

UNDP BANGKOK REGIONAL HUB ISSUES BRIEF

FINANCING FOR DEVELOPMENT IN ASIA AND THE PACIFIC

JUNE 2015, ISSUES BRIEF NO. 1



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FINANCING FOR DEVELOPMENT: THE GLOBAL AGENDA

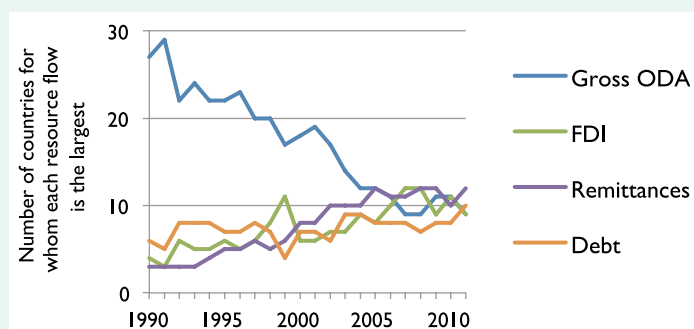
This year marks an important juncture in several key global processes related to Development Finance, including the [3rd International Conference on Financing for Development \(FfD\)](#), which will take place in Addis Ababa in July. In September, the [Sustainable Development Goals](#) are expected to be agreed; an important element of the SDGs will be discussions on the Means of Implementation, including a focus on the financing of the Goals. At the end of the year, the [UNFCCC Conference of Parties \(CoP 21\)](#) will take place in Paris, with countries meeting to discuss an international

climate change agreement, and the financing architecture needed to take it forward.

Following the Associate Administrator's participation in the [Asia Pacific High-Level Consultation on Financing for Development](#) in Jakarta at the end of April, the Bangkok Regional Hub (BRH) has prepared this *Issues Brief* on Financing for Development as a resource for Country Offices and their partners. It is meant to complement resources developed at the global level, including the [DESA web site on FfD](#), [UNDP's FfD blog series](#), and the [Administrator's promotional video for the FfD conference](#).

THE NUMBERS: REGIONAL PERSPECTIVES ON DEVELOPMENT FINANCE

The number of Asia Pacific countries for which each international resource flow was the largest, 1990-2011

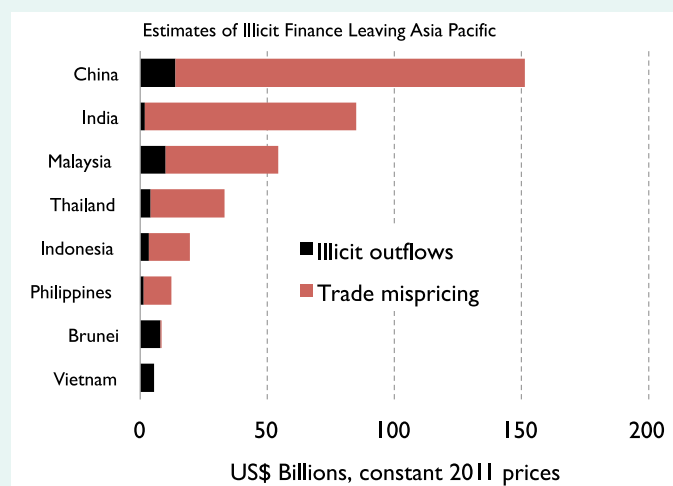


The nature and profile of development finance in Asia Pacific is changing rapidly:

- ❖ There have been significant changes to the regional profile of the **inflows of international resources** to countries. ODA continues to be an important source of development finance, yet it is declining as a proportion of the envelope of international inflows for many countries in the region. **South-South Cooperation**, while difficult to define and quantify, is increasing. China is thought to be the biggest SSC provider in the world, providing to 160 countries¹. For the period 2010-2012, China provided a total of \$US 14.41 billion in grants, interest-free and concessional loans.²
- ❖ The regional development finance profile is also affected by **outflows, including illicit financial flows**. By nature difficult to track and measure, IFFs from the Asia Pacific were estimated at a scale of over \$US 400 billion in 2011³. Overall, Asia Pacific accounts for 39.6% of total illicit outflows from developing countries, the largest share in volume among regions.⁴
- ❖ Such illicit flows impinge on efforts to increase the volume of available development financing in the region, including through improvements in **domestic resource mobilization**. The Asia Pacific region lags behind other regions in its tax to GDP ratio. In the 2000s, the tax/GDP ratio in Asia Pacific was 17.8%, behind the worldwide rate

of about 29%. Nevertheless, this rate of 17.8% in the 2000s represents a significant increase from the 1990's rate of 12.9%.⁵

- ❖ There are multiple demands on existing development resources in the region; one significant financing gap is with infrastructure. One estimate suggests an annual financing need of \$US 750 billion per year- between 2010 to 2020- for infrastructure in the Asia Pacific.⁶ **New financing architecture** is being developed to help meet this need. For example, the Asian Infrastructure Investment Bank (AIIB) is expected to be operational at the end of 2015. Twice the size of the World Bank, it will have an initial authorized capital of around \$US 100 billion.



Looking at the region as a whole, the profile is one of both recipient and source of development finance; it is likely that a substantial part of public and private investment needed to finance the SDGs can come from within the region. Resources held within the region include \$US 2.7 trillion in sovereign wealth funds, and about \$US 6.2 trillion in domestic savings.⁷ However, in order for these and other resources to be attracted, absorbed and used effectively, countries will need to overcome a number of challenges, as described below.

¹ Asia Pacific Development Effectiveness Report 2014.

² 2nd White Paper on China's Foreign Aid.

³ Asia Pacific Effective Development Cooperation Report 2014.

⁴ Kar, Dev, and Brian LeBlanc. *Illicit Financial Flows from Developing Countries: 2002-2011*. Washington DC: Global Financial Integrity, 2013.

⁵ *Making it Happen: Technology, Finance, and Statistics for Sustainable Development in Asia and the Pacific*. Asia-Pacific Regional MDGs Report 2014/15.

⁶ Ibid

⁷ Ibid

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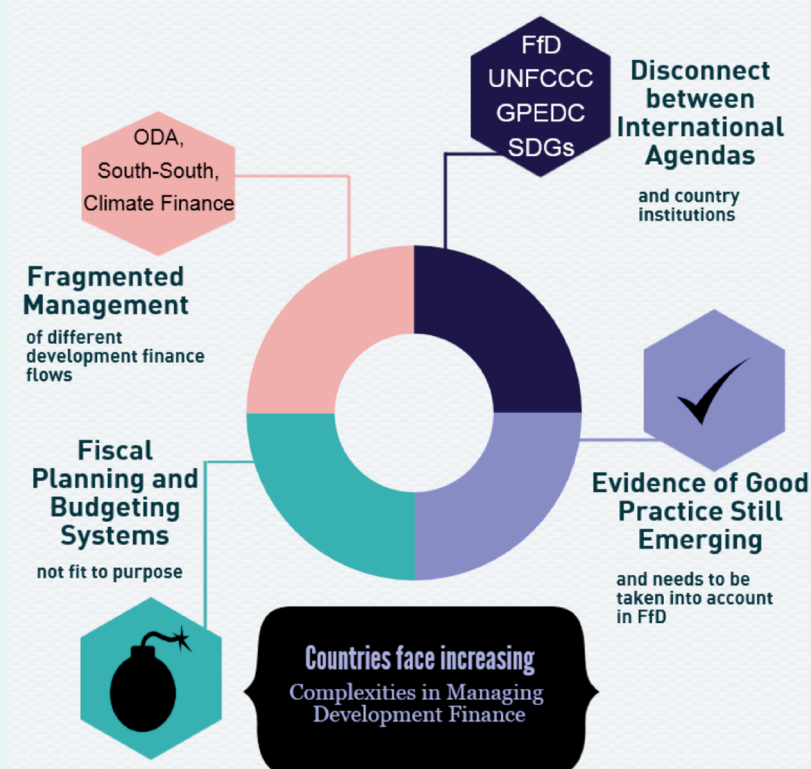


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THE CHALLENGES AT COUNTRY LEVEL TO MANAGING DEVELOPMENT FINANCE

The Development Finance Landscape

Characterized by...



❖ When it comes to Financing for Development, there is disconnect between different international agendas. For example, there is resistance to climate finance being a part of the broader FfD agenda.

This disconnect tends to be replicated at the country level, with different ministries representing the country in different international processes: Ministries of Finance at FfD; Ministries of Environment at the CoP; Ministries of Planning or Foreign Affairs at SDG negotiations.

❖ There are different modalities for accessing different types of international public finance, which can lead to fragmented management at country level.

❖ Fiscal planning and budgeting systems- as well as institutional arrangements- are often not optimal for promoting the needed integrated approach to managing Development Finance.

❖ While experience and good practice exists for managing isolated finance flows (e.g. ODA), much more needs to be done to understand how different flows can be brought together to strengthen SDG implementation.

WHAT HAVE WE DONE?

UNDP Bangkok Regional Hub is the Secretariat for **the Asia Pacific Development Effectiveness Facility (AP-DEF)**, a **country-led regional platform**, chaired by the Government of Bangladesh, which supports countries to implement their national agendas on Development Finance and Cooperation. The Facility is a platform for regional dialogue, cooperation, and sharing of country knowledge and experiences. It is **responding to the growing demand from countries in Asia Pacific to establish evidence and analysis, and introduce policy and institutional reforms for managing the increasing complexity of domestic and international sources of finance for development.**



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Analytics and Evidence-Gathering on Development Finance



BRH is supporting analysis through a flagship methodology for **Development Finance Assessments (DFAs)**. The DFAs provide planning and finance ministries with data and analysis on the changing trends in development finance and provoke dialogue on how institutions and systems might be adjusted to ensure that development finance is delivered in a coherent way across all areas of government. **DFA outcomes include:**

- ❖ **Bangladesh** is using the DFA to **inform institutional restructuring** within the Ministry of Finance to more effectively manage flows of development finance in the country;
- ❖ **Papua New Guinea** has drawn on the DFA to **formulate a new Development Finance and Aid Policy**;
- ❖ The DFAs in [Vietnam](#) and **Lao PDR** have been used to **inform national development cooperation dialogues**, such as the Round Table Process.

BRH has also supported emerging donors in the region through analysis and consultations based on Strategic International Development Cooperation Reviews. For example, [Thailand](#) is using this review as a foundation for **strengthening its modalities for International Development Cooperation**.

Financing for Development Consultations

UNDP Bangkok Regional Hub, through its support to the AP-DEF regional platform, ensures that **international processes such as the consultations on Financing for Development are strengthened through evidence and perspectives from countries in Asia and the Pacific**. By supporting South-South exchange of experience, with a platform for bringing country evidence to regional and global attention, this area of UNDP's work looks to bridge international discourse with country reality.



Informing Global Discourse with Country Evidence

Manila: Regional Workshop on Strengthening Coherence between FfD and Effective Development Cooperation



Jakarta: Asia-Pacific Consultation on Financing for Development

Addis Ababa: Side Event (tbc) on Role of Regional Platforms in Implementing Addis Accord



For example, during the recent Asia Pacific High-Level Consultation on Financing for Development, in Jakarta, [Associate Administrator Gina Casar's opening remarks](#) highlighted how UNDP is supporting countries in the region to engage in the global FfD process. The outcome document for the regional FfD consultation can be accessed [here](#).

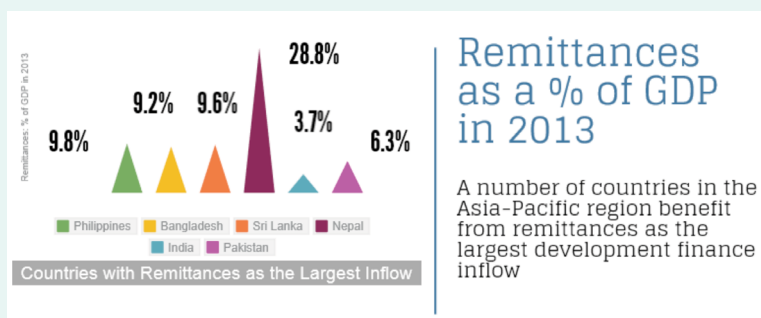
In the lead-up to the Jakarta regional consultation, UNDP organized a regional workshop in March on *Strengthening Coherence between the FfD and Effective Development Cooperation Agendas*. Hosted by the Governments of the Philippines, Bangladesh, and Palau, [key messages](#) which emerged focused on

the importance of a country-led approach to managing development finance and the need to strengthen fiscal planning and budgeting systems.

HOW CAN COUNTRY OFFICES PARTICIPATE? BRH SERVICE LINES ON FINANCING FOR DEVELOPMENT

❖ **Conduct a Development Finance Assessment (DFA).** At the upcoming [3rd International Conference on Financing for Development](#) in Addis Ababa in July, it is expected that countries will be encouraged to formulate Integrated National Financing Frameworks (INFFs). Conducting a DFA can support the development of INFFs at country level by mapping existing and potential flows of development finance, considering necessary policy and institutional frameworks and linkages with the financing of the SDGs.

❖ **Participate in South-South dialogue on development finance issues.** For example, a regional initiative on remittance inflows to countries in Asia Pacific will be launched in 2015. BRH also facilitates regular South-South dialogue on climate budgeting.

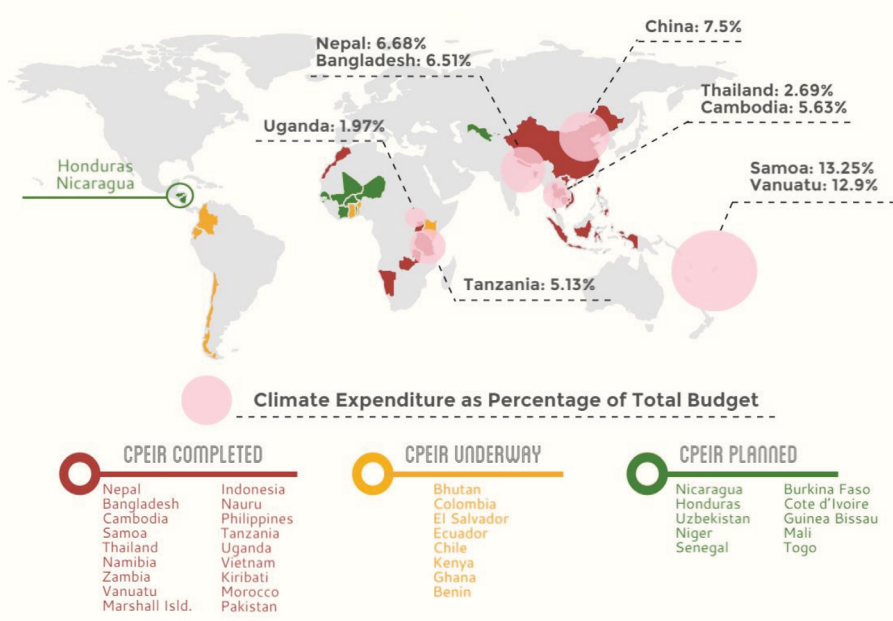


❖ **Conduct a Climate Public Expenditure and Institutional Review (CPEIRs)** or a PEIR on other aspects of sustainable development. CPEIRs help countries determine how to strengthen national planning and budgeting processes to manage international and domestic climate change finance. PEIRs are also being supported for Disaster Risk Reduction, Non-Communicable Diseases and Biodiversity. Find more information [here](#).

❖ **Access regional analysis and tailored advice on international processes.** BRH acts as a regional observatory and knowledge hub by providing analysis on FfD, such as the [Asia-Pacific Effective Development Cooperation Report 2014](#) and by brokering engagement with international policy forums.

❖ **Conduct a Strategic International Development Cooperation Review.** Such a review maps a country's supply of development cooperation and initiates dialogue on the results it is aiming to achieve.

QUICK SNAPSHOT OF CPEIRS



CONTACT US

We invite Country Offices to engage with us and take advantage of these regional services offered.
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