Statement by Dr. Shamshad Akhtar,
Under-Secretary-General of the United Nations & Executive Secretary of The Economic and Social Commission for Asia and the Pacific

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To assess progress on Addis Ababa Action Agenda, three points are worth noting:

First, despite signs of global economic recovery, there is a growing distrust of globalization. This is leading to short sighted protectionism, which coupled with imminent tightening of monetary policy after a long period of low interest rates is leading to global uncertainty. This does not bode well for enhancing the availability of fiscal resources and financial flows. Our policy simulations for Asia and the Pacific indicate growth could be 1.2 percentage points lower than baseline projections if global uncertainty increases.

Second, fiscal policy needs to play a greater role in reducing growing inequality. This demands a holistic approach to public financial management that increases tax revenues to finance public services and social protection. Expenditure in social protection stands at around 5.3% of GDP in Asia-Pacific, compared to the global average of 8.6% of GDP. The social safety net of public transfers and subsidies should also be expanded in a targeted manner.

Third, fiscal policy is the most powerful mechanism for promoting inclusive and sustainable development. It therefore needs to be carefully calibrated. It should enhance equity through effective tax and public expenditure policies while managing fiscal risks, particularly in economies heavily dependent on revenues from commodities subject to high price volatility. Fiscal planning should never lose sight of sovereign and corporate debt vulnerabilities, or the implications of demographic change. Sustainable public finances are a prerequisite for inclusive fiscal policies.

Regional commissions have enhanced consultations and analytical work to promote the Addis Agenda. Most comprehensive is the annual ESCAP high-level FfD dialogue. This has institutionalized focused consultations since 2014. ESCAP has also established a group of 18 eminent public finance experts to advise and support advocacy for tax and public expenditure reforms. Over the past four years, ESCAP has produced close to 50 analytical papers to support these deliberations. ECLAC has empirically demonstrated the weakness of taxation systems and the role they can play in perpetuating inequality. ECA has focused on tackling the problem of illicit financial flows, while ESCWA has developed an Arab FfD scorecard to support follow-up, review and monitoring of FfD framework. ECE remains focused on developing standards and policy guidance for PPPs and promoting impact investment.

Given this backdrop, all Regional Commissions are focused on four key areas.

1. We are working to promote domestic resource mobilization. Large informal sectors, tax incentives and exemptions, and weak compliance and collection have eroded the tax base across all regions. Base erosion and profit shifting by some multinational companies and illicit financial flows - which are estimated to be $80 billion (3.5 per cent of GDP) in Africa – have further reduced the tax take. The manipulation of trade pricing has led to tax losses in Latin America and the Caribbean of $31 billion in 2013, equivalent to between 10 and 15 per cent of the corporate income tax take. Security and internal conflicts in the Arab region have impeded the ability to raise revenues. Consequently, tax-to-GDP ratios have on average remained below 20 per cent in Latin America and the Caribbean, Africa and Asia and the Pacific, compared to 26.4 per cent for developed economies. A number of countries in these regions have tax to GDP ratios below 10 per cent.

2. The debate on the management of public expenditure with regards to its composition and efficiency needs to intensify. This is important because people's willingness to pay taxes is influenced by perceptions of how well tax revenues are used. In Latin America, income and value-added tax evasion reached $340 billion in 2015, or 6.7 per cent of regional GDP – more than twice the total capital expenditure ($150 billion) in the same year. Public spending on public services and social transfers is very low in Africa and Asia, and somewhat higher in Latin America thanks to generous transfer programs.

3. Fostering private investments to meet infrastructure gaps is a priority. Including the cost of climate resilience, Asia and the Pacific's infrastructure investment needs are estimated to be close to $26 trillion for the period 2016-2030, or $1.7 trillion per year. This would require private investments in public-private partnership (PPP) to increase from an existing $63 billion to $250 billion per year. This needs to come on top of public resources and ODA. ESCAP has assessed the infrastructure financing needs of the least developed, landlocked and small island developing countries to be 10.5% of GDP - taking population growth, increasing urbanization and the impact of climate change into account. Broader and deeper capital markets could make a major contribution to supporting the necessary investment. Although Africa is home to 700 companies with annual revenues of over $500 million, only 40 per cent are listed on public markets. Attracting institutional investors' funding for infrastructure - whose assets under management reached $70 trillion in 2013 and are mainly concentrated in government debt instruments - could also lead to significant additional financial flows.

4. Harnessing financial inclusion for individuals and access to finance by SMEs must be central to our approach. Over half of the population of the Asia-Pacific does not have a bank account and bank loans to SMEs only represent 19 per cent of the total bank lending. Of 37 median African countries (for which data is available) only 17 per cent of people aged over 15 have an account at a financial institution. The rapidly-developing fintech sector, such

as mobile money in Kenya and the United Republic of Tanzania or Alipay in China, can help make banking, payment and financing options more accessible.

In conclusion, let me highlight a few priority areas on which there is broad consensus across all regions.

- The fiscal requirement to meet the SDGs can only be met by building more effective, efficient and accountable tax systems. Enhanced global and regional cooperation must be used to avoid a race to bottom on tax incentives and tax competition, while we focus on making spending targeted and cost efficient to support sustainable development better.

- Tax reforms will be critical to finance the implementation of the 2030 Agenda for sustainable development. Countries are moving at a different pace and are sequencing their reforms differently. Several countries in Asia-Pacific have undertaken reforms to simplify tax systems and improve tax administration. For example, India's landmark GST bill will streamline a fragmented tax system. It will subsume 17 different central and state taxes. By reducing tax exemptions and the tax burden on manufacturers, it aims to boost growth. Similarly, Indonesia has implemented a nine-month tax amnesty programme that offers incentives and immunity from prosecution to tax evaders who declare and repatriate offshore funds.

- Social expenditures need to be enhanced. Indonesia and the Philippines are at the forefront of doing so. The Philippines allocated more than a third of its 2016 national budget to public services. Pakistan expanded its Benazir Income Support Programme to 5.3 million beneficiaries. In terms of social protection coverage, countries such as China, Thailand and Viet Nam have made notable progress.

- Notwithstanding the importance of strengthening public finances, declining official development assistance (ODA) is cause for concern. It continues to fall far short of commitments. Moreover, concentration on South-South forms of cooperation should not distract developed countries from their long held commitment to development cooperation under the Monterey Consensus.

- Improving the capacity of governments to effectively structure and implement PPP transactions, both domestically and across borders, is vital. Among others, China's establishment of a PPP centre in 2014 with a first batch of 22 PPP projects is noteworthy. These projects have increased to 516 worth $170 billion worth in just two years. The Centre is fast entering into partnership to support other regional members in this endeavour.

- Finally, we will work to promote financial inclusion. We need a well-designed regulatory framework that strikes the right balance between increasing access to finance for individuals and SMEs, and maintaining financial stability.