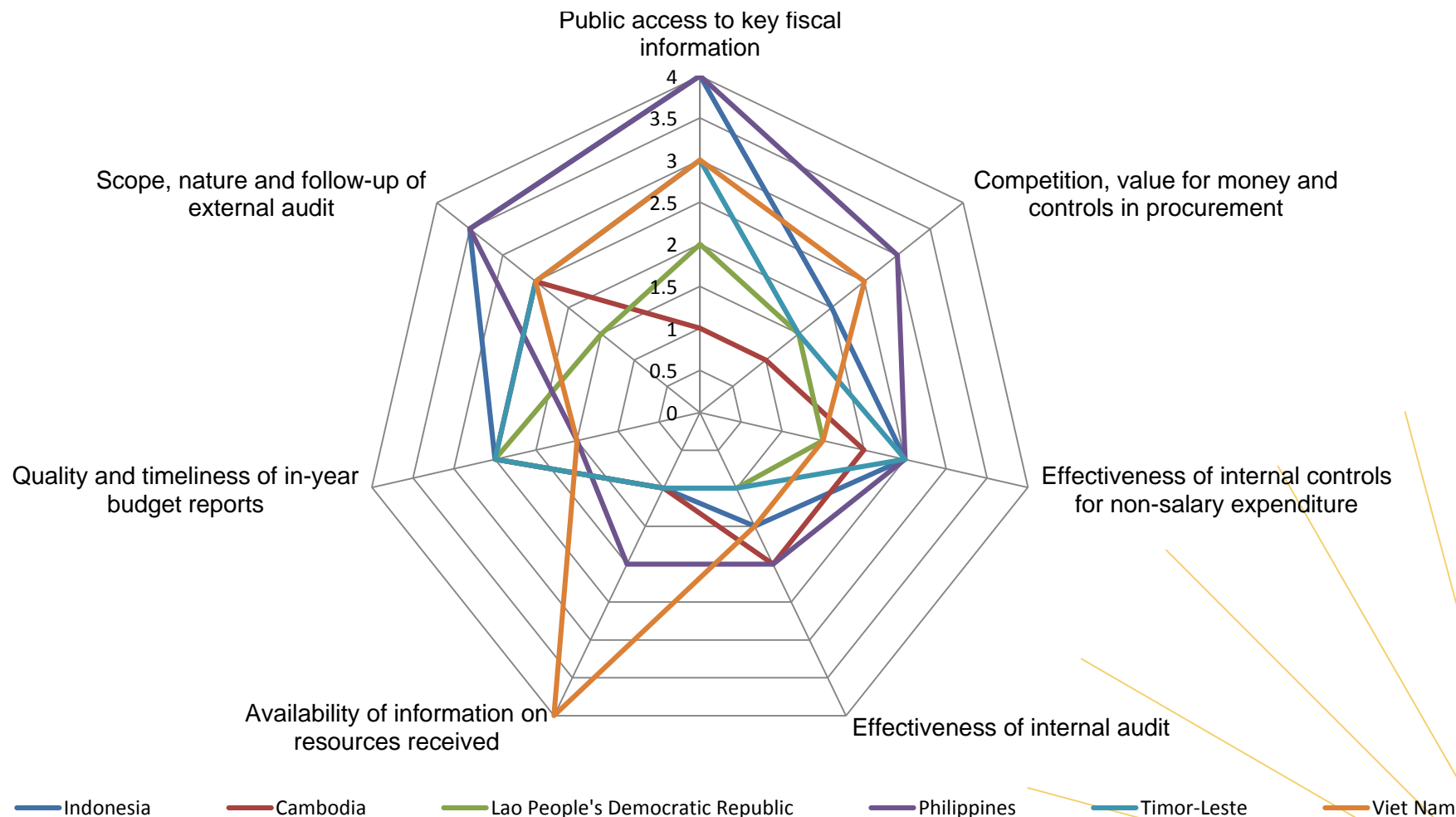
b) Tax Base

- a) Directory of income tax payers in Pakistan (180M -> *?)
- b) Members of Parliament -> *?



Key Policies to Improve Governance: Audit and Control

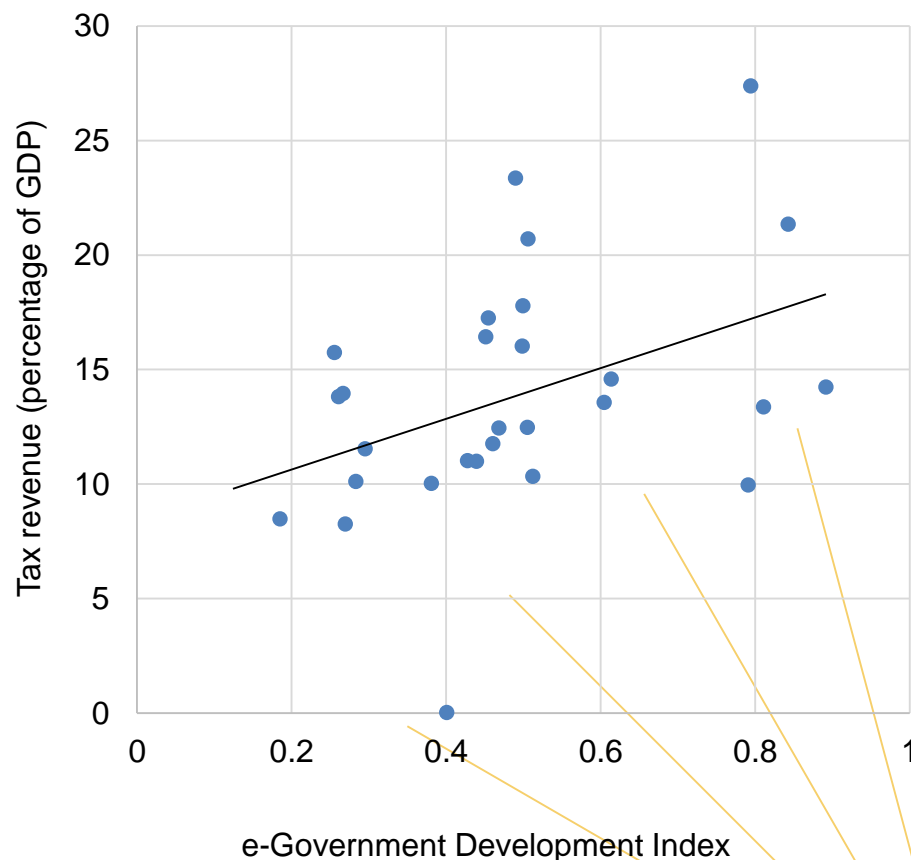
Public Expenditure Frameworks in selected SEA economies



Key Policies to Improve Governance: e-Governance

- a) Systematic tax collection, less corruption, informality and evasion
- b) Decentralization
- c) Public expenditures: better targeting (e.g. smart cards in India 975M, 250M, 132M), more efficient (e.g. gender budgeting) and coordination (e.g. Malaysia)
- d) Great potential. Exceptions:
 - a) Singapore's GeBiz
 - b) Georgia: 110M savings in 1 year (14% of tendered)

E-government and tax revenues



Concluding Remarks

- Governance will be vital for the 2030 Agenda and the SDGs: resources, infrastructure, inclusiveness...
- It explains significant shares of public sector performance
- It is possible to improve governance!
- Measures extremely idiosyncratic by countries, but good starting points:
 - Enhanced transparency and accountability is key
 - E-Government offers huge possibilities
 - Great room for improvement in internal audits and control

Thanks for your attention 😊

Questions and Comments?

www.unescap.org

pedrosagarcia@un.org

