

ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS

IN THE ERA OF THE ADDIS ABABA ACTION AGENDA

Progress on establishing
integrated national
financing frameworks in
the Asia-Pacific region



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Foreword

I am pleased to present this groundbreaking report from the Asia-Pacific Development Effectiveness Facility – *Achieving the Sustainable Development Goals in the Era of the Addis Ababa Action Agenda: progress on establishing integrated national financing frameworks in the Asia-Pacific region*. This report presents the first ever analysis on the steps that countries are taking to better link finance with their national development priorities and the Sustainable Development Goals (SDGs) through integrated national financing approaches.

As Chair of the Asia-Pacific Development Effectiveness Facility (AP-DEF) and its Steering Committee, I am proud to launch this important work. The report has been developed under the auspices of United Nations Development Programme (UNDP), as Secretariat to the AP-DEF. I greatly recognize the generous support of the Australian Department of Foreign Affairs and Trade and the Government of Switzerland in developing the report. The AP-DEF supports countries

throughout the Asia and Pacific in addressing challenges related to financing of the SDGs and provides an invaluable platform for South-South exchange in this regard. Over 20 countries have benefited from its services.

At the Third International Conference on Financing for Development in 2015, countries agreed the Addis Ababa Action Agenda (AAAA). The AAAA highlighted the need for integrated national financing frameworks in leveraging the full potential of all financial flows – private and public – for sustainable development. As many countries are moving forward to establish SDG-focused financing strategies, this report offers analysis and guidance on some of the key steps to take in establishing more integrated financing frameworks.

Bangladesh has had the privilege of working with UNDP Bangkok Regional Hub and the AP-DEF for a number of years. In particular, we have benefited from the Development Finance Assessment (DFA) developed under

the Facility. The DFA has helped us understand our own progress towards building a more integrated financing framework for delivering our national development agenda and the SDGs. We are now considering how to follow up on the DFA and develop a more comprehensive financing strategy. We encourage other countries in the region and globally to do likewise.

This report's findings and recommendations are relevant to a number of policy processes. It is extremely timely, however, that we use its conclusions to feed into deliberations on the role of effective development cooperation in financing the SDGs, as part of the Second High-Level Meeting of the Global Partnership of Effective Development Cooperation held in Nairobi, Kenya at the end of 2016.

I do hope you enjoy reading this report and that it supports you in your own efforts in implementing the 2030 Agenda for Sustainable Development and the SDGs.



Mohammad Mejbahuddin
Senior Secretary, Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh
Chair, Asia Pacific Development Effectiveness Facility (AP-DEF)

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Contact Information:

AP-DEF Secretariat, UNDP Bangkok Regional Hub:

Thomas Beloe (Thomas.beloe@undp.org), Ashley Palmer (Ashley.palmer@undp.org), Emily Davis (Emily.davis@undp.org)

Acronyms and abbreviations

AAAA	Addis Ababa Action Agenda
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AP	Asia-Pacific
AP-DEF	Asia-Pacific Development Effectiveness Facility
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BRICS	Brazil, Russia, India, China and South Africa
CPEIR	Climate public expenditure and institutional review
CRS	Creditor Reporting System
CSO	Civil society organization
DAC	Development Assistance Committee (OECD)
DFA	Development Finance Assessment
DFI	Development finance institution
DPR Korea	Democratic People's Republic of Korea
FDI	Foreign direct investment
GDP	Gross domestic product
GNI	Gross national income
GPEDC	Global Partnership for Effective Development Co-operation
ICT	Information and communications technology
IDS	International Debt Statistics (World Bank)
IMF	International Monetary Fund
INFF	Integrated national financing framework
LDC	Less developed country
LIC	Lower income country
MDF	Market Development Facility
MDG	Millennium Development Goals
MIC	Middle income country
MSME	Micro, small and medium enterprises
NGO	Non-governmental organization
NSEDP	National socio-economic development plan
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other official flows
Lao PDR	Lao People's Democratic Republic
PPP	Public-private partnership
PPP\$	Purchasing power parity dollars
SDG	Sustainable Development Goals
SIDS	Small island developing states
SME	Small and medium-sized enterprises
SSC	South-South cooperation
TB	Tuberculosis
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
WB	World Bank
WDI	World Development Indicators (World Bank)



Executive summary

Countries across the Asia-Pacific region have set high ambitions for progress across a wide-ranging, interconnected sustainable development agenda.

Progress toward the Millennium Development Goals was mixed, with major successes in areas such as poverty reduction but a large unfinished business in others such as infant and maternal mortality. The Sustainable Development Goals (SDGs) raise ambitions higher, calling for further progress across a wider range of issues. Demographic trends, where people of working age count for a higher proportion of the region's population than ever before, offer both opportunities and challenges for achieving these targets. Critically there is greater recognition of the integrated, interconnected nature of these challenges and the opportunities and trade-offs that this agenda presents.

Many countries have access to a growing and increasingly diverse portfolio of financing that can contribute toward achieving results, though there are significant differences between countries. Rapid growth in domestic public and private finance in particular is driving increases in the resources available across the Asia-Pacific region. Yet the mix of resources varies

widely, and each resource can make different contributions to sustainable development results. In North-East Asia domestic public finance has grown rapidly, driven largely by China. In South-East Asia domestic public finance plays a critical role, though revenues have plateaued and growth in domestic private finance is driving headline trends. In the Pacific international financing remains critical. The scale of financing also varies widely. Government revenues,¹ for example, average US\$162 per person across least developed countries (LDCs) in the region in 2014, compared to \$2,167 per person in China.

Countries face a range of financing challenges, with some common and some differentiated issues across the region.

Domestic public finance is a key driving force for sustainable development results across the Asia-Pacific region and revenues are growing fast in some countries, though they have slowed in others. In absolute terms, revenues remain low for much of the region, at less than \$1,000 per person in half of all countries (compared to an average \$16,500 per person in advanced economies). Governments are also working to make their revenue models more sustainable and progressive.

And they are increasingly looking to systematically harness the potential of other financing. Rapid growth in private finance, an average 9% per year since 2005, is driving increases in the scale and diversity of financing for a number of countries, though trends have been uneven across countries and some aim to accelerate nascent growth in private finance. Many low income countries or LDCs face a transition away from concessional finance as they graduate from these groups.

To address these challenges countries are developing more integrated, holistic financing frameworks for managing the mobilizing and harnessing of finance for sustainable development results.

Governments across the region are strengthening the institutional structures, mechanisms and policies that they have in place to manage their strategy toward financing.

This report examines policies and institutions that countries use to link different sources of finance and national development priorities. It seeks to understand the degree to which these policies and institutions add up to an 'integrated national financing'

1. Unless specified otherwise, all government revenue figures in the report exclude grants.

framework’ for achieving the SDGs. An integrated national financing framework can be understood as a system of policies and institutional structures that can help governments to develop and deliver a strategic, holistic approach toward managing financing for nationally-owned sustainable development strategies. This concept, which was called for in the Addis Ababa Action Agenda,² is explored for the first time in detail in this report. The report provides practical solutions for governments and adds to existing reports and global financing processes by providing a holistic country perspective across all financing types and the frameworks that countries have in place to mobilize them.

Key features of existing country financing frameworks

To develop more comprehensive and coordinated policy, financing frameworks in many countries are rooted at the top of government. To achieve coherent policymaking across government requires leadership at this level to bring actors across government together, build consensus and give authority to the mechanisms designed to coordinate and align across interconnected policy areas. In

Samoa, for example, leadership from the Ministry of the Prime Minister has been critical in establishing a whole-of-government approach to planning financing and monitoring implementation. In Indonesia a dedicated Cabinet-level ministry coordinates planning and policy for economic affairs.

Many countries have established a long-term vision for the results they want to realize, which provides a foundation for policymaking and the development of financing strategies. Long-term visions, typically articulated through a national development plan, provide overarching direction on the development path that countries want to follow and specify key results they aim to achieve. They are the platform on which medium-term operational strategies and financing policies are built. In recent years a number of countries have developed new long-term visions. Papua New Guinea established Vision 2050 in 2009 which, with a 40-year outlook, is one of the most forward-looking plans in the region. Countries such as Bangladesh, Indonesia and Mongolia, which recently launched its 2030 Sustainable Development Vision, have established plans with 10 to 20-year

timeframes. Others such as Lao People’s Democratic Republic (Lao PDR) are in the process of establishing a long-term vision.

Countries are developing more holistic financing strategies that define the contributions that all resources can make. The need to mobilize contributions from a wide range of financing types is well recognized and many countries have developed holistic financing policies that specify the roles they want non-state actors, particularly the private sector, to play. Bangladesh aims for private financing to fund 77% of its Seventh Five Year Plan (2015/16 to 2019/20). While countries have achieved successes with these policies, they are typically operational policies that cover three to five years at most. There is a gap between these and the longer-term vision documents. There is potential to build on these existing structures and develop strategic financing policies that establish long-term direction for the financing a government aims to mobilize, and determine what reforms are needed to get there.

A number of countries have established a results-oriented, cost-based approach for their

2. The Addis Ababa Action Agenda says ‘Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts.’ Paragraph 9, AAAA, http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

financing strategies. Starting from estimates of the cost of the investments needed to achieve results can help countries to develop an ambitious financing strategy that looks at the interventions necessary to scale up resource mobilisation accordingly. This is in contrast to approaches that build solely on historic trends and develop a strategy based on the likely trajectory of existing flows. Lao PDR has established a process to estimate the financing needs of its five-year National Socio-Economic Development Plan. Clarity on the contributions it targets from the private sector, for example, has helped the government to implement policy changes designed to unleash much greater investment. Private investment has consecutively exceeded the targets outlined in Lao PDR's five-year plans.

Countries are undertaking reforms to enhance the alignment between financing policies and overarching plans. Each country's overall approach to financing is designed and operationalized through a range of policies, involving a large number of actors across government and an even larger group of stakeholders outside government. Ensuring that there is coherency—common understanding of direction, goals, roles and responsibilities—across the system is essential for overall efficiency and to ensure each actor is effectively fulfilling their role. For many countries the overarching national development plan, with accompanying financing plan, is the foundation on which the system is built. The strength of mechanisms which ensure that operational policies across the system are closely aligned to this foundation and complement rather than contradict one another, is a key determinant of overall efficiency.

In the Philippines, government budgets have been scrutinized by Cabinet-level committees to ensure clear linkages between public spending and the objectives articulated in the medium-term vision document, the Philippine Development Plan 2011–2016. The strength of these mechanisms has been reinforced by involvement at the highest level: the President has acted as Chair of one of the scrutinizing committees, and of the National Economic and Development Authority, which manages the Philippine Development Plan.³

Countries across the region recognize the need for corresponding mechanisms to coordinate private sector policy but, with just a few exceptions, have found this more difficult to achieve in practice. Government influence over private finance is less direct and exerted through the incentives and business environment created by a large number of government agencies, often across levels of national and subnational administration. Where countries have been successful, such as Cambodia's promotion of rice exports, their efforts have often been characterized by narrowing the focus to specific interventions that have clear leadership from the highest levels of government, clear targets and well-defined implementation plans.

A number of countries are taking steps to strengthen their focus on results in planning, implementation and monitoring. Systematically managing all aspects of policy design and delivery for results can increase efficiency, though it takes time and iterative steps to build the systems and results-oriented culture necessary to achieve this in practice.

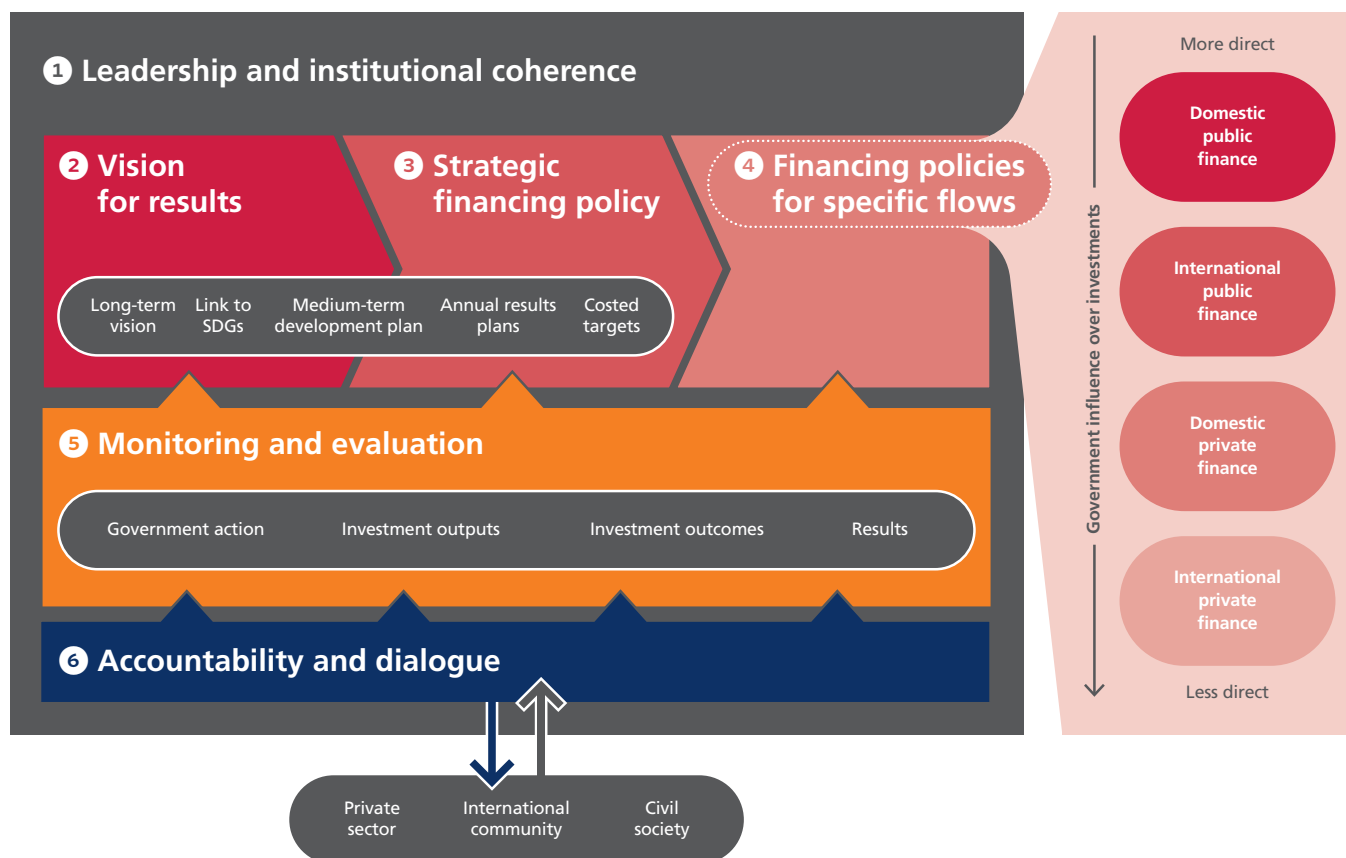
The Philippines introduced results matrices to monitor progress against the 2011–2016 Philippine Development Plan. These emphasize the outcomes and impacts targeted in the plan. They track progress in a hierarchical framework, linking the overall societal goal, 'Poverty reduction in multiple dimensions and massive creation of quality employment', with intermediate goals and outcomes in sectors and subsectors.

The importance, and efficiency gains, of systematic approaches to accountability and dialogue are recognized by many countries.

Dialogue is essential for building the trust and sense of shared ownership that is critical for successfully mobilizing the contributions of private actors and other partners. Engaging partners from the policy development phase through implementation and review can help governments design and deliver more realistic, responsive policies. Accountability mechanisms are important in their own right, providing a voice and channels for stakeholders to engage; and they can also support more efficient policymaking. In India social accountability mechanisms play an important role in strengthening the efficiency of Union (central government) and state budgets, and in reducing losses from budgetary expenditure. Monitoring by non-governmental organizations has helped policymakers understand the extent to which stated priorities are reflected in the implementation of policies, clarify optimal burden sharing between administrative levels and strengthen the case for investment in social sectors. Such mechanisms have also helped improve the implementation of key social policies, reducing losses and improving efficiency.

3. Note that the examples from the Philippines used throughout the report primarily draw from the Development Finance Assessment undertaken in 2014, during the previous administration. Some aspects of the financing system and priorities of the government may have changed with the new administration that came in during 2016.

An integrated national financing framework for delivering national development priorities and the SDGs



Building blocks of an integrated national financing framework

Looking across the financing frameworks that countries have and are developing, a number of core principles emerge. Countries face a complex and rapidly changing financing landscape and are adapting the way they plan and deliver policy to leverage the opportunities, and address the challenges, this presents. Drawing on the evidence in this report about the core principles of countries' existing financing frameworks and the adaptations they are making, a number of principles or building blocks to an effective, integrated and holistic financing framework emerge:

- Leadership that facilitates institutional coherence
- A clear vision for results
- An overarching strategic financing policy

- Results-focused financing policies for specific flows
- Integrated monitoring, evaluation and learning
- An enabling environment for accountability and dialogue

This report draws these principles together to build a conceptual model for an integrated national financing framework (see figure above). The concept of an integrated national financing framework, that incorporates these building blocks, can help guide countries as they consider and undertake reforms. It can help senior leaders in governments across the Asia-Pacific region, and beyond, think about their financing frameworks holistically. It can prompt reflection on the strengths and weaknesses of existing frameworks as a whole, in relation to the sustainable development strategies and financing needed to realize them.

At the start of the SDG era, now is an important time for countries to examine their financing frameworks and to consider establishing integrated national financing frameworks. To realize ambitions for results across an integrated sustainable development agenda, countries will need to be able to design and deliver strategic, holistic financing policies that mobilize and maximize the impacts of a wide range of financing. The frameworks governments have in place to manage these financing policies will be critical for their success. The concept of an integrated national financing framework can help countries strengthen their existing frameworks and identify reforms that can be made in the short run and built on over time toward stronger systems in the long run. A number of countries, including Bangladesh, Cambodia, Myanmar and Nepal, are already thinking about how to take steps toward establishing an integrated national financing framework.

Given the wealth of experience across the region, countries can also be a valuable source of knowledge for one another through regional knowledge sharing and exchange.

Countries wishing to establish an integrated national financing framework can learn from one another and may wish to establish an index to develop a roadmap and track their progress. While the financing frameworks across the region vary widely, they have many common features and challenges, and as such knowledge sharing between countries can be invaluable in helping a government to determine the path of reform that it will follow. Regional platforms, such as the Asia Pacific Development Effectiveness Facility (AP-DEF) have an important role to play in facilitating exchange, supporting countries as they undertake reform and building up an understanding of good practice. Countries may wish to undertake a Development Finance Assessment. They may also wish to compile indicators that capture the status of each building block, in order to define milestones in their roadmap

toward an integrated national financing framework, and to monitor progress over time. Such an index could be at least partially built on information from existing monitoring processes and surveys such as the Global Partnership for Effective Development Cooperation (GPEDC) monitoring framework,⁴ Public Expenditure and Financial Accountability⁵ (PEFA) assessment and Country Policy and Institutional Assessment (CPIA),⁶ open budget survey⁷ and others.

The role for development cooperation and implications for the Second High Level Meeting of the Global Partnership for Effective Development Cooperation in Nairobi

With greater emphasis on nationally led development strategies, countries and providers alike are reflecting on how development cooperation should evolve. This report is being launched at the Second High Level Meeting of the Global Partnership for Effective Development Cooperation in Nairobi in November 2016. The evidence

and analysis provided in the report concludes that three particular roles for development cooperation stand out. Firstly, development cooperation will be most effective if it plays to its strengths relative to other types of financing within each country context. Development cooperation is a small resource, but it has unique characteristics that mean it can be used for investments which other resources cannot. Secondly, development cooperation can play an important role in leveraging other flows to contribute toward results – leveraging both increased volumes of financing, and leveraging development-additionality from this financing. Thirdly, there is increased priority on the role and responsibility of the international community to support institutional development so that countries are better able to drive their own development strategies. This encompasses both the provision of direct support for countries as they reform and develop institutions, and development cooperation providers themselves operating in a way that strengthens and does not undermine institutional development.

4. <http://effectivecooperation.org/monitoring-country-progress/explore-monitoring-data/>

5. <https://pefa.org/content/pefa-framework>

6. <http://data.worldbank.org/data-catalog/CPIA>

7. <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>



Introduction

Countries in the Asia-Pacific region and beyond have set themselves ambitious targets for the results they want to achieve in the next 15 years. The 2030 Agenda for Sustainable Development envisions a world without extreme poverty, where inequality is falling and climate change is being addressed.

Realizing these ambitious goals will require a significant increase in investments. The cost of the Sustainable Development Goals (SDGs) is estimated at US\$5 trillion to \$7 trillion per year worldwide,⁸ levels beyond the resources currently available in the region. Meeting these investment needs will require raising and mobilizing significant additional resources from multiple sources. It will require using and channelling resources efficiently. All actors, public and private, domestic and international, have contributions to make, though each type of financing has different characteristics and varying potential to contribute to different aspects of the sustainable development agenda. Using resources effectively will mean working to their comparative advantages in meeting different types of financing needs.

Countries across the Asia-Pacific region face a diversity of financing contexts and challenges. For some, public

finance is growing rapidly; for others it has plateaued and, while still a key driver of progress toward sustainable development, remains low in absolute terms. Governments are also working to make their revenue models more sustainable and progressive. Private finance is growing and diversifying in many parts of the region, bringing opportunities to build partnerships and encourage sustainable development impact; yet this also brings complexity and coordination challenges across government and with partners. For other countries the challenge is to attract new flows of private finance, or to diversify beyond a reliance on narrow sectors. For low income countries (LICs) transitioning to Middle Income Country (MIC) status, the transition away from concessional finance and changing nature of development partnerships will require considered strategies. Finally the contribution of international public finance will remain critical for many years to come in Small Island Development States (SIDS) and Least Developed Countries. Ensuring continued concessionality in these contexts will be essential.

Meeting these financing challenges will require a strategic, holistic approach to managing, mobilizing and channelling financing. Governments across the

region have recognized this and are reforming and strengthening the financing frameworks that govern their approach to financing—building coherency, developing more comprehensive planning structures and increasing the emphasis on managing for results.

This report looks across countries' financing frameworks and builds on the strengths of different approaches to develop a model of an 'integrated national financing framework'. This is a system of policies and institutional structures that can help governments to develop and deliver a strategic, holistic approach toward managing financing to achieve the results envisaged in nationally-owned sustainable development strategies. The concept, first proposed in the Addis Ababa Action Agenda, is developed in detail for the first time in this report.

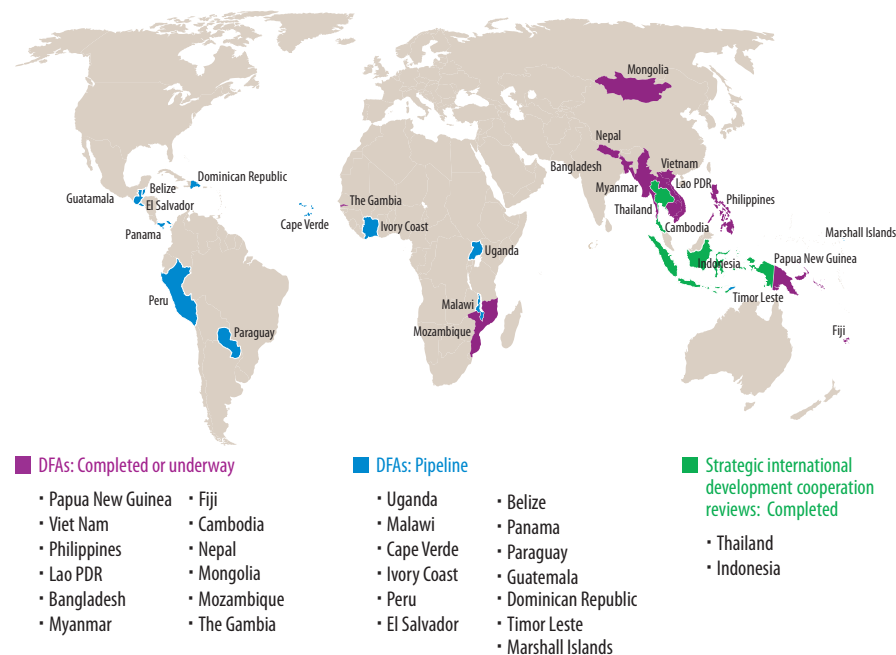
The report offers a unique perspective, taking a holistic view across all types of financing and the systems that countries have in place to manage, mobilize and channel financing toward sustainable development results. It offers practical solutions for governments, introducing the building blocks for an integrated national financing framework: leadership and

8. UNCTAD, 2014. World Investment Report 2014. http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf

institutional coherence, a vision for results, a strategic financing policy that guides policy toward specific flows, effective monitoring, evaluation and learning, and an enabling environment for accountability and dialogue. It shows how these building blocks can and are being used by governments to address the financing challenges they face and to link financing with results.

This report—including the concept of integrated national financing frameworks—complements existing reports and processes on financing and sustainable development results at the national and international level. It sits alongside the 2016 Global Partnership for Effective Development Cooperation (GPEDC) monitoring report and builds on many of the concepts of development effectiveness captured in the GPEDC monitoring survey. It builds on the Addis Ababa Action Agenda, and can feed into the financing for development follow-up process and annual report of the Inter-Agency Task Force on Financing for Development. It can support countries in dialogue and reporting about means of implementation in the SDGs at the high level political forum on sustainable development. The report also draws from and builds on efforts to develop results-based management and related concepts. At the national level it draws heavily from the UNDP supported Development Finance Assessments (DFAs) that countries across the region have undertaken, and complements processes such as the Pacific Islands Forum Compact Peer Review. While it is complementary to these processes, its added value is its holistic look at financing frameworks. It draws from many of the areas that look at individual aspects of financing

Development Finance Assessments



strategies, and analyses the financing frameworks that governments have in place as a whole.

The report also sits alongside regional publications such as UNESCAP's Economic and Social Survey of Asia and the Pacific,⁹ the Asian Development Bank's Asian Development Outlook¹⁰ and UNDP's Regional Human Development Reports.¹¹ It adds to these publications by focusing specifically on financing, taking a holistic perspective across all types of financing and linking financing to results.

The report begins in chapter 1 by providing an overview of the regional context, looking at the progress made under the Millennium Development Goals, and the challenges ahead. It provides an overview of the financing landscape, looking at how the financing available in countries across the region is evolving, the differences

between countries and the challenges countries will face in mobilising the finance needed to achieve results. Chapter 2 provides an introduction to the integrated national financing framework that is developed in this report. Chapters 3, 4 and 5 look at domestic public finance, domestic and international private finance, and international public finance respectively. These chapters examine the institutional structures and policies that countries have in place to make, mobilize and harness finance in each of these areas. Chapter 6 weaves together the key features of country financing frameworks in these areas to present and explore in detail the building blocks of an integrated national financing framework. Finally, chapter 7 presents recommendations at the country, regional and global level about how integrated national financing frameworks can be taken forward to support nationally-owned sustainable development strategies.

9. Economic and Social Survey of Asia and the Pacific 2016, UNESCAP, <http://www.unescap.org/publications/economic-and-social-survey-asia-pacific>

10. Asian Development Outlook 2016 Update: Meeting the Low-Carbon Growth Challenge, ADB, <https://www.adb.org/publications/asian-development-outlook-2016-update>

11. Asia-Pacific Human Development Report: Shaping the Future: How Changing Demographics can power Human Development, UNDP, 2016. <http://www.asia-pacific.undp.org/content/rbap/en/home/hdr.html>

The report will be launched at the 2nd High Level Meeting of the Global Partnership for Effective Development Cooperation in Nairobi, November 2016. Discussions at the High Level Meeting will focus on the development effectiveness and financing for

development agendas, and look to identify innovative approaches to sustainable development that can be scaled up. In these discussions and as countries move to the implementation phase of the sustainable development goal era the concepts presented in

this report can help governments to refine and develop their financing frameworks to strengthen the linkages between financing and sustainable development results in the Asia-Pacific region and beyond.

Methodology overview: data and analysis

The financing data used throughout this report are compiled from international sources such as the UN Statistics Division, IMF Article IV publications, the World Bank World Development Indicators (WDI) and the OECD DAC (see Methodology for full list of sources). This allows for aggregation at the regional and sub-regional level as well as for comparisons across countries.

Financing data are organized into four categories: domestic public, domestic private, international public and international private. Domestic public finance includes government revenue data, excluding grants (unless specified otherwise). Domestic private finance data are estimated by subtracting foreign direct investment (FDI) and public capital expenditure from gross fixed capital formation. International public finance includes official development assistance (ODA), other official flows (OOF) and public long-term debt. Comprehensive data on other types of international public finance such as South-South cooperation (SSC), triangular cooperation and climate finance are not available, and these flows are excluded from aggregate analysis. International private finance includes FDI, private long-term debt, short-term debt, portfolio equity and remittances. Data on international private development cooperation (including NGOs, philanthropy, corporate social responsibility) and impact investing are not comprehensive and are thus excluded from aggregate analysis.

The most recent year for which comprehensive data are available is 2014; data on international flows are fairly comprehensive from 2000 though comprehensive data on domestic flows are only available from 2005. Analysis is undertaken from the perspective of recipient countries so only country-allocable resources and flows are considered.

Regional and sub-regional aggregates are estimated by summing together totals for all countries in the group. This report uses the UNDP classification of the Asia Pacific region, including 36 countries.¹² Sub-regionally, countries have been grouped according to geography,¹³ income classification¹⁴ and other categories including fragility,¹⁵ LDCs,¹⁶ SIDS,¹⁷ ASEAN¹⁸ and SAARC.¹⁹

See Methodology for more details.

Data points that give key totals are noted below many graphs. All data are available on request.

12. 36 developing countries in the Asia Pacific region: Afghanistan, Bangladesh, Bhutan, Cambodia, China, Cook Islands, Fiji, India, Indonesia, Iran, Kiribati, Democratic People's Republic of Korea, Laos, Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu, Viet Nam. Brunei and Singapore although not developing countries are included in analysis related to ASEAN countries.
13. South and South-West Asia (9 countries): Afghanistan, Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan, Sri Lanka. South-East Asia (9 countries): Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand, Timor-Leste, Viet Nam. East and North-East Asia (3 countries): China, Democratic People's Republic of Korea, Mongolia. The Pacific (15 countries): Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu.
14. 3 Low income Countries (LICs): Afghanistan, Democratic People's Republic of Korea, Nepal. 20 Lower Middle Income Countries (LMICs): Bangladesh, Bhutan, Cambodia, India, Indonesia, Kiribati, Laos, Micronesia, Mongolia, Myanmar, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Vanuatu, Viet Nam. 9 Upper Middle Income Countries (UMICs): China, Fiji, Iran, Malaysia, Maldives, Marshall Islands, Palau, Thailand, Tuvalu. 1 High Income Country (HIC): Nauru. No World Bank income classification data are available for 3 countries: Cook Islands, Niue, Tokelau.
15. 12 fragile states in the Asia Pacific region: Afghanistan, Bangladesh, Kiribati, Marshall Islands, Micronesia, Myanmar, Nepal, Pakistan, Solomon Islands, Sri Lanka, Timor-Leste, Tuvalu. (Source: OECD list of fragile states)
16. 12 Least Developed Countries (LDCs) in the Asia Pacific region: Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Laos, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu.
17. 16 SIDS in the Asia Pacific region: Cook Islands, Fiji, Kiribati, Maldives, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu.
18. 10 countries in the Association of South-East Asian Nations (ASEAN): Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam.
19. 8 countries in the South Asian Association for Regional Cooperation (SAARC): Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.

Chapter 1: Regional context

The Asia-Pacific region²⁰ is the world's most populous, encompassing great diversity across countries, environments, economies and societies. Countries across the region have ambitious plans to achieve progress across a wide ranging, interconnected sustainable development agenda.

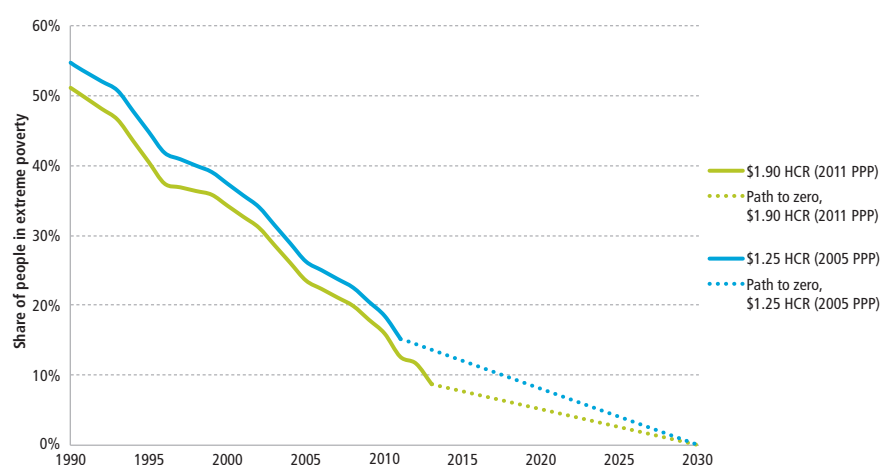
This chapter looks at the regional context, the successes and unfinished business of the Millennium Development Goals (MDGs), trends in inequality and demographics, and the integrated nature of the challenges ahead. The chapter takes an in-depth look at all types of financing in the region, unpacking the diverse contexts and trends that countries face and the range of financing opportunities and challenges that this presents. It highlights the ambitious, integrated and interconnected contexts that countries in the region are working within.

Past results and future challenges

Progress toward the MDGs across the Asia-Pacific region was mixed. Countries achieved significant progress in some areas while in others progress was slow, and significant unfinished business remains.

FIGURE 1.1

Extreme poverty has fallen rapidly in the Asia-Pacific region



Source: World Bank PovcalNet

Notes: The PPP\$1.25 line shows trends in the measure of extreme poverty that was used in the MDG targets (using the 2005 purchasing power parity price basis); the PPP\$1.90 line shows the updated international extreme poverty line (using the 2011 purchasing power parity price basis) that will be used to measure progress under the SDGs, showing the trend needed to reach zero by 2030. HCR: headcount ratio. The following Asia-Pacific countries are missing due to insufficient poverty and/or population data: Afghanistan, Cook Islands, Democratic People's Republic of Korea (DPR Korea), Federated States of Micronesia, Marshall Islands, Myanmar, Nauru, Niue, Palau, Tokelau.

The Asia-Pacific region was a key driver of the global success in meeting MDG1a, the target to halve extreme poverty. The proportion of people living on less than PPP\$1.25 a day across the region as a whole fell from 54.6% in 1990 to 15.3% in 2011 (and to an estimated 12% in 2015,²¹ Figure 1.1). Individually, the majority of Asia-Pacific countries also met the target to halve extreme poverty.

Progress in halving the prevalence of children underweight was more mixed, with the target achieved in East and North East Asia, but only 7 of 21 other countries realising the goal.

Many Asia-Pacific countries made progress against education targets. 2019 of 24 countries achieved targets for primary enrolment and 24 of 33 countries for primary completion,

20. This report uses the UNDP classification of the Asia-Pacific region, which includes 36 countries (with exception of analysis of the ASEAN grouping, which also includes Brunei and Singapore). This differs from other classifications such as that used by UNESCAP, which includes 53 countries.

21. UNDP, UNESCAP, Asian Development Bank (ADB). *Asia-Pacific Regional MDGs Report 2014/15: Making it happen*. Note this uses a slightly different definition of the Asia-Pacific region to the one used in this report.

although only half of the LDCs achieved this target. Gender parity targets in primary and secondary education were widely achieved, though progress in gender parity in tertiary education was uneven across countries.

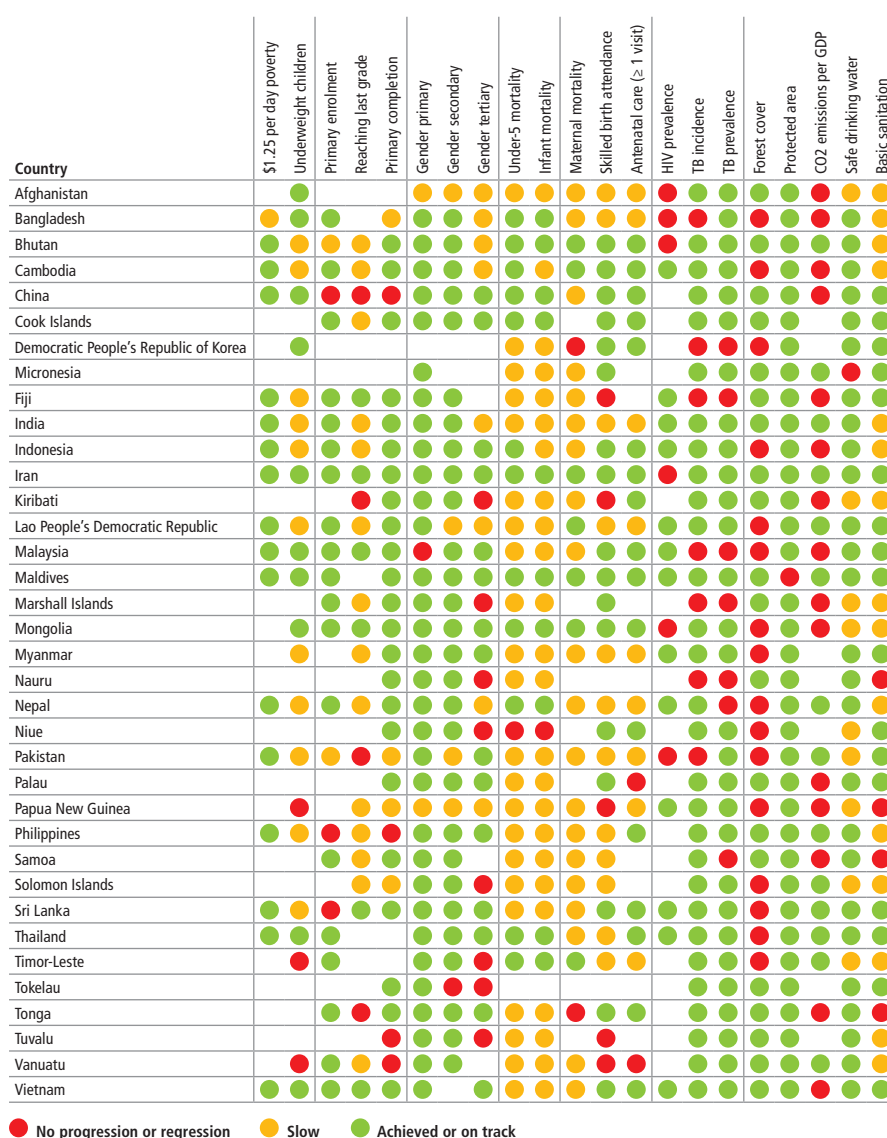
Infant and maternal mortality targets were not met by most countries. 10 of 35 countries and 7 of 29 of Asia-Pacific countries met infant and maternal mortality targets respectively. No LICs or Pacific Island countries met the maternal mortality target. Some countries met targets related to skilled birth attendance and antenatal care, though success rates among fragile states were poor. Progress in reducing HIV prevalence and tuberculosis (TB) was more widespread among countries in the region.

Progress in meeting environmental targets was varied. All except one country in the region achieved the target for protected areas, while progress toward emissions targets was mixed. Progress in access to safe drinking water and basic sanitation showed a clear divide across countries at different levels of economic development: three-quarters of upper middle income countries achieved the basic sanitation target, compared to less than a third of lower middle income country and less than a fifth of LDCs.

Country-by-country progress across the whole agenda was mixed (Figure 1.2). The region's best performer, the Maldives, achieved (or was on track to achieve, according to the latest estimates) 19 of the 20 targets for which data exist. At the other end of the spectrum, Papua New Guinea achieved four targets, and regressed in five others. In general Asia-Pacific fragile states, LDCs and LICs met fewer targets than in other regions, though with exceptions in each group: Sri Lanka, Bhutan and Nepal all performed well, making progress across a wide range of targets.

FIGURE 1.2

Country-level progress against the MDG targets



Source: Author's calculations based on United Nations Statistics Division. See Methodology for details
Notes: Blank spaces indicate insufficient data.

Defining 'results'

This report looks at how countries can strengthen their financing frameworks to deliver outputs that achieve results. The term 'results' is used throughout the report in this sense: planning the outputs that can deliver outcomes that contribute toward long-term impact. For example, within the integrated national financing framework introduced below, the vision for results provides direction on the outcomes and impact a country aims to realize while the financing strategies mobilize the resources needed to deliver the outputs that lead to these outcomes and impact. This is in line with the technical definition of the term 'results' used in discussions about results-based management or financing, where it encompasses the three sequential steps from outputs to outcomes and impact.²²

22. See for example: OECD. *Development results: An overview of results based management and measurement*. See: <https://www.oecd.org/dac/peer-reviews/Development-Results-Note.pdf>

Significant progress is needed in promoting gender equality.

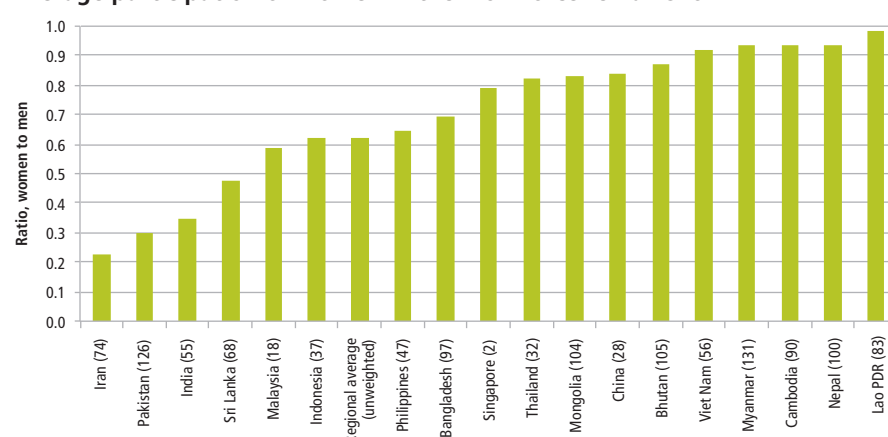
Women's economic empowerment is a prerequisite for sustainable development and pro-poor growth.²³ The Asia-Pacific region loses an estimated \$89 billion in income every year because women are underrepresented in the workforce. If women's representation increased to 70%, as in the advanced economies, annual GDP could be an estimated 4.2% higher in India, 2.9% higher in Malaysia, and 1.4% higher in Indonesia.²⁴ Women who gain equal access to education and economic decision-making are a key driving force against poverty through raising household incomes.²⁵ The evidence shows that when women have greater control over resources, investment in children's health, education and nutrition increases, which yields long-term benefits for future generations.²⁶ In South Asia, 60% of employed women work in family enterprises but do not get paid (Figure 1.3).

There remains significant unfinished business from the MDGs. Over a half a billion people still live in extreme poverty in the Asia-Pacific region. In 2012 an estimated 21 million children were not enrolled in primary school, 75 million children under five were underweight and over 1.6 billion people still lacked access to safe sanitation. With mixed overall progress toward achieving the MDGs, many countries will carry targets forward, even while ambitions are being raised in the SDGs.

The SDGs present an agenda that is more ambitious, wider-ranging

FIGURE 1.3

Average participation of women in the workforce remains low



Source: World Economic Forum, Global Competitiveness Report 2015–2016.

Note: The country name includes country's ranking in the Global Competitiveness Index 2015–2016.

and highly interconnected. The bar has been raised across goal areas such as reducing poverty, moving from the MDG to halve the proportion of people living in extreme poverty, to a goal of ending extreme poverty by 2030. Goals in areas that were not covered by the MDGs are included in the SDGs, and there is wide recognition of the interlinkages that can reinforce or present trade-offs between goals in related areas.

Inequality across the region is falling, albeit slowly. The Gini coefficient²⁷ for the region as a whole fell from an estimated 39.1 to 38.1 between 2000 and 2014. Trends are more pronounced when China and India, where inequality has changed little over the period, are excluded. Some of the largest reductions in inequality were among countries where inequality was highest at the turn of the Millennium: Micronesia, Nepal and Papua New Guinea. Other countries, such as Fiji, Lao

PDR and Viet Nam, experienced rising inequality over the period.

The Asia-Pacific region is the world's most populous and is undergoing a demographic transition. Five of the ten countries in the world with the largest populations are in the region. Most countries in the region are undergoing or on the verge of beginning a demographic transition, where the ratio of working age to younger and older people grows. This brings significant opportunities and challenges. If the demographic dividend is reaped, it can drive forward rapid progress in economic and sustainable development. But where countries fail to plan and make investments ahead of time, these opportunities can be missed, with high costs. Poor investment in education, for example, can leave a generation ill-equipped for the labour market and can hold back, rather than spur on, economic development.²⁸

23. OECD, 2011, Women's Economic Empowerment. Paris: OECD. <http://www.oecd.org/dac/gender-development/womenseconomicempowerment.htm>

24. UNDP, 2010, Asia-Pacific Human Development Report. Power, Voice and Rights: A Turning Point for Gender Equality in Asia and the Pacific. UNDP and Macmillan Publishers India.

25. UNDP, 2015, Gender and Poverty Reduction. New York: UNDP. http://www.undp.org/content/undp/en/home/ourwork/povertyreduction/focus_areas/focus_gender_and_poverty.html

26. World Bank, 2012. World Development Report. Gender Equality and Development. Washington, DC: World Bank.

27. The Gini index measures the income distribution of a country's residents where 0 means everyone earns the same, and 100 that one person earns everything.

28. The information in this paragraph was sourced from: UNDP Regional Bureau for Asia and the Pacific, 2016. Asia-Pacific Human Development Report. Shaping the future: How changing demographics can power human development. See: <http://hdr.undp.org/sites/default/files/rhdr2016-full-report-final-version1.pdf>

These challenges highlight the ambitious, integrated and interconnected agenda and context that countries across the region are working within. This is increasingly recognized at the international and national level and has profound implications for countries and the way they approach policy and financing, highlighting the need to mobilize not just greater volumes of resources, but also appropriate types of financing to address different types of challenges.

Opportunities and challenges in a changing finance landscape

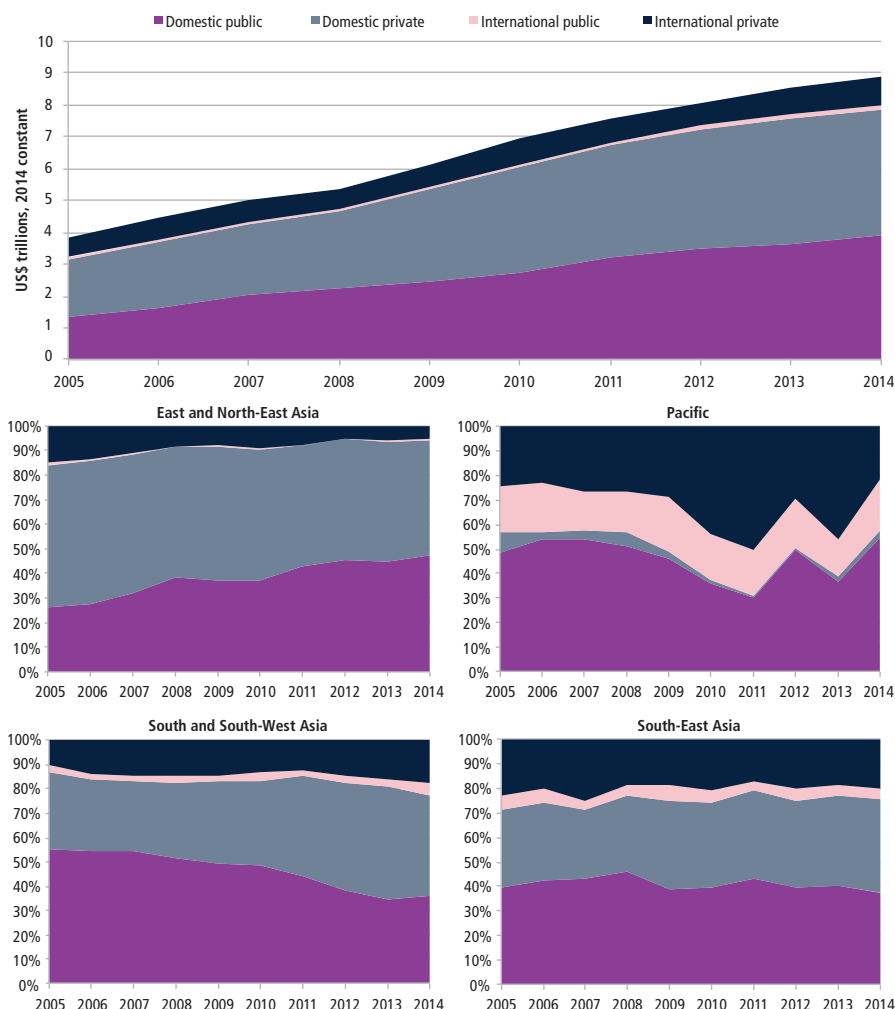
Countries across Asia and the Pacific face an evolving financing context. Growth and increasing complexity in the financial resources available are opening up opportunities and challenges for countries as they work toward realizing their goals. All types of financing can play a role in meeting the challenges countries face, though the different characteristics and strengths of each finance type means these roles will be differentiated by context. The challenges countries face in mobilizing the resources they have or could have available, and channelling these to impactful investments, vary widely across the region.

Rapid growth in domestic finance is driving an evolving resource landscape

Financing across the region as a whole is growing rapidly (Figure 1.4). Total financing²⁹ grew from US\$4.0 trillion in 2005 to \$8.9 trillion in 2014.³⁰ Domestic resources in particular have increased rapidly: domestic public and private finance

FIGURE 1.4

In aggregate, domestic resources, private and public, are by far the largest source of financing to the Asia-Pacific region, accounting for 89% of all resources in 2014



Sources: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), World Bank World Development Indicators (WDI), World Bank International Debt Statistics (IDS), World Bank Migration and Remittances data, UN Conference on Trade and Development (UNCTAD), International Monetary Fund (IMF) Article IV publications. See Methodology for calculations.

Notes: Data on domestic private resources are estimated using World Bank data on gross fixed capital formation and subtracting foreign direct investment (FDI) and public capital expenditure. While this cannot be considered an accurate reflection of the domestic private investment taking place in each country, it can be used to provide an estimate for trends and overall comparisons with other flows. Domestic public includes non-grant government revenue data as reported in IMF Article IV publications. International public includes official development assistance (ODA), other official flows (OOF) and public long-term debt. International private includes FDI, private long-term debt, short-term debt (net), portfolio equity (net), and remittances. Data on domestic resources, both public and private, are limited to a subset of Asia-Pacific countries. See Methodology for details.

Data points: For the Asia-Pacific region as a whole international private finance totalled \$842 billion in 2014, international public \$151 billion domestic private \$3.97 trillion and domestic public \$3.91 trillion. In East and North-East Asia domestic public finance totalled \$3.0 trillion, domestic private \$2.9 trillion, international public \$23 billion and international private \$357 billion. In South-East Asia domestic public finance totalled \$413 billion, domestic private \$420 billion, international public \$49 billion and international private \$225 billion. In South and South-West Asia domestic public finance totalled \$525 billion, domestic private \$604 billion, international public \$77 billion and international private \$258 billion. In Pacific Island countries domestic public finance totalled \$6.0 billion, domestic private \$306 billion, international public \$2.6 billion and international private \$2.6 billion.

29. Total trackable resources: see methodology for details of what is and is not covered by the available data.

30. The data on financial flows analyzed in development finance assessments, and that national policymakers use, are taken from a mixture of national and international sources, whereas data in this chapter is sourced from international datasets. This section aims to present an overview of the financial resource landscape in the Asia-Pacific region, so data that can be aggregated to regional and subregional levels and compared across countries are needed and international sources are thus preferred. However, this means that the most recent year for which comprehensive data are available is 2014. On international flows specifically, only data on remittance inflows are available for 2015.

combined more than doubled between 2005 and 2014, compared to the 45% rise in international public and private inflows over the same period 80% of which is attributable to international private inflows). The main driver behind this has been growth in government revenue,³¹ which almost tripled between 2005 and 2014 and has also been increasing as a proportion of total financing, rising from 36% in 2005 to 44% in 2014.

Growth in domestic public finance in China dominates regional figures.

Chinese government revenue increased from \$571 billion in 2005 to \$3.0 trillion in 2014. China alone accounts for 96% of the overall increase in domestic public resources in the region.

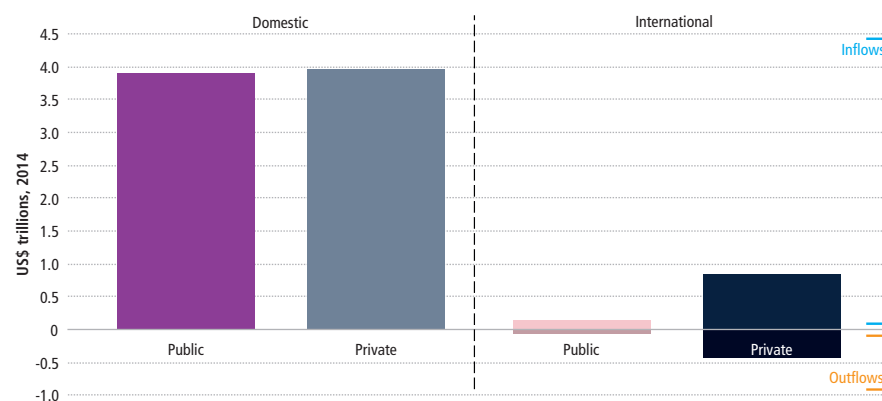
Excluding China, domestic private finance has driven overall trends.

Excluding China, domestic private finance has grown at an average 7% per year. The largest increases have been in India, Indonesia, Malaysia and the Philippines, yet this growth has been widely experienced. More than half of countries for which data exist³² experienced growth averaging more than 5% per year. Conversely, outside China domestic public finance remained relatively constant in volume, plateauing between 2007 and 2012 at around \$1 trillion. It has decreased as a proportion of total financing, from 49% in 2005 to 37% in 2014.

The balance between domestic and international finance, and between private and public financing, is evolving differently in different contexts. In East Asia international flows and, to a lesser

FIGURE 1.5

In aggregate, domestic resources, private and public, are by far the largest source of financing to the Asia-Pacific region, accounting for 89% of all resources in 2014



Sources: OECD DAC, World Bank WDI, World Bank IDS, World Bank Migration and Remittances data, UNCTAD, IMF Article IV publications. See Methodology for calculations.

Notes: Data on domestic resources, both public and private, are limited to a subset of Asia-Pacific countries. See Methodology for details. Note that, although the total of all financing is greater than the estimates of the cost of achieving the SDGs (see introduction), it is not the case that all of this financing is used on investments that will contribute to their realization.

Data points: in 2014 domestic public totalled \$3.91 trillion, domestic private \$3.97 trillion, international public finance \$151 billion, international public outflows \$74 billion, international private inflows \$842 billion and international private outflows \$427 billion.

extent domestic private resources, have been decreasing as a proportion of total financing due to the vast increase in domestic public resources—driven by China. On the other hand, in South East Asia, domestic public resources have remained relatively constant in proportional terms since 2006, while domestic private resources have increased from 32% of total financing in 2006 to 38% in 2014. In the Pacific, international finance plays a critical role, on average accounting for over 50% of all financing to Pacific countries since 2005.

Domestic public and private resources dominate the mix of resources overall

These trends mean that, in aggregate, financing across the region is dominated by domestic resources

(Figure 1.5). Domestic public finance accounts for 44% of the total and domestic private finance an estimated 45%.³³ However, international flows still represent an important source of finance—and among international financing private flows have grown to account for 85% of all international financing in 2014.

The overall mix of financing within the region varies widely

(Figure 1.6). Subregional country groupings highlight the multitude of different financing landscapes faced by policymakers in the region. Both between groupings (as shown in Figure 1.6) and within groupings the mix of available resources is quite different. China's financing landscape is dominated by domestic resources which account for 94% of all resources; while for Mongolia (also an

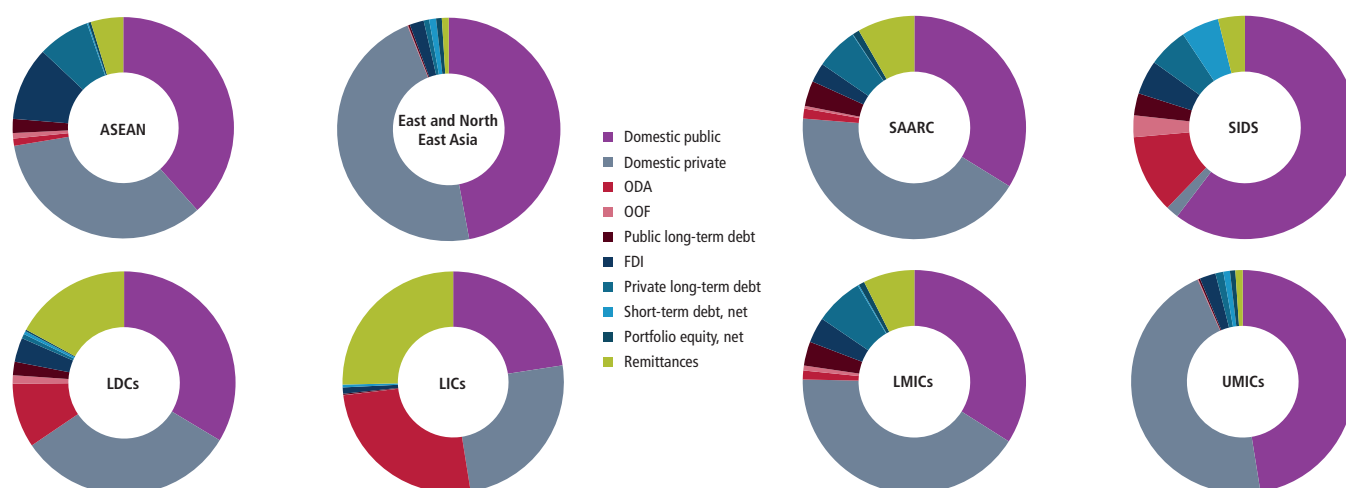
31. Unless specified otherwise, all government revenue figures used in this report exclude grants. See methodology for details.

32. 12 of 21 countries for which data exist, from a total 35 countries in the region (excluding China).

33. The domestic private resources figures are estimates in lieu of comprehensive data on domestic private investment. Calculations are based on gross fixed capital formation (GFCF) data from the World Bank, which are used to estimate total investment in each country. FDI and public capital expenditure data are then deducted to estimate for domestic private investment alone. GFCF data exclude certain types of investments such as land sales and purchases and all kinds of financial assets, and do not make any deductions for depreciation of fixed assets. These estimates should therefore not be treated as precise facts about the domestic private investment taking place in each country, but rather estimates of the general trends and scale of this financing.

FIGURE 1.6

Different groups of countries face different mixes of resources



Sources: OECD DAC, World Bank WDI, World Bank IDS, World Bank Migration and Remittances data, UNCTAD, IMF Article IV publications. See Methodology for calculations.

Notes: Data are for 2014. East and North-East Asia includes 3 countries (China, DPR Korea, Mongolia). ASEAN (Association of Southeast Asian Nations) includes 10 countries, of which two (Singapore and Brunei) are not included in the OECD's list of ODA recipients and are thus excluded from aggregate regional analysis, which focuses on Asia-Pacific developing countries only. LDCs include 12 countries. SIDS include 16 countries. LICs include 3 countries (Afghanistan, Nepal, DPR Korea). Lower middle income countries include 20 countries. Upper middle income countries include 9 countries. Comprehensive financing data for DPR Korea are not available. Data on domestic resources, both public and private, are limited to a subset of Asia-Pacific countries. See Methodology for details.

See Annex 1 for data points.

East Asian developing country) private long-term lending alone accounts for a fifth of available financing, 2% more than domestic private resources. In the Philippines, remittances, a flow within the international private finance category (see Table 1.1), are by far the largest form of international finance, alone accounting for 18% of all resources. In Lao PDR remittances are only 0.82% of available financing, with the majority being domestic resources—public and private in roughly equal proportions, followed by international debt financing (12%), foreign direct investment (FDI; 10%) and public long-term debt (9%). International public finance, particularly official development assistance (ODA), continues to be significant in small island developing states (SIDS). In Kiribati and the Solomon Islands, ODA alone accounts for over 30% of total financing, in Tuvalu it accounts for over 50%.

Among LICs in the region, domestic resources account for less than half of all financing (47%). ODA and remittances account for over a quarter each. Nepal's financing

TABLE 1.1

Typology of financing flows and categories

Financing type	Financing flow
Domestic public finance	<i>Direct and indirect taxation, non-tax revenue (including resource rents and royalties)</i>
Domestic private finance	Commercial investment (including small and medium enterprises), <i>private debt, domestic remittances, philanthropy</i>
International public finance	Official development assistance, other official flows, public long-term debt, <i>south-south cooperation, climate finance, triangular cooperation</i>
International private finance	Foreign direct investment, private long-term debt, short-term debt, portfolio equity, remittances, <i>private development assistance (philanthropy, non-governmental organizations, corporate social responsibility), impact investing</i>

Note: Flows in italics are those for which comprehensive data are unavailable

landscape is dominated by remittances that alone account for 41% of total resources—51% accounted for by domestic public and private resources combined. In Afghanistan ODA is the major source of financing, accounting for 52% of all resources, compared to 19% of domestic public and 25% of

domestic private. The variety of more commercial types of international private finance in both these contexts is limited, with only FDI and short-term lending featuring in the mix, in both instances accounting for less than 1% of total resources.

The landscape is very different in middle income countries (MICs), where there is more private finance and less concessional finance.

As countries develop economically, they attract an increasing volume and variety of private sector investments. Over the past decade, the number of MICs in the region has risen from 16 to 29.³⁴ In Thailand (an upper middle income country) domestic and international private finance combined accounts for over half of all available resources. International long-term lending to the private sector accounts for 10% of financing in Thailand.³⁵ In Bangladesh (a lower middle income country), domestic private investment alone accounts for almost half of all resources (48%) and remittances play a substantial role, accounting for a fifth of all financing. In recent years Bangladesh has attracted a wider range of international private finance with both lending to the private sector as well as FDI and equity investments growing. In Cambodia, FDI is equivalent to 26% of total financing, twice the volume of ODA.

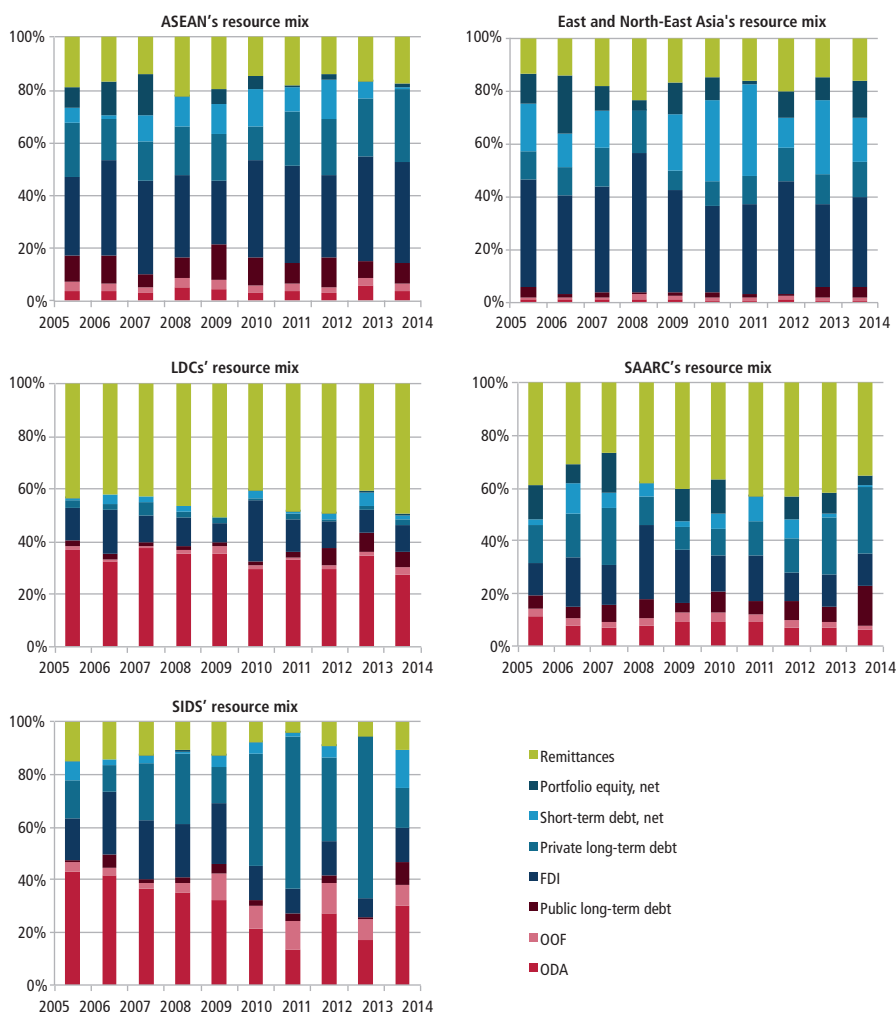
An evolving mix of international finance

The mix of international flows varies significantly (Figure 1.7). For 16 countries in the region ODA accounts for more than 10% of available financing; for 6 countries it represents less than 1% of all resources. At its highest levels, it accounts for 53% of financing in Afghanistan, 52% in Tuvalu and 45% in Micronesia.

Public long-term debt, which includes lending to the public sector or lending to private sector actors that is guaranteed by the state, has grown the most in volume of international

FIGURE 1.7

Some Asia-Pacific countries are increasingly accessing non-concessional debt; others still rely heavily on ODA and remittances



Sources: OECD DAC, World Bank WDI, World Bank IDS, World Bank Migration and Remittances data, UNCTAD. See Methodology for calculations.

Notes: East and North-East Asia includes 3 countries (China, DPR Korea, Mongolia). ASEAN includes 10 countries of which two (Singapore and Brunei) are not included in the OECD's list of ODA recipients and are thus excluded from aggregate regional analysis, which focuses on Asia-Pacific developing countries only. LDCs include 12 countries. SIDS include 16 countries. Comprehensive financing data for DPR Korea are not available.

Data points: in East and North-East Asia, all international resources together totalled \$155 billion in 2005, rising to \$380 billion in 2014. Across ASEAN countries total international resources rose from \$117 billion to \$341 billion; across SAARC countries, \$66 billion to \$331 billion; across LDCs, \$12 billion to \$50 billion; and across SIDS, \$4.0 billion to \$6.2 billion. See annex for comprehensive data points.

public inflows to the region as a whole. Countries driving this trend are India, Indonesia and China, and to a lesser degree Pakistan. In India, lending to or guaranteed by the state increased from 1% to 4% of all available resources available between 2013 and 2014

(equivalent to a rise from 0.4% of GDP to 2.0%). In Bhutan public long-term debt has been rising as a proportion of total financing, from 1.8% in 2008 to 19.6% in 2014, reaching 18.3% of GDP in 2014. The increasingly significant role of public long-term debt calls for

34. No historical income classification data (2000–2014) is available for Cook Islands, Nauru, Niue, Tokelau; historical income classification data are not available pre-2009 for Tuvalu.

35. This is private non-guaranteed debt; a portion of public and publicly guaranteed debt is also taken on by the private sector but the data record this separately, in a way that is indistinguishable from public debt. See Methodology.

careful consideration in an integrated approach to financing that is able to take into account debt sustainability issues. In Papua New Guinea, private long-term debt, the largest source of international finance since 2007, has been fluctuating significantly: increasing over twelvefold between 2009 and 2011, then dropping by 71% in 2012, tripling in 2013 and decreasing by 90% in 2014.

Development finance institutions play an important role in financing across the region which is partly captured by available data. This includes World Bank agencies (International Development Association, International Bank for Reconstruction and Development, International Finance Corporation) and the Asian Development Bank—the latter providing 6% of ODA and 30% of OOF received by Asia-Pacific countries in 2014, or \$2.3 billion and \$6.5 billion respectively. Multilateral organizations provided a higher proportion of overall OOF (29% of the total to the region) than ODA (21%), with bilateral providers³⁶ accounting for the rest. While development finance institutions' total operations including financing beyond what they report as ODA and OOF, these data do provide insight into their relevant role in development financing to the region, especially in terms of concessional financing.

Wider international finance

Beyond the flows outlined above there are a range of international finance flows for which comprehensive data do not exist, including from new development banks, South-South cooperation (SSC) and impact investing.

The One Belt, One Road Initiative

China's One Belt, One Road initiative reflects the country's increasingly prominent role in global affairs broadly and as provider of development cooperation.

The initiative focuses on infrastructure investments and enhancing trade-related flows between Asia and the rest of the world. The financial backing behind the initiative is estimated at \$90 billion. Some \$40 billion of this has been pledged from the Government of China's Silk Road Fund, with the remainder expected to come from the AIIB, the BRICS New Development Bank, private equity and potentially the Asian Development Bank. The initiative focuses on shared economic growth and aims to yield substantial development dividends tied to market-based investments, thus potentially strengthening the quality of growth in the region and accelerating the achievement of the SDGs in the more than 70 countries through which the planned infrastructure will be passing.³⁷

The Asian Infrastructure Investment Bank (AIIB) was established in 2014, beginning operations in 2016 with targeted lending for the year between \$0.5 billion and \$1.2 billion (by comparison, loans and grants from the Asian Development Bank totalled \$16.3 billion in 2015³⁸). Its role is expected to become increasingly significant especially in the infrastructure and productive sectors in the region, thus increasing the pool of emerging finance available for investments in these areas. The substantial role the AIIB is likely to play in the Asia-Pacific region and in global development cooperation more broadly is further underlined by its expected role in the One Belt, One Road initiative (see box).

An increasing number of countries are providing SSC, a type of international public finance, including China, India, Indonesia, Thailand and most recently Timor-Leste. While it is difficult to provide accurate estimates of this financing, available data do allow exploration of some of the differences in trends and targeting of resources

from these actors. According to national sources, China's development cooperation has been increasing steadily over time, quadrupling between 2001 and 2013. India's SSC also grew, albeit more slowly, increasing by 45% between 2008 and 2013 (the period for which data are available).

Neighbouring countries seem to be the main recipients for a number of countries' SSC allocation. The vast majority of Thailand's ODA reported to the OECD DAC in 2014 was disbursed to Lao PDR and Myanmar (\$55.5 million and \$12.1 million respectively out of \$77.9 million). Conversely, for others, countries outside of the Asia-Pacific region dominate disbursements: for example, 97% of Timor-Leste's ODA reported to the OECD DAC for 2014 went to countries in sub-Saharan Africa. As countries expand their role as SSC providers, integrated approaches and systems to strategically direct these resources toward maximizing sustainable development outcomes in recipient countries will become increasingly important.³⁹

36. Including both DAC member countries and other bilateral providers that report ODA and OOF to the OECD DAC.

37. Identifying Development Dividends along the Belt and Road Initiative— Complementarities and Synergies between BRI and the SDGs, UNDP Scoping Paper.

38. Total operations from the Asian Development Bank totalled \$27.2 billion, of which loans and grants totalled \$16.3 billion. Page 10, 2015 Annual Report, Asian Development Bank. <https://www.adb.org/sites/default/files/institutional-document/182852/adb-annual-report-2015.pdf>

39. Miller and Prapha, 2013, Strategic Review of Thailand's International Development Cooperation, UNDP. See: <http://tica.thaigov.net/main/contents/ebook/ebook-20130925-113050/index.html#/1/> This report highlights the need to strengthen systems for developing strategies around Thailand's development cooperation efforts as well as coordinating and monitoring its delivery.

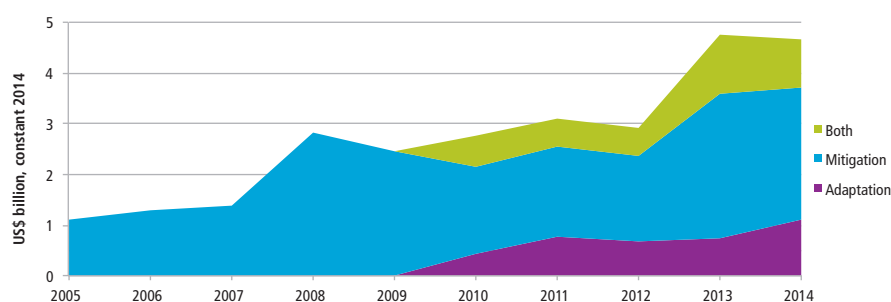
Impact investing⁴⁰ is a growing area of international private finance, with new investments totalling around \$15 billion worldwide in 2015.^{41,42} An estimated \$13 billion in impact investment assets (regional data on new investments is unavailable) were located in the Asia-Pacific region by the end of 2015 (see also chapter 4). Worldwide, the primary sectors for impact investments are housing, microfinance, energy and financial services, which together account for more than half of the total.

Climate finance

Climate finance is growing within the Asia-Pacific region. Many governments are increasing their spending on climate finance, while also taking steps to establish systems that better manage investments in this cross-cutting area (see chapter 3). The majority of climate finance comes from domestic resources – in Bangladesh an estimated 80% of climate related programmes are funded domestically.⁴³ Climate public expenditure and institutional reviews (CPEIR), which provide estimates of climate expenditure by governments, have been undertaken by a number of countries. Across seven countries in the region that have undertaken these reviews, climate expenditure ranges from 0.15% and 0.53% of GDP in Indonesia and Thailand to 2.73% and 2.74% of GDP in Samoa and Vanuatu.⁴⁴ Many of these governments are placing increasing priority on climate expenditure. In Samoa, climate

FIGURE 1.8

Most climate-related ODA to the Asia-Pacific region targets mitigation activities; 24% targets adaptation



Source: OECD DAC CRS

Notes: Data includes only country allocable disbursements. The Rio marker for climate change adaptation was introduced in 2010.

Data points: in 2014 ODA adaptation financing was \$1.1 billion, mitigation financing \$2.6 billion, and financing attributable to both \$0.95 billion.

expenditure rose from an estimated 9.8% of total government spending in 2007 to 14.0% in 2012. In Nepal, it rose from 5.7% in 2008 to 7.2% in 2012, and in Cambodia from 5.35% in 2009 to 6.32% in 2012.⁴⁵

International climate finance is also growing (Figure 1.8). Climate-related ODA, which includes spending by bilateral development cooperation providers, multilateral development finance institutions and some climate specific funds, has risen from \$1.1 billion in 2005 to \$4.7 billion in 2014 (though part of this rise may be attributed to better reporting by development cooperation providers to the OECD DAC Creditor Reporting System (CRS)).

Like other forms of international public finance to the region, climate finance is increasing in aggregate terms, though distribution and trends vary.

Climate-related ODA disbursements to Viet Nam have increased over sevenfold since 2005; to Malaysia they have remained relatively constant, growing 0.1% between 2005 and 2014; and to China they have decreased 72%. In 2014, India alone accounted for over a quarter of total disbursements to the region (27%), more than that received by all Asia-Pacific LDCs combined (25%). The vast majority of climate-related ODA to India was targeted at mitigation activities.

The focus ODA donors to the region place on mitigation and adaptation activities also varies between countries. Adaptation activities account for over 50% of climate-related ODA in 9 countries, and less than 10% in 7 countries. Mitigation activities account for almost all climate-related ODA disbursements to Thailand (95%), but less than 5% of the total in 6 countries.

40. Impact investing is defined by the Global Impact Investing Network as investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investing has four core characteristics: intentionality, investment with return expectations, a range of return expectations and asset classes, and impact measurability. <https://thegiin.org/impact-investing/need-to-know/>

41. Note that these investments are not included in the figures because it is not possible to identify them within the data for the financing flows presented here.

42. These estimates are based on the 2016 Annual Impact Investor Survey by the Global Impact Investing Network. The data are based on a survey of 158 impact investment organizations. The 2016 Survey Report is available at: <https://thegiin.org/knowledge/publication/annualsurvey2016>

43. Bangladesh Climate Public Expenditure and Institutional Review, Planning Commission, Government of the People's Republic of Bangladesh, https://www.unpei.org/sites/default/files/e_library_documents/Bangladesh_Climate_Public_Expenditure_and_Institutional_Review_2012_0.pdf

44. Budgeting for climate change how governments have used national budgets to articulate a response to climate change, UNDP, 2015. https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/27_08_15/1%20Budgeting%20for%20Climate%20Change_August%202015.pdf

45. Budgeting for climate change how governments have used national budgets to articulate a response to climate change, UNDP, 2015. https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/27_08_15/1%20Budgeting%20for%20Climate%20Change_August%202015.pdf

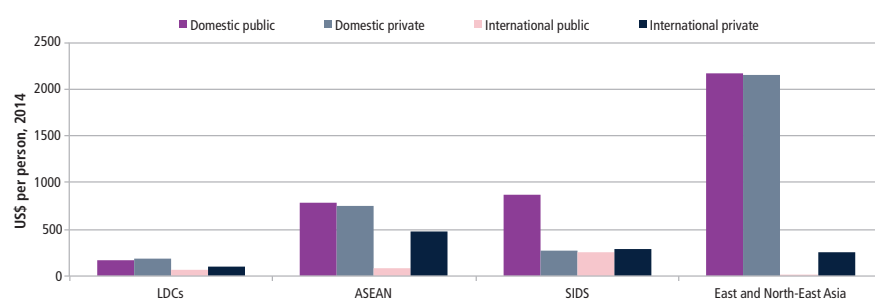
Philanthropy and international NGOs

Resources from the not-for-profit sector, including international transfers through international NGOs and foundations as well as domestic philanthropy and other resources mobilized by local NGOs,⁴⁶ represent a crucial and complementary source of funding for the SDGs. Not only are these flows considerably larger than is customarily recognized and growing rapidly (especially domestic philanthropy in lower middle income countries and MICs), but they are likely to be more specifically targeted at reducing poverty and providing services in the poorer areas. Particularly in Asia, these resources are rising fast, in part due to the rapidly increasing number of ‘high net worth individuals’ in the region and the increasing pattern of philanthropy. However, these resources tend to be underestimated due to the lack of global, comprehensive and consistent reporting standards for this type of financing. Strengthening the policy environment for philanthropy, including tax incentives for corporate giving, and involving philanthropists in discussions about national development is likely to lead to more effective collaboration between the not-for-profit sector and government, and to greater private giving for the SDGs.

Based on a combination of available estimates, international private giving to

FIGURE 1.9

Levels of domestic and international, public and private financing available to Asia-Pacific countries are very uneven



Sources: OECD DAC, World Bank WDI, World Bank IDS, World Bank Migration and Remittances data, UNCTAD, IMF Article IV publications. See Methodology for calculations.

Notes: Government revenue data are not available for Cook Islands, DPR Korea, Nauru, Niue, Tokelau. No population data are available for Cook Islands, Niue and Tokelau. Domestic private resources data are not available for Brunei, Singapore and several SIDS. Data on international public flows are not available for Brunei and Singapore as they are not included in the OECD's list of ODA recipients/developing countries. Data on international private flows to Brunei and Singapore are limited to FDI. Brunei's latest data on domestic public resources are from 2013.

developing countries is conservatively estimated at \$45 billion per year in 2013.⁴⁷ In comparison, domestic philanthropy, especially in Asia, is likely to be much higher and is rising. In just three Asia-Pacific countries (China, India and Indonesia) domestic giving amounted to \$43 billion in 2015⁴⁸ and Asian philanthropy is estimated to be growing at approximately 10% per year.⁴⁹ Giving from philanthropists has also shown a trend in recent years, from targeting localized projects in their home towns (such as donations to elite education and health facilities) to national development projects (this is the case in China for example). This highlights the growing potential for this type of financing to contribute toward

national level, SDG-related investments. Moreover, in 2014 the SDG Philanthropy Platform was established by leading foundations and other organizations including the United Nations Development Programme (UNDP) to support philanthropy to engage in the global development agenda through multi-stakeholder partnerships aimed at achieving the SDGs. Similarly, the Global Network of Foundations Working for Development (established by the OECD Development Centre) supports foundations and associated organizations to form dialogue and partnership with governments for development. It also provides a reservoir of information on the sector.

46. These flows would respectively feature within the international private finance and domestic private finance categories.

47. OECD DAC quotes a lesser figure, namely \$32 billion in 2014, but a more detailed analysis of philanthropic contributions by the philanthropy think tank, the Hudson Institute, concludes that \$59 billion of philanthropy was contributed to developing countries in 2013 (Hudson Institute Center for Global Prosperity, 2013, The Index of Global Philanthropy and Remittances. See: http://www.hudson.org/content/researchattachments/attachment/1229/2013_indexof_global_philanthropyand_remittances.pdf). This higher estimate results from analysing development expenditures of a wider array of NGOs and foundations that report to the bilateral aid agencies in 14 DAC countries. While the latter estimate includes a notional \$3.7 billion for the monetary value of volunteers' time (which is not relevant to an analysis of development finance) it is reasonable to assume that at least this sum is missing from the DAC countries for which more detailed analysis of philanthropy was not done. This would be the case if the underestimation for these countries is only about half that for those countries in which more detailed figures were found. A similar estimate was included in a 2012 World Bank Sector Note of the Middle East/North Africa region (International Good Practices in State-NGO Relations: A Benchmark for West Bank and Gaza), which used a combination of statistics from OECD DAC, GuideStar, Charities Aid Foundation, European Foundation Centre (three philanthropy support organizations) and the Hudson Institute. This concluded that philanthropy for development purposes from OECD countries totalled about \$49 billion in 2007.

48. Chinese philanthropy is estimated at \$17 billion per annum (The Economist, 2016, Corporate philanthropy in China. The emperor's gift. See: <http://www.economist.com/news/business/21702204-chinese-bosses-are-giving-more-charity-emperors-gift>); UNDP estimated \$15.5 billion in 2014 (UNDP, 2015, Unleashing the Potential of Philanthropy in China. See: <http://www.cn.undp.org/content/china/en/home/library/poverty/unleashing-the-potential-of-philanthropy-in-china-/>). India philanthropy stood at approximately \$18 billion per annum in 2012 (Cantegreil M et al, 2013, Revealing Indian Philanthropy. See: https://www.ubs.com/content/dam/ubs/global/wealth_management/philanthropy_valuesbased_investments/indian-philanthropy.pdf). In Indonesia corporate philanthropy amounted to \$1.1 billion in 2014 and personal contributions, largely in the form of zakat, through domestic NGOs and community organizations, amounted to \$28 per person, or \$7 billion nationally (data from website of Filantropi Indonesia)

49. World Wealth Report, 2014

As well as mobilizing private giving international and domestic NGOs are also recipients of ODA or channels of delivery for it. An estimated \$10 billion to \$12 billion⁵⁰ of ODA is channelled to developing country NGOs (directly or via international NGOs). In the Asia-Pacific region, although the overall volume of ODA channelled through NGOs has been increasing since 2005, it still represents a very tiny proportion of total ODA to the region. In 2014, Afghanistan, Bangladesh and Pakistan accounted for 47% of all NGO-channelled ODA to the region—with education, health and emergency response the main target sectors.⁵¹

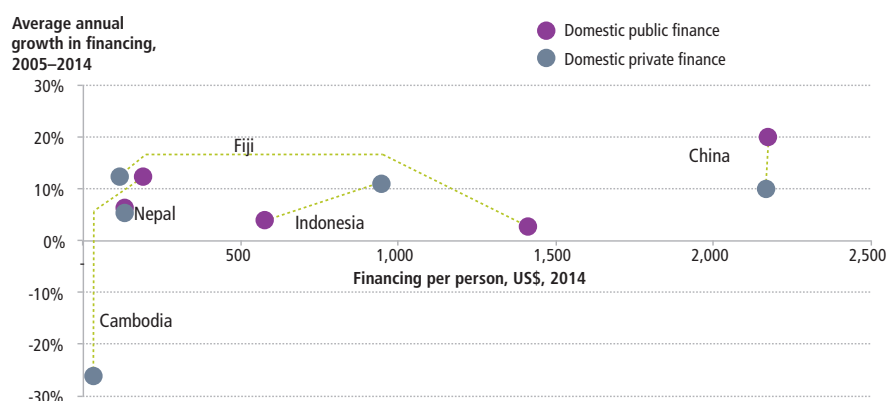
Wide variation in the scale and trajectories of financing

The scale of financing is unequal across countries in the region. While the mix of financing available varies widely between countries, so too does the level of financing available (Figure 1.9). Government revenues are less than \$1,000 per person in more than half of all countries in the region,⁵² while they are \$2,167 in China. Domestic private finance ranges from \$30 per person in Cambodia to over \$2,100 in China. International public finance levels vary between \$2.90 per person in Iran (Islamic Republic of, hereafter 'Iran') and \$3,545 per person in Tuvalu. International private flows are below \$200 per person in 13 countries and above \$1,000 in only four (Mongolia, Maldives, Marshall Islands and Tonga).

These data highlight how the financing landscape across the Asia-Pacific region is evolving. In aggregate, financing is growing and diversifying rapidly. This opens up opportunities to meet the scale of the sustainable development

FIGURE 1.10

Countries face a diverse range of financing challenges



Source: World Bank WDI, UNCTAD, IMF Article IV publications. See Methodology for calculations.

Notes: Domestic public finance average growth rates in Cambodia for 2006–2014. The dashed lines connect the two circles shown for each country.

challenges ahead with greater volumes of financing that can be channelled into rising levels of investment. It also presents opportunities to meet the breadth of the sustainable development agenda with a wider and more diverse pool of financing types, each of which has varying characteristics and comparative strengths in contributing to different result areas. Greater volumes of finance offer more potential to address the scale of the challenges; greater diversity of finance offers more potential to address the integrated, interconnected nature of sustainable development challenges.

Yet the context at the country level—the mix and scale of financing, and current financing trends—varies widely (Figure 1.10). For countries such as China, financing is growing rapidly and the challenge will be to maintain this pace and ensure the impact of these resources is maximized. For others, such as Cambodia or Indonesia, there are challenges in mobilising greater private finance, or stimulating higher growth in public revenues, which also

ensuring that resources impact on sustainable development results. In others such as Nepal, or Fiji, there are challenges in stimulating growth across public and private finance.

A more integrated approach to managing financing to results

Within these diverse contexts, the tasks countries face to mobilize the financing they require are significant. Countries must maximize the impact of the financing available, mitigating risks and establishing mechanisms to channel and incentivize financing into priority areas according to the strengths of each type of finance. And they must look to mobilize and stimulate further growth in financing from an increasingly complex financing landscape.

To achieve this requires an integrated and holistic approach to managing financing: one that can engage with more diverse types of financing and establish policies to mobilize and channel them across investments in an integrated sustainable development agenda.

50. Estimate given in Irish L, et al, 2009. Outsourcing Social Services to CSOs: Lessons from Abroad. See: <http://documents.worldbank.org/curated/en/517011468019451377/pdf/503850ESWOWHIT10Lessons0from0Abroad.pdf>

51. Private development assistance: key facts and global estimates, Development Initiatives. See: http://devinit.org/?utm_source=Development+Initiatives+Poverty+Research+Limited&utm_medium=email&utm_campaign=5628283_Launch:+Development+Data+Hub&dm_i=1E61,3CMT7,8ERNO3,BZHNF,1#1/post/private-development-assistance-key-facts-and-global-estimates

52. 19 of 31 countries for which data exist.

Chapter 2: Introducing the integrated national financing framework

With high ambitions for results and significant financing challenges, countries across Asia and the Pacific are developing more strategic, holistic and results-driven approaches to managing financing.

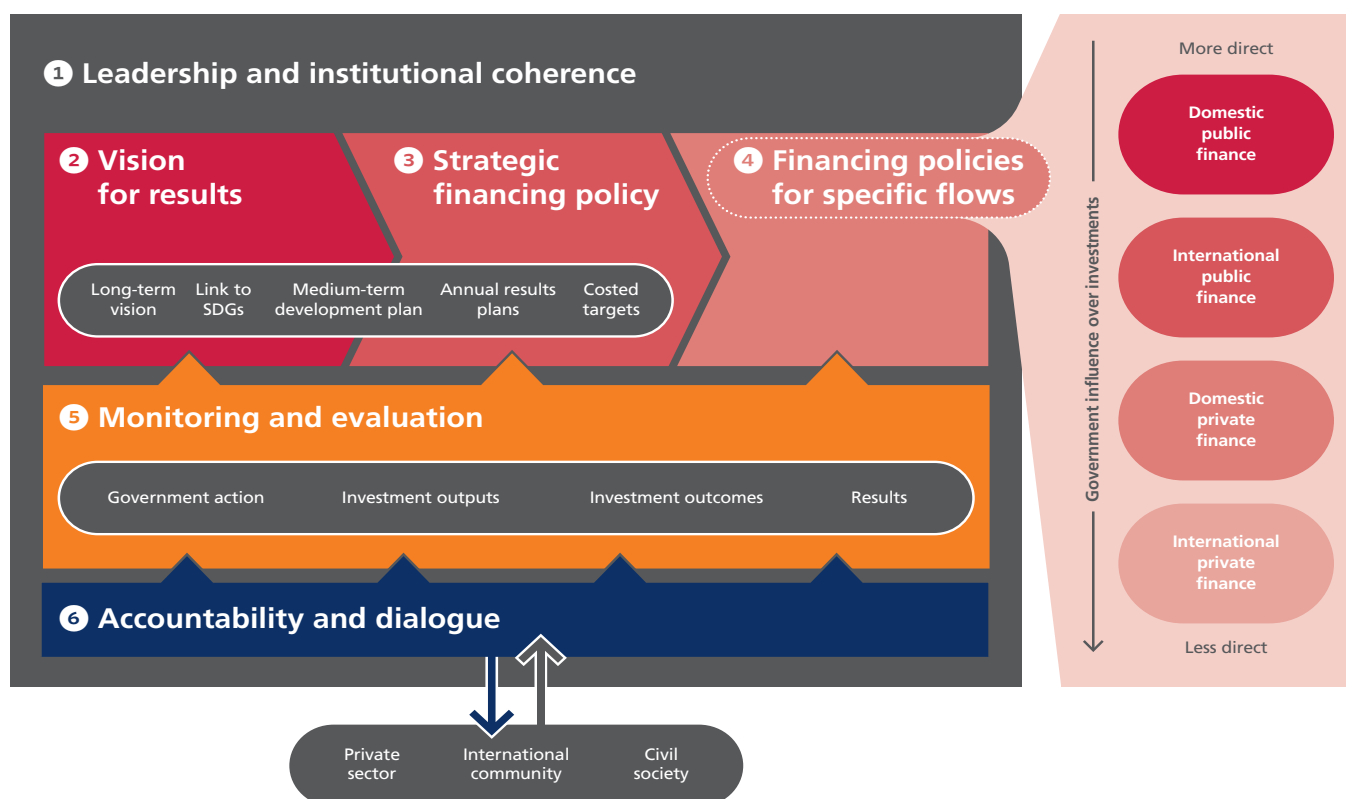
This report looks across the financing frameworks that countries have in place and are developing, to draw

out their key features and develop a conceptual model for an ‘integrated national financing framework’. This concept, which was called for in the Addis Ababa Action Agenda,⁵³ is explored for the first time in detail here. The subsequent chapters look at the frameworks and structures countries have in place to manage

strategies with regard to each type of financing; domestic public finance (chapter 3), domestic and international private finance (chapter 4) and international public finance (chapter 5). The key features of these frameworks are drawn together to develop the model for an integrated financing framework as a whole in chapter 6.

FIGURE 2.1

An integrated national financing framework for delivering national development priorities and the SDGs



53. The Addis Ababa Action Agenda says ‘Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts.’ Paragraph 9, Addis Ababa Action Agenda, http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

What is an integrated national financing framework?

An integrated national financing framework is the system of policies and institutional structures that a government has in place for managing its approach toward financing.

This conceptual model is built on the strengths of existing financing frameworks across the Asia-Pacific region and lessons learned from earlier approaches to poverty-reduction partnerships such as the poverty reduction strategy papers.

Drawing on the strengths of current practice, six building blocks emerge that underpin the integrated national financing framework (Figure 2.1):

1. Leadership that facilitates

institutional coherence is essential for bringing together actors across and outside government to build an integrated approach, ensuring alignment in policies and providing overall results-oriented direction for financing policies.

2. A clear vision for results that the country wants to achieve is

the foundation of an integrated national financing framework on which financing plans and targets are built. It sets out the sustainable development outcomes and impact that the country wants to realize and is typically articulated in a national development plan.

3. A strategic financing policy takes the long-term vision for results and develops estimates for the costs and types of investments needed. It provides a broad framework within which operational financing policies that mobilize the outputs which lead to sustainable development impacts can be developed. For many countries in the region this would be a new policy process, or a significant extension of an existing medium-term financing framework.

4. Specific financing policies

develop and deliver plans to mobilize each type of finance, in a scale and manner consistent with the strategic financing policy. This covers a range of policies such as medium-term expenditure frameworks, tax revenue strategies, national aid policies and industrial development strategies.

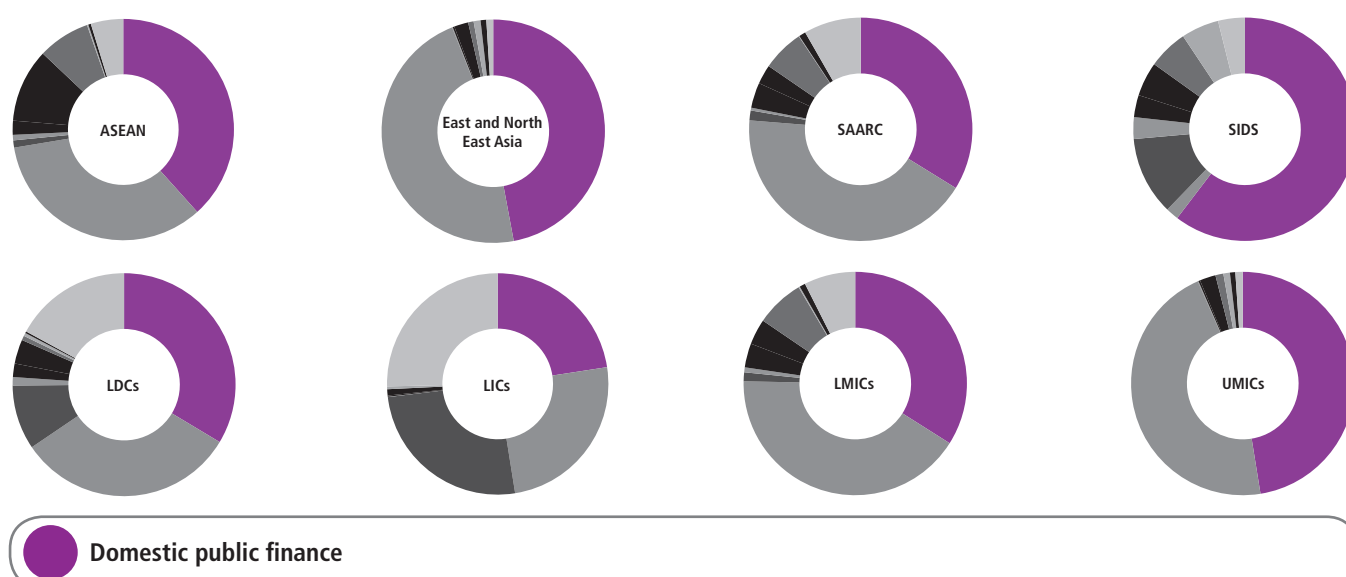
5. A strong monitoring, evaluation and learning system is an essential ingredient of results-focused planning and implementation.

Systems that can effectively monitor progress from government outputs to the outcomes of investments mobilized and the results they contribute toward can inform more effective financing strategies.

6. An enabling environment for accountability and dialogue is essential to build the trust necessary to mobilize contributions from stakeholders outside government; make sure policies are being designed and delivered effectively; and ensure a voice for citizens, civil society, business, development partners and other actors in development.

Together these building blocks form a conceptual model for an integrated national financing framework. This conceptual model can prompt governments to assess their financing frameworks as a whole and guide thinking about reforms that are needed to strengthen them.

Chapter 3: Domestic public finance



Domestic public finance is a critical resource for financing sustainable development. It accounts for 44% of total financing across the Asia-Pacific region. As the type of financing over which governments have most control, and one that can be linked more directly to results than many other types of financing, it is a core driver of nationally-owned development strategies. For many countries, the institutional structures that govern domestic public finance will be used as a basis for establishing an integrated national financing framework.

This chapter examines the differing scales and types of domestic public resource mobilization in the region and the impact they can have on

sustainable development results. It then outlines some of the key reforms that governments are undertaking to better align fiscal policy to national development plans, strengthen vertical coherence, enhance systems for monitoring and evaluation, and strengthen approaches toward accountability and dialogue.

Effective government financing for results

Domestic public finance plays a critical role in financing across the Asia-Pacific region. It is the financing instrument that the Addis Ababa Action Agenda (AAAA) outcome documents calls 'central to our common pursuit of sustainable

development, including achieving the SDGs'.⁵⁴ This is because despite differing scales of public resources in countries in overall resource terms, fiscal policies can have a profound impact on development in a range of ways, by:

- **Showing commitment and instilling confidence:** for governments to attain ambitious development strategies they must be able to drive progress through their own investments, show commitment to their national development strategies and instil confidence in other actors domestically and internationally, ensuring coherence and alignment with all resources.

54. Paragraph 20: http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

- **Playing a catalytic role:** domestic public finance plays a central role in stimulating other investments and economic growth. For example, through revenue mobilization that optimizes investment potential, spending on crowding-in investments in priority regions or sectors, and financing key growth stimulating infrastructure projects; and by blending with other resources such as public-private partnerships and viability gap financing.
- **Being re-distributive in nature:** through sufficient and progressive revenue mobilization and by providing public investment in areas that other resources may not be able to finance, domestic public resource can help shape outcome greater societal equity (e.g. progressive taxation regimes and investments in social protection programmes), social development (e.g. investments in education, health and other social sectors) and green growth.
- **Promoting sustainable green growth:** with countries in the region now focusing development strategies on green growth economies,⁵⁵ domestic public finance can play a leading role in shaping this through revenue mobilization that promotes alternatives to fossil fuels and other pollutants and spending that targets environmental protection specifically or indirectly by not leading to overconsumption (e.g. efficient, well-targeted subsidies or transfers).

Conversely, low revenue mobilization can constrain a government's ability to function. Poorly designed government fiscal policies can constrain

growth through reducing private consumption and investment, limit societal development and harm the environment.

Therefore the challenge for countries in the Asia-Pacific region is shaping fiscal policies in an optimal way, to maximize their potential to drive progress toward the developmental goals set. Although each country context and needs are different, policy-makers are grappling with similar questions:

- What are the appropriate levels of domestic public resources needed to meet developmental targets, the feasibility of achieving these levels and the strategies for reaching them in an efficient and sustainable manner?
- How can resources be allocated in the most efficient way, according to their comparative advantage, ensuring they are focused on delivering results?

Although the answers are complex and vary according to the country context, there has been a clear shift within governments in the region to better aligning fiscal policy, implementation and monitoring and evaluations processes in a results-focused national development planning framework. This is helping governments make more informed decisions to optimize fiscal policies in the wider financing landscape.

The scale and potential of domestic public resources to finance development goals

Domestic public resource mobilization is essential for enabling governments to directly

target financing to areas where it's needed to optimally achieve national development goals. While how domestic revenue mobilization is raised is important in shaping development progress (see later in this chapter), recent policy debates have focused on its current low levels, both in scale and in relation to the size of a country's economy, and the potential to scale these finances up to help finance development goals. For example, at the global level, the AAAA outcome document 'recognizes that significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development'.⁵⁶ While domestic public resources in the Asia-Pacific region have grown significantly over the past 10 years (see chapter 1), the perceived potential for further increases is highlighted in Figure 3.1 (see table), which shows that compared with advanced economies, revenue generation per person across the Asia-Pacific region is 16 times lower and almost 12% less as a proportion of the economy. This difference in revenue mobilization has been cited in recent studies as a central reason why domestic public resources could increase in the region.⁵⁷

However, behind the regional averages, there are distinct differences between countries, again both in terms of the amounts raised and as a proportion of the economies (see Figure 3.1). For example, 19 of the 31 countries with sufficient data available had non-grant revenues per capita of below \$1,000, with the majority of South, South-West and South-East Asia countries raising less than \$600 per capita. In addition, almost half of countries raise revenue less than 20% of GDP, a level that has

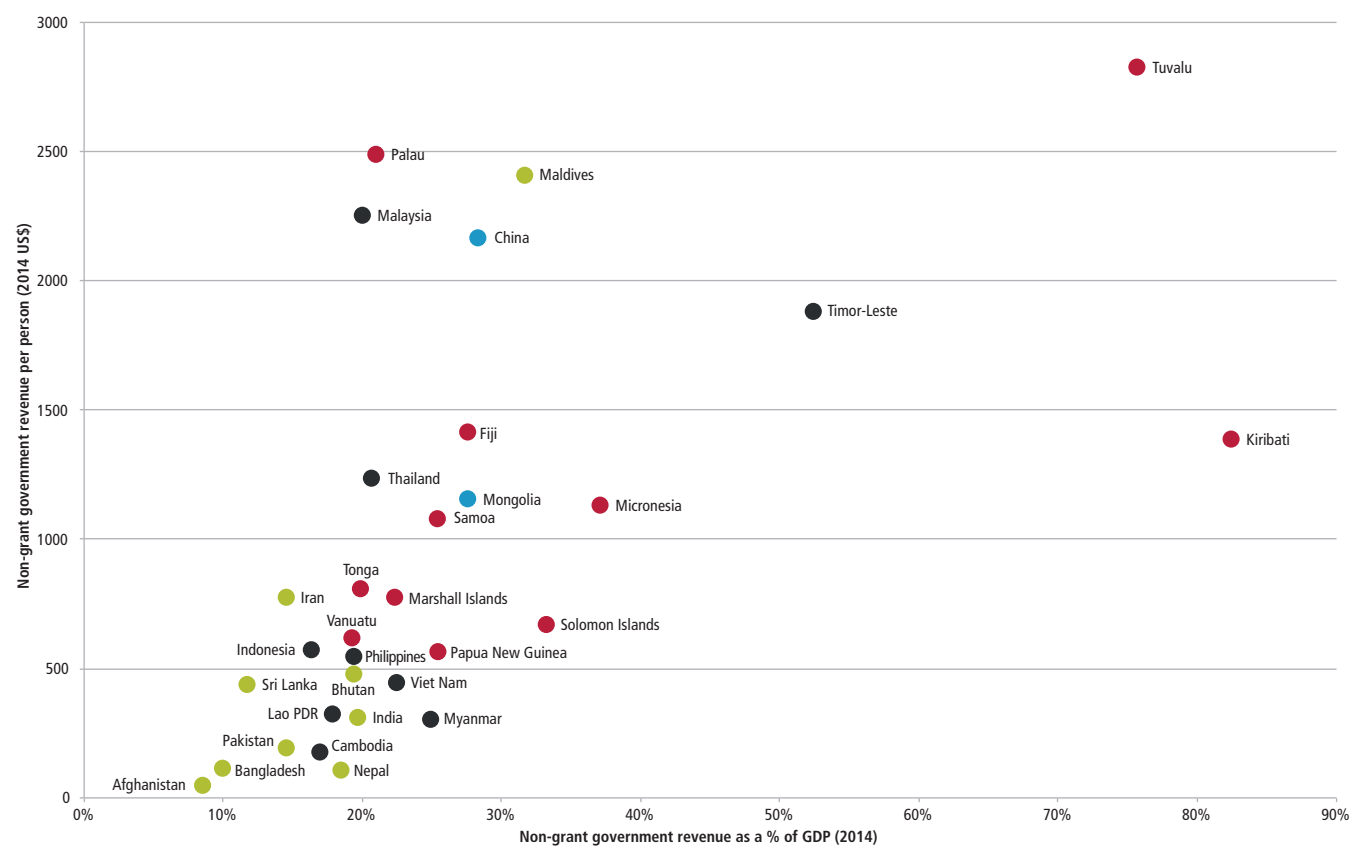
55. For example Indonesia's 2015-19 national development plan <http://www.lse.ac.uk/GranthamInstitute/law/national-medium-term-development-plan-2015-2019-rpjm-2015-2019/>

56. Paragraph 22

57. For example, in Making it happen: The Asia-Pacific Regional MDGs Report 2014/15. Available at: <http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/mdg/RBAP-RMDG-Report-2014-2015.pdf>

FIGURE 3.1

Revenue generation levels and their proportions in relation to the size of the economy vary significantly across Asia-Pacific countries



Grouping	Revenue % GDP (2014)	Revenue per person (US\$, 2014)
Weighted average total	24.8	1,031
Weighted average Asia	24.8	1,032
Weighted average Pacific	26.3	682
Advanced economies average	36.7	16,523

Source: IMF World Economic Outlook database (April 2016), latest available article IV staff reports for each country

Notes: Data are from the respective countries' financial years 2014. Where governments receive grant funding as part of budgeted revenue, this has been excluded.

been used as a benchmark minimum target.⁵⁸ One of these is Bangladesh, which has recognized the low level of taxation and has targeted raising it from its current level of 9% to 14% in 2020, which would see almost a tripling of tax revenue in nominal terms, from \$18 billion to \$52 billion.⁵⁹

Conversely, other countries, like Tuvalu, Timor-Leste and Kiribati raise revenue at levels above the advanced economies' average GDP ratio, but their revenues are set to decline significantly over the medium term.⁶⁰ In the case of Kiribati, revenue will

decline in nominal terms from \$153 million in 2014 to \$131 million in 2020. This divergent picture away from the regional average highlights the need to understand individual country contexts and challenges in the region, moving beyond overall revenue figures

58. For example this benchmark was included in the zero draft of the AAAA, although was not included in the final outcome document

59. Bangladesh Department of Foreign Affairs and Trade, 2016 : [http://www.lcgbangladesh.org/reports/Development%20Finance%20Assessment%20\(DFA\)%20Report_Bangladesh-2016.pdf](http://www.lcgbangladesh.org/reports/Development%20Finance%20Assessment%20(DFA)%20Report_Bangladesh-2016.pdf)

60. Latest IMF staff reports for Timor-Leste, Kiribati and Tuvalu.

to explore the potential role domestic public resources can play in financing development.

This point is highlighted in Figure 3.2, which shows that while East Timor relies heavily on petroleum revenue, SIDS such as Tuvalu rely on non-tax revenue (particularly fishing licenses), Sri Lanka relies largely on indirect taxation, and Indonesia has a more varied revenue mix.

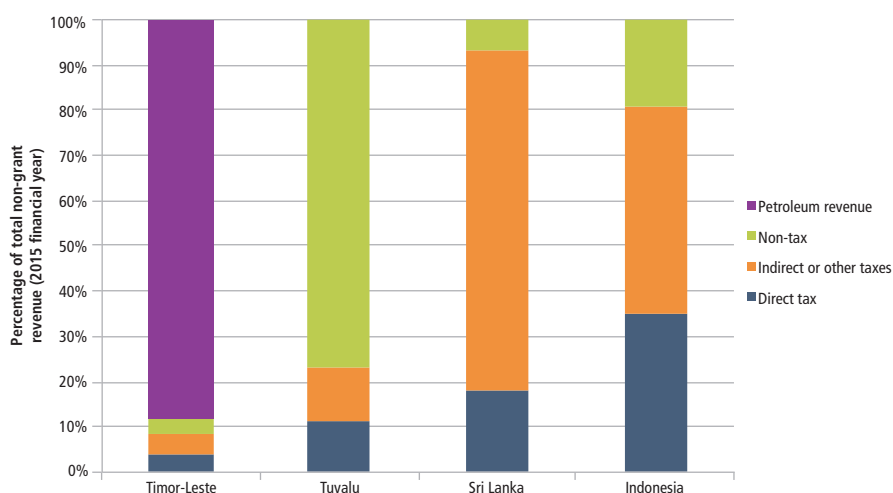
These differences highlight the challenges that exist within groups of countries in the region. For example:

- For SIDS dependent on resource extraction, if revenues are due to decline, what strategies can be developed for the medium to long term, to use resources sustainability to diversify or grow economies?
- How can countries with low revenue mobilization that depend on indirect taxation such as Sri Lanka and Bangladesh increase direct taxation when the structure of the economy is largely informal,⁶¹ and encourage private investment? How are indirect taxes impacting the poorest people now and how would any changes in the future?
- What opportunities are there for those with broader based revenue regime, such as Indonesia, to increase overall collection, ensuring fiscal policies continue to encourage growth, investment and promote moving to a sustainable green economy?

These examples show that there is no 'one size fits all' model for increasing domestic public resources to finance development. Each country has its

FIGURE 3.2

Countries' composition of non-grant revenue can vary significantly in the region



Source: Latest available article IV staff reports for each country

Notes: Data are for the respective countries' financial years 2015. Revenue groups outlined are grouped from a larger sub-set of specific revenue types.

own context and challenges and the potential to generate revenue depends on these. Government fiscal policies of revenue generation and allocation cannot be viewed as purely financials input into development. They are very much integrated in development outcomes—economic, social and environmental—which the following section explores in detail.

Fiscal policies linked to development results

Economic impacts

Fiscal policy plays a significant role in shaping economic growth in a country. From a revenue generation perspective, policies can indirectly constrain the levels of private consumption and investment. Impacts can be negated through the use of public spending: using transfers such as subsidies to individuals or companies, although their effectiveness in providing optimal overall financing levels in

the region has been questioned.⁶² Government spending on goods and services also plays a crucial direct role in economic growth, estimated to account for between 15% and 20% of GDP globally. A key challenge for all countries is ensuring economic growth is maximized through the use of fiscal policies. A balancing act is crucial, between contractionary and expansionary approaches, to maintain an optimum mix of private consumption, investment and government spending.

As fiscal policy is at the heart of economic growth, governments in the region must also ensure that growth is sustained over the long term. This means that revenue generation and public investment decisions need to be focused on long-term development objectives as well as the short term. This is true of all countries, but is particularly pertinent for those with finite natural resources, like Timor-Leste (see box).

61. Country report on informal sector in Sri Lanka, Depart of Census and Statistics, Ministry and Finance and Planning (2001) http://www.saarcstat.org/sites/default/files/home/HSO_05/3b.%20Sri%20Lanka%20-%20Country%20Paper%20on%20Informal%20Sector.pdf and Informal Employment in Bangladesh, ADN Economics working paper Series, no 155 (2009) <https://www.adb.org/sites/default/files/publication/28246/economics-wp155.pdf>

62. <http://www.iticnet.org/file/document/watch/4639>

Environmental impacts

Revenue mobilization policy can play a direct and substantive transformative role in moving to a green growth economy.

Taxation on the use of environmentally damaging fuels, plastics and other pollutants can help discourage their use, with

alternatives sought instead. While these policies have the potential to curtail investment and constrain economic growth, research⁶³ has suggested that well-designed tax reforms with environmental taxes could reduce CO₂ emissions significantly, while still producing gains in GDP growth and employment in Asian

countries such as Cambodia, Malaysia, Thailand, China and India (see Table 3.1). This may be especially true in a best-case scenario, where other taxes such as corporation taxes are lowered as a result of increased collection of environmental tax.

Shaping long-term economic development through the petroleum fund in Timor-Leste⁶⁴

The petroleum fund in Timor-Leste was established through law in 2005 to provide resources for current and future generations in the country and help to shape economic growth away from natural resources, which currently make up over 70% of GDP.

Since 2005, the market value of the fund has grown significantly from \$371 million to \$16,218 million in 2015, with \$7,309 million withdrawn during the period to finance the budget. Although petroleum production peaked in 2011 and is set to cease in 2021, the government is hoping to receive a sustainable income from the fund's management (3%), which will continue to fund government expenditure while it seeks diversify its economic growth path.

TABLE 3.1

Well-designed environmental taxes could lower emissions and boost economic growth and employment

	CO ₂ reduction (%)		GDP impacts (%)		Employment (%)	
	Worst case	Best case	Worst case	Best case	Worst case	Best case
Cambodia	-10.9	-8.6	-0.4	1.0	-0.3	0.3
Malaysia	-9.4	-7.3	-0.8	1.5	-0.5	0.4
Thailand	-6.8	-3.8	0.8	1.6	-0.4	0.5
China	-21.1	-15.6	-1.9	1.9	-0.4	0.7
India	-17.8	-15.0	-0.9	0.6	-0.3	0.3
Japan	-3.0	-2.8	0.0	0.2	0.0	0.0
Republic of Korea	-8.6	-7.3	-0.2	0.7	-0.1	0.1

Source: Park, S-J., M. Yamazaki and S. Takeda (2012).

63. Park, S-J., M. Yamazaki and S. Takeda, 2012, *Environmental tax reform for low carbon green growth: major findings and policy implications from a multi-regional economic simulation analysis*.

64. Source: https://www.mof.gov.tl/wp-content/uploads/2016/08/Petroleum_Fund_Annual_Report_2015.pdf

Viet Nam's 2012 environmental protection tax⁶⁵

The rapid economic growth in Viet Nam over the past 25 years has been fuelled by a significant increase in carbon energy, leading to environmental degradation. In response, in 2004 Prime Minister Nguyễn Tấn Dũng called for the introduction of environmental protection taxes as one instrument to move to a greener economic model. In 2012 the Environmental Protection Tax Law entered into force. This taxes a diverse range of pollutants, such as fossil fuels, plastic bags and agricultural goods; taxes are applied at source and as a proposition of use (excise tax), rather than on the price (value added tax).

Although no thorough post assessment of these taxes has yet been made, studies during their conception raised concerns about the potential impact on economic growth and lower social welfare of the population, particularly in urban areas. Despite this, environmental taxes have provided a key revenue source to the government in maintaining deficit targets, with the International Monetary Fund (IMF) recently stating this could be increased, while recommending protecting the poorest people through targeted transfers.⁶⁶

With many Asia-Pacific countries recognising the need to focus on environment challenges such as greenhouse gas emissions, many governments have either implemented environmental taxes⁶⁷ (e.g. Viet Nam, see box) or are in the process of doing so (e.g. China).⁶⁸ Proceeds from these taxes can then be directly targeted at investments in environmental protection, such as through increased monitoring or enforcement activities.

Public resource mobilization has the potential to indirectly impact on environmental and resource sustainability issues. Pacific Island countries are highly dependent on fishing licence fees for public resource generation. Although these have been implemented with sustainability as a key objective (e.g. Parties to the Nauru Agreement Vessel Day Scheme), ever-rising catch sizes have raised concerns about fish stocks and the need for precautionary management

to be a top priority.⁶⁹ Government spending on energy subsidies can have a detrimental impact on air pollution, greenhouse gas emissions and environment degradation as it can lead to excessive consumption. Although subsidies are common in many countries in the Asia-Pacific region, reforms are underway in some to replace them with better targeted support or social spending programmes, as highlight in the box on Iran. In Indonesia, subsidies have reduced from \$36 billion in 2012 to \$4 billion in 2016, which is expected to reduce energy use by 10% and greenhouse gas emissions by 9% by 2030.⁷⁰

Social impacts

The model of domestic public resource mobilization is an important part of governments' toolkits to improve social welfare. One such example is taxes to increase the price of tobacco to reduce the

number of users, improving societal health outcomes as a whole. The World Health Organization outlines that increasing tobacco prices through taxation is the single most cost-effective way to decrease consumption. Research in 2016 estimates a \$1 increase in a pack of cigarettes would cause smoking to decline in South-East Asia by 9% and in the Western Pacific by 10%—in turn increasing government public resources by 14% and 9% respectively.⁷¹

Government revenue generation plays an influential role in societal equity, either directly or indirectly, assessed through its progressiveness. More progressive revenue generation better targets an individual's or group's ability to cope with the burden of paying, leading to more equitable societal outcomes. Examples of this include direct taxation like income or cooperation tax, where levels or taxation are structured so the burden to pay is shared proportionally

65. Nguyen Anh Minh, (2015), 'Implication of Vietnam's Environmental protection Tax Law in the green economy transition process', http://www.greengrowthknowledge.org/sites/default/files/Nguyen%20Anh_Presentation.pdf

66. Vietnam Article IV consultation – press release; staff report; and statement by the executive director for Vietnam (July 2016). International Monetary Fund <http://www.imf.org/external/pubs/ft/scr/2016/cr16240.pdf>

67. Satoru Araki (2015), *Carbon Emissions and Other Environmental Issues in Asia-Pacific: Recent Developments in Environmental Taxes as an Economic Instrument*, Asia-Pacific Tax Bulletin, 2015 (Volume 21), No. 1

68. CCM: Environmental Protection Law to be launched in China (2016) <http://www.cnchemicals.com/Press/87215-CCM:%20Environmental%20Protection%20Law%20to%20be%20launched%20in%20China%20in%202016.html>

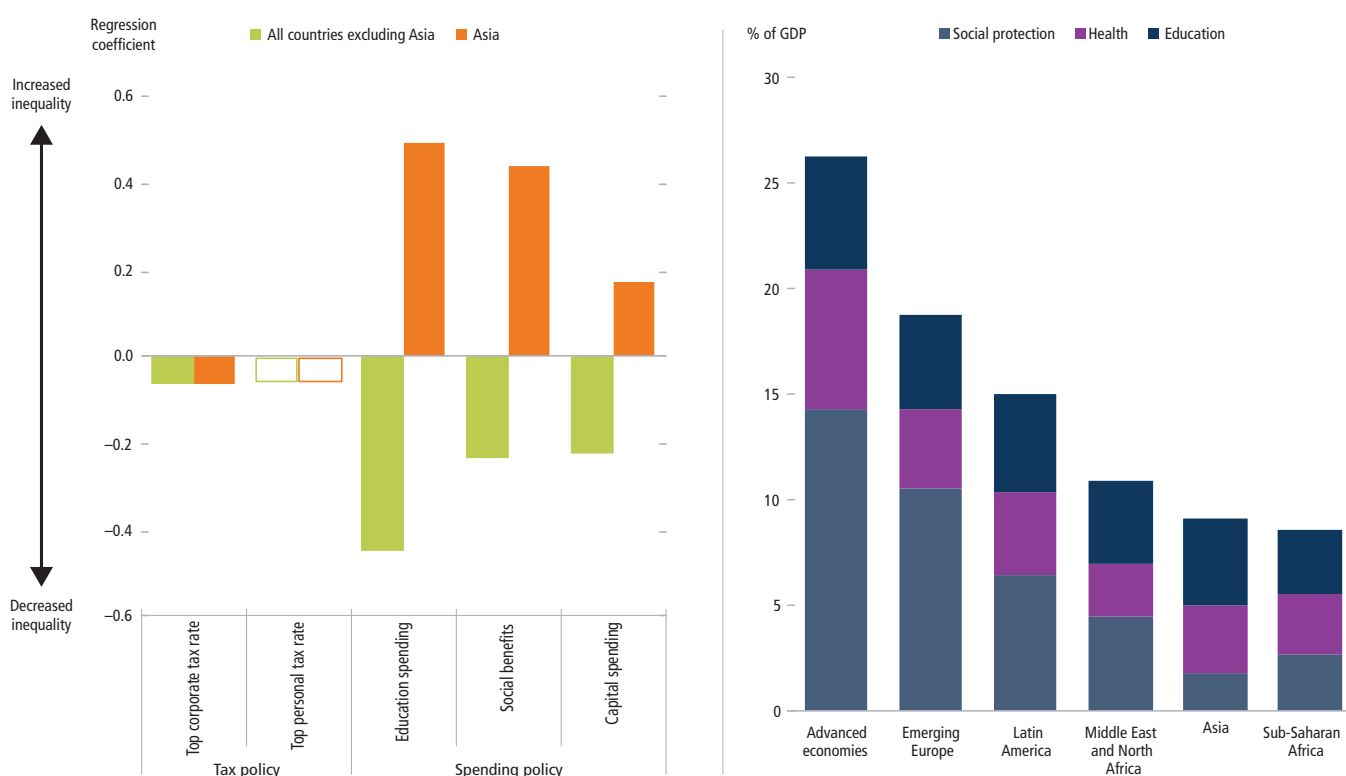
69. Gallard, G., et al, (2016) 'Netting Billions: A global valuation of Tuna'. The PEW charitable trusts, (http://www.pewtrusts.org/~media/assets/2016/05/netting_billions.pdf)

70. Fossil Fuel Subsidies – Trends, Impacts and Reforms, (2015). Asian Development Bank, <https://www.adb.org/sites/default/files/publication/175444/fossil-fuel-subsidies-indonesia.pdf>

71. Goodchild, M., et al, (2016), 'Modelling the impact of tobacco taxes on public health and finance'. Bulletin World Health Organization, 94:250-267. <http://www.who.int/bulletin/volumes/94/4/15-164707.pdf>

FIGURE 3.3

Equity of tax and spending policy in Asia compared with the rest of the world



Source: Asia and Pacific – Building on Asia's Strengths during turbulent times (April 2016), World Economic and financial surveys, Regional Economic Outlook. International Monetary Fund. <https://www.imf.org/external/pubs/ft/reo/2016/apd/eng/pdf/areo0516.pdf>

Notes: On the left hand graph bars represent coefficients of regression explaining the Gini Index. A positive number represents policies increasing inequality and a negative figure decreasing policies decreasing inequality. Empty bars indicate the coefficients are not significant.

based on ability to pay. However, as seen in the case of Viet Nam, public resource mobilization can also be regressive in nature, adversely impacting on those with less ability to pay, such as the poorest and most vulnerable people. Tax regimes can also impact on different groups; for example if a person is not on a tax register, they may be excluded from certain government spending benefits.

Governments have the ability to address the impact of revenue mobilization on equity and social wellbeing through their spending allocations. The impact of reduced wellbeing on the poorest people in society through taxation can be reduced through social protection programmes, free education and other social care. However, the IMF has noted that in Asia as a whole,

while direct taxation policy is neutral in nature in its equitable outcomes, spending policies are poorly targeted at equity (Figure 3.3). This is in sharp contrast to the rest of the world, where government expenditure is more redistributive in nature. This may be because Asian governments spend proportionally less GDP on the key social sectors of social protection, health and education (see following section).

However, while that might outline trends for Asia as a whole, the situation between countries in the region can contrast, as outlined by the cases of China and Iran (see box).

Getting the balance right

Fiscal policies can have positive and potentially negatives impact

on the economy, social welfare and the environment, and these impacts are very much interlinked.

For example, implementing fiscal policies that focus on environmental protection can indirectly impact economic growth and increase poverty and vulnerability, through increasing the cost of energy prices. However, other fiscal policies will counteract these adverse impacts. It is difficult to design an overall fiscal strategy that has optimal positive influence on all three of these areas. Therefore, in reality it is a continuous balancing act for governments to manage, based on priorities they have set out in national development planning. Thereafter the success of fiscal policies achieving this is based on the effectiveness of public financial management, which is the focus of the following section.

Fiscal policies and inequality in China

Since economic liberalization in the 1970s, China has been a remarkable success story of sustained economic growth and with it has helped moved over 700 million people out of poverty. However, the benefits of this growth have not been shared equally, and, although government fiscal policies are providing some redistributive powers in society, they are so far failing to fully reverse this trend. From a tax perspective although the regime structure is thought to be generally progressive in nature, the high level of tax avoidance (only 3% of the working population pay income tax) has meant a reliance on indirect taxes in practice, which has disproportionately impacted on the populations of lower and middle income groups. In addition, spending on social protection programmes and healthcare accounts for only 6% of GDP, meaning that only a fraction of total spending is considered to be redistributive in nature.⁷²

Subsidy reforms in Iran: improving economic, social and environmental outcomes

Since 2010, the Government of Iran has embarked on significant reforms to energy and food subsidies, as these were creating a high fiscal burden, poorly targeted, leading to wastage in consumption, and having a significant impact on the environment.⁷³ The Subsidy Reform Act of 2010 initiated the shift from subsidies to a national cash transfer system, with the intention of reducing inequality, improving living standards, reducing consumption and promoting economic development. Although the first phase of the move to cash transfers was not targeted, several studies⁷⁴ have praised it for being pro-poor in nature and having a transformative effect on poverty and inequality in the country. The second phase of the programme is now working to better target people on lower incomes, which is helping to reduce the government deficit and increase tax receipts, which the IMF states could create the fiscal space for greater public investment programmes.⁷⁵

Achieving optimal fiscal policies through results-based public financial management

The role of public financial management in achieving optimal fiscal policies⁷⁶ and reforms towards results-based framework

There are four key structural processes to domestic public resources that all governments need do to get this balancing act right:

1. **Planning:** establishing the main development priorities

2. **Budgeting:** outlining the short and medium term fiscal policy strategy to meet set aims
3. **Implementation:** collecting and allocating resources to achieve stated goals
4. **Monitoring and evaluation:** monitoring the performance of fiscal policies and evaluating success, which feeds back into planning and budgeting.

Although these defined areas are broadly the same across all countries, the ways in which they are designed, established and implemented varies widely, depending on a range of factors including context, needs and capacity. However, this

overall public financial management system is in continual reform, with the aim of improving its effectiveness and efficiency. In recent years one of the major shifts in reform within the Asia-Pacific region has been to better integrate these processes in a results-based framework. The starting point is a focus on development impact and results, which resources and structures are centred on achieving. Taking those four groups again in a results-based framework would therefore mean that:

1. **Planning:** establishing the main development priorities and outlining how fiscal policies, on both the revenue and expenditure side, can help achieve this

72. Understanding China's poverty reduction Success to Benefit the Global South (May 2016), World Bank. <http://www.worldbank.org/en/news/feature/2016/05/17/understanding-chinas-poverty-reduction-success-to-benefit-the-global-south> and Cevik, S. And Correa-Caro, C., (2015), ' Growing (Un)equal: Fiscal Policy and income inequality in China and BRIC+. IMF working paper WP/15/68. International Monetary Fund, <http://www.imf.org/external/pubs/ft/wp/2015/wp1568.pdf>

73. Hassanzadeh, E, '(2012). 'Recent Developments in Iran's Energy Subsidy Reform'. Policy Brief, International Institute for Sustainable Development. https://www.iisd.org/gsi/sites/default/files/pb14_iran.pdf

74. Enami, A., et al, (2016) ' The role of Fiscal policy in Fighting Poverty and reducing inequality in Iran: An application to the commitment to equity (CEQ) Framework. Working Series Paper, Economic research Forum, http://www.commitmenttoequity.org/publications_files/Iran/Enami_Lustig_Taqdiri_FiscaPolicyIneqIran_ERF_WP1020_June_2016.pdf and Salehi-Isfahani, Djavad, Bryce Wilson Stucki, and Joshua Deutschmann. The Reform of Energy Subsidies in Iran: The Role of Cash Transfers. Emerging Markets Finance and Trade 51, no. 6 (2015): 1144–1162.

75. Islamic Republic of Iran 2015 Article IV Consultation – Press release; staff report; and statement by the executive director for the Islamic Republic of Iran (December 2015). IMF country report No.15/349. International Monetary Fund, <http://www.imf.org/external/pubs/ft/scr/2015/cr15349.pdf>

76. The term fiscal policy is used to encompass revenue and budget policy and implementation as well as the structures behind them including strategies, public finance management acts and financial laws.

2. **Budgeting:** articulating and framing the outcomes and activities required to achieve development priorities, both in the medium and short term. Then with these in place, budgeting for the resource requirement to achieve these as well as the means
3. **Implementation:** making sure the activities and outputs designed are receiving the necessary resources in an efficient and effective manner
4. **Monitoring and evaluation:** monitoring and evaluating fiscal performance and the outputs/activities linked to it, in an integrated way that enables a continual assessment of progress to national development goals.

This integrated and more holistic results-based public finance management structure has no definite

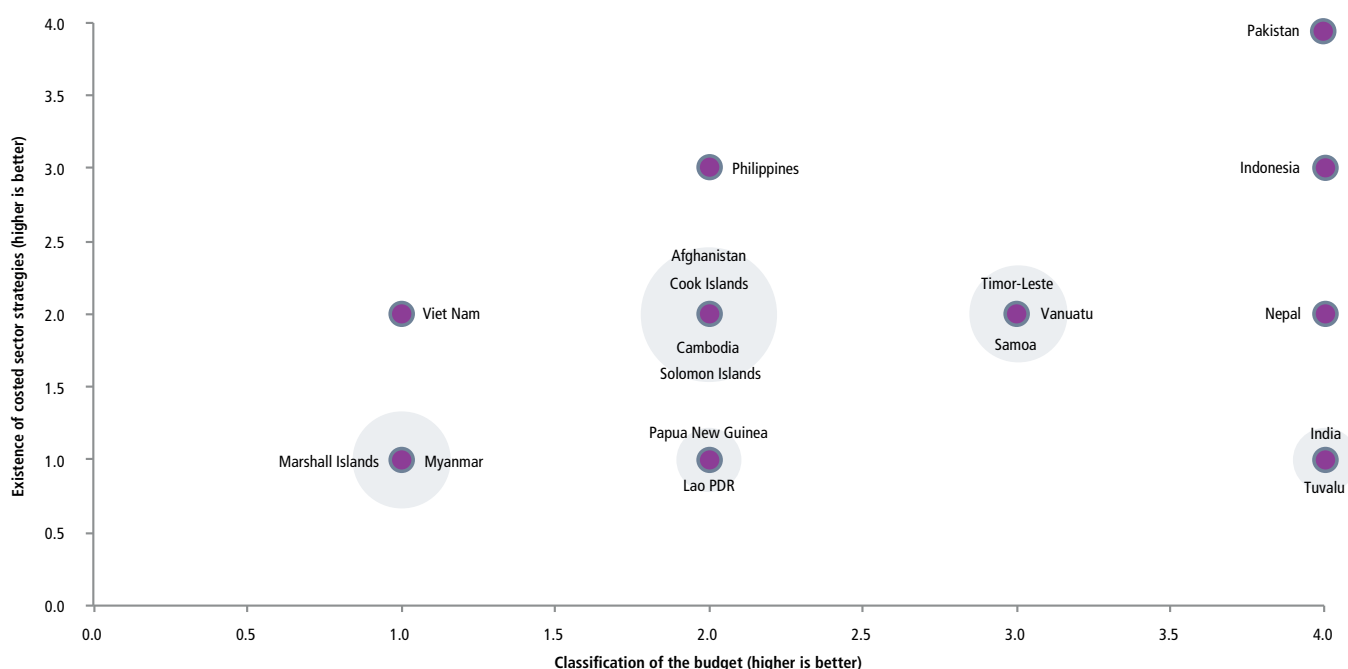
and prescribed formula for success, and countries have shown different ways of establishing it. Therefore, it makes it difficult to assess the extent to which countries in the region have made reforms towards having all or part of this framework in place. However, there are a number of prerequisite components required to have an integrated results-based framework, and indicators on these show a varying picture in the region. For example, two key indicators from the PEFA (Public Expenditure and Financial Accountability) framework for assessing public financial management: 'the quality of budget classifications' and 'the existence of costed sector strategies' are good assessments of whether a results framework is in place because they are crucial for the integration of planning, budgeting and monitoring and evaluation processes. The scores from the PEFA assessment of Asia-Pacific countries show a mixed picture, with some scoring above well

(above 3) for one or both indicators, but a significant number scoring less well (2 or below) for both, indicating a difficulty in being able to effectively implement a results-based framework in practice (Figure 3.4).

Reform towards a results-based framework is by no means a pre-condition for fiscal policies to achieve success in meeting national development goals, but evidence from those countries that have made reforms show how an integrated results-based framework can lead to more effective and efficient fiscal strategies and public financial management systems. The following section provides an overview of some of the key areas where a result-based framework has been used to integrate national planning into public financial management systems, and may prove useful and informative for other governments in the region.

FIGURE 3.4

Proxy indicators suggest progress of reforms to an integrated results framework in the region is mixed



Source: Latest publicly available PEFA assessment reports from 2010 to 2015

Notes: Scores have been converted from alphabetical scores within the PEFA framework (A–D) to numerical (4–1), where A and 4 are the highest available scores. Only countries with a publicly available PEFA report after 2010 have been included.

Long-term visions: the basis for a results-focused fiscal policy framework

A national development vision (10 years+) and medium-term plans within them (usually 3–5 years in length) are often output focused, outlining the policy objective a government aims to achieve. While it is important that this focus is maintained, recent reforms by countries have shown how these documents have become more integrated with the financing required to meet them, of which domestic public resource is a central component (see box for the example of Timor-Leste).

This move to outlining the overarching role those resources can and should play in financing the development vision or strategy helps guide the role of fiscal policies in two ways.

These greatly facilitate the integration of both planning and budgeting process towards an integrated result framework:

1. It helps articulate the role of domestic public resource within the wider financing landscape in achieving national development goals.
2. Detailed national development visions and plans that outline indicators or sub-outcomes below overall intended outcomes provide a central alignment point that can be used by line ministries in their sector plans (see examples of Malaysia and Philippines in boxes) and also for subnational governments, where countries' governance structures are devolved (see Indonesia example below).

Linking budgetary processes with longer-term plans

The indicators and targets in national development plans provide governments with a central focus to align to public financial management planning and budgeting. Building on this foundation, a process is needed by which government ministries, departments and agencies can effectively implement this. Different countries have approached this in different ways (see the Philippines example in the box), and the recent adoption of 'outcome-based budgeting' in Malaysia provides a clear example of where a ministry-level results framework has been aligned to the overall development planning (the national result framework) in a top-down approach, leading to budget formulation from the bottom up that is consistent with overall planning (see box).

Long-term development visions linked to financing: Timor-Leste and Nepal⁷⁷

Timor-Leste's Strategic Development Plan is a long-term visionary document covering a 19-year time frame from 2011 to 2030. The document focuses on the results envisaged during the duration of the plan (parts 2 to 5), while part 6 details economic targets that make the vision obtainable, including an assessment of the domestic public finance required. It plans for a diversification of revenues beyond the natural resources sector and customs and trade taxes, toward a broader tax base and increased contribution from taxes on income and capital gains.⁷⁸

Although the Nepalese government is still formulating its 2030 long-term development strategy, it has outlined its general direction. Like with the government of Timor Leste, there is a clear articulation of developmental results, including reaching middle income status through inclusive growth and achieving the SDGs by 2030, but there is also a clear commitment to situating it in a financing framework, including the role of domestic investment such as public spending.

77. Timor-Leste Strategic Development Plan 2011–2030. <http://timor-leste.gov.tl/wp-content/uploads/2011/07/Timor-Leste-Strategic-Plan-2011-20301.pdf> and Envisioning Nepal 2030, Proceedings of the international Seminar (2016). Government of Nepal National planning commission and Asian development Bank, http://www.npc.gov.np/images/download/Envisioning_Nepal_2030_Proceeding.pdf

78. Timor-Leste Strategic Development Plan 2011–2030, page 204. <http://timor-leste.gov.tl/wp-content/uploads/2011/07/Timor-Leste-Strategic-Plan-2011-20301.pdf>

Role of the results based model in linking planning to budgetary process in the Philippines⁷⁹

The Philippines Development Strategy (2011–2106) provides the current overall framework for development planning in the country,⁸⁰ including outlining the need for public investment ‘where the private sector cannot be relied upon to deliver the goods, services and facilities needed by the poor and marginalized’. To strengthen the linkages between the strategy and the budgetary process the National Economic and Development Authority (NEDA) has implemented a results matrix, which takes the goals and outcomes from each chapter in the strategy and articulates indicators and targets to be achieved.

These indicators have helped shift the budgetary focus from an input–output model to a results framework, as ministers can use them to assess to what extent their projects, activities and programmes align with the strategy and this in turn helps decision-making on what to fund through the Public Investment Program and other government resources.

Integration of national-level results framework to ministries in Malaysia⁸¹

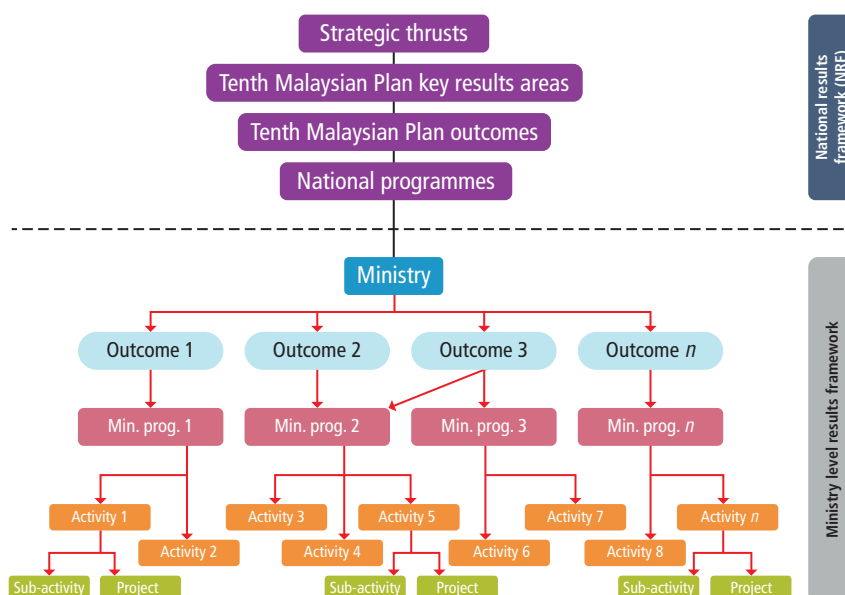
Over the past 50 years the Malaysian government has undertaken a number of budgetary reforms, moving in 2013 to its current model of ‘output-based budgeting’. The central aspect of this model is a results focus, with integration and coherence between the national results framework and the ministry level (see Figure 3.5).

FIGURE 3.5

Integration and results frameworks in Malaysia

This top-down approach ensures that ministry activities are aligned with the overarching national plan. The ministry-level results framework details the intended outcomes first, followed by the programmes to be undertaken under each, then activities and projects within those.

Budget formulation is undertaken with a bottom-up approach. Within each ministry-level project or activity, a specific budget is produced, which outlines the necessary resources required to successfully deliver it. The overall resource envelope required for ministries is therefore derived from the activity or project budgets.



Source: Kasih, T., (2014), Outcome Based Budgeting, an integrated approach to public sector performance management in Malaysia. National Budget Office Ministry of Finance Malaysia <http://www.darpg.gov.in/sites/default/files/Outcome%20Based%20Budgeting%20in%20Malaysia.pptx>

79. Philippine Development Plan 2011–2016, Revalidated Results Matrices (2014). National Economic and Development Authority, http://www.neda.gov.ph/wp-content/uploads/2015/05/Revalidated-RM_Final.pdf and Results-Based Management Frameworks in the Philippines, a Guidebook (2013). Asian Development Bank, <https://www.adb.org/sites/default/files/publication/148792/results-based-management-framework.pdf>

80. A long-term plan, AmBisyon 2040, is being developed alongside the development of the 2017–2022 Philippine Development Plan.

81. Framework for Results-Based Public Sector management and Country Cases (2011). Asia Pacific Community of Practice on Managing Development Results, <http://www.oecd.org/dac/peer-reviews/Asia%20pacific%20cop%202011%20Framework%20for%20RBPSM%20and%20Country%20Cases.pdf>

Budgeting for Sustainable Development: the case of climate change and gender

A major challenge with the social and environmental dimensions of sustainable development and Agenda 2030 is that they cut across sectors. To try and effectively formulate budgets and track investments specific budgeting practices have been establishing alongside existing frameworks within countries in the region on themes such as climate change and gender. With regards to climate change a number of national governments a number of national governments, as well as some Indian States,⁸² are using climate change financing frameworks to manage their response to climate change. These frameworks offer an approach that helps government address key components of their approach toward climate change, covering both adaptation and mitigation. A number of countries are establishing budgeting processes which allow for climate change to be into sector budget submissions thus ensuring that the whole of the budget is responding to climate change. Examples include Bangladesh, Cambodia, Indonesia, Nepal, Pakistan and the Philippines. There is significant scope for this type of more integrated budgeting to be applied to other aspects of the SDG agenda – which has placed the importance of an integrated approach

at its core. As part of implementing more whole of government approaches to climate budgeting, some governments have also developed systems for tracking climate change budget allocations and expenditure across sectors. This is helping them to better track relevant expenditure, for example, through the use of climate change relevant scores for budget line items, a technique being used in Nepal and Indonesia.⁸³ A number have developed detailed estimates of the costs of their planned interventions for both adaptation and mitigation responses. Through these ongoing reforms, governments are developing a clearer understanding of the costs and resources being used to respond to climate change, and are strengthening their management of climate change strategies across government departments covering a range of traditional sectors.

Similar processes have been taking place in respect to gender for many years. UN Women has helped 43 countries worldwide develop gender-responsive national development plans and sectoral plans, which then feed into national budgetary frameworks,⁸⁴ although a recent IMF⁸⁵ report has stated that many of these were one off indicatives and in effect only 4 countries have made noteworthy progress in the Asia Region. The GPEDC monitoring framework finds that 7 of 24 countries

in the region systematically track allocations for gender equality and women's empowerment (see chapter 5, box 'What the GPEDC monitoring framework tells us about countries' financing frameworks'). For example Bangladesh⁸⁶ has successfully integrated gender issues within its medium-term budget framework. Each ministry is asked to define how their strategy impacts on gender issues, based on expected changes in 14 policies areas that have a specific relevance to gender. The Ministry of Finance then uses a model to assign budget percentages of spending targeted at gender, which feeds into an annual report to parliament alongside key performance indicators that outline how allocations have made an impact. A similar system is in place within India,⁸⁷ with budgetary allocations coded as either specifically targeting women, pro-women allocation and mainstream spending linked to gender, with a yearly report produced by the Controller and Auditor General of India. Gender budgeting has also been successfully transferred subnationally to some Indian states, with moves to integrate it at the local level also planned. However, although gender budgeting initiatives focus on the expenditure aspect, the lack of detailed sex-disaggregated tax data has inhibited monitoring and evaluated revenue generation from a gender perspective in the region.

82. The countries are: Afghanistan, Bangladesh, Cambodia, Indonesia, Nepal and Pakistan. Bhutan, the Philippines, Thailand, Viet Nam and a number of Pacific Islands have also undertaken work on certain elements of a climate change financing framework. Source: Charting new territory: a stock take of climate change financing frameworks in Asia-Pacific, UNDP, 2016. Available at: https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/09_06_16/Charting%20New%20Territory%20-%20A%20Stocktake%20of%20Climate%20Change%20Financing%20Frameworks%20in%20Asia%20Pacific.pdf

83. See UNDP, 2016. Charting new territory: a stock take of climate change financing frameworks in Asia-Pacific, page 8. Available at: https://www.climatefinance-developmenteffectiveness.org/sites/default/files/documents/09_06_16/Charting%20New%20Territory%20-%20A%20Stocktake%20of%20Climate%20Change%20Financing%20Frameworks%20in%20Asia%20Pacific.pdf

84. Planning and Budgeting. Financing for gender Quality, UN Women, <http://gender-financing.unwomen.org/en/areas-of-work/planning-and-budgeting>

85. Chakraborty, L., (2016), Asia: A Survey of Gender Budgeting Efforts. IMF Working Paper WP/16/150. International Monetary Fund, <https://www.imf.org/external/pubs/ft/wp/2016/wp16150.pdf>

86. Introduction to gender budgeting within the 2016-17 budget. Ministry of Finance Bangladesh, http://www.mof.gov.bd/en/budget/16_17/gender_budget/en/Introduction_English_2016-17.pdf

87. Chakraborty, L., (2016), Asia: A Survey of Gender Budgeting Efforts. IMF Working Paper WP/16/150. International Monetary Fund, <https://www.imf.org/external/pubs/ft/wp/2016/wp16150.pdf>

Vertical coherence

While an established results-focused public financial management framework can provide a clear direction for fiscal policy nationally, it is important that these are integrated vertically between levels of government.

Integration between the local and national government is of particular importance in the Asia-Pacific region, given that many countries have some form of fiscal decentralization or devolution of public service delivery.⁸⁸ This importance is underlined in Table 3.2, which shows how, in the case of education, both aspects of financing and service delivery can be split between national and subnational governments.

In countries with devolution and fiscal decentralization, these present a

number of challenges, both in terms of coherence with development planning and fiscal policies:

- Ensuring alignment between national and local development plans, so that subnational governments have a voice in national development planning and local development plans are aligned to the national indicators and targets set. An example is shown in the case of Indonesia (see box), with a good example outside the region being Uganda, where local development plans are assessed against compliance to national one⁸⁹
- Integrating public financial management planning to budget formulation (see Indonesia box)

- Ensuring efficient mechanisms for transferring resources and sufficient capacity for subnational government to manage resource and deliver services
- Implementing coherent mechanisms for monitoring and evaluation, both in terms of fiscal performance and service delivery and ensuring sufficient capacity of subnational government to implement these.

Fiscal relations between national and local governments are strong in many countries in the region.

Intergovernmental fiscal relations form a component of PEFA reports, with 12 of 16 countries scoring 3.0 out of 4.0 or higher (Table 3.3); although in some countries such as Myanmar and Laos PDR they could be more effective.

TABLE 3.2

National and subnational government sector financing and service delivery

	Curricula, standards	Teachers recruitment	Teacher management and payment	Building and construction of schools	Implementation of standards, curricula, policies	Financing
Philippines	Central	Central	Central	Local	Central	Central
Cambodia	Central	Central	Local	Local	Schools	Central and local
Lao PDR	Central	Deconcentration (provinces)	Deconcentration			Central and families
Nepal	Central	Central (although legally school management committees are empowered)	School management committees about 1,100 schools (Functional Autonomy) and Villages Educational Committee	Local governments and villages		Central school management committees and families
Japan	Central	Prefectures	Prefectures	Prefectures and local governments	Prefectures and local governments	Central, local and families
Republic of Korea	Central	Central	Central	Central and partly local	Central	Central and families

Source: Brosio, G., (2014),

88. The paper provides a useful overview: Brosio, G., (2014), 'Decentralization and Public Service Delivery in Asia'. ADB Economics Working Paper Series, No 389. Asian Development Bank. https://www.adb.org/sites/default/files/publication/31237/ewp-389_1.pdf

89. The Local Government Development Planning Guidelines (April 2014), National Planning Authority Uganda. <http://npa.ug/wp-content/uploads/LG-PLANNING-GUIDELINES.pdf>

As well as vertical integration between national and subnational government, there has been a recent move to integrate systems at the international level, given the challenge of combating global tax evasion and illicit flows. An example of this can be seen in the number (10) of Asian Pacific countries since 2011 that have signed the Convention on Mutual Administrative Assistance in Tax matters,⁹⁰ which provides a framework for greater coordination and exchange of tax information between countries. And from that, the nine that have committed to the Multilateral Component Authority Agreement,⁹¹ which will be initiated in 2017 and aims to further facilitate access to information along with increased dialogue and cooperation between countries through standardization of systems. This internationally integrated framework and structure for tax administration aims to reduce illicit flows, thereby increasing tax collection by countries, which can be targeted towards development goals.

Implementing monitoring and evaluation systems that measure and assess progress on both fiscal targets and result outcomes

Monitoring and evaluation are critical aspects of public financial management. Alongside the systematic monitoring of progress within fiscal policy implementation, progress can be assessed continually against stated targets. In addition, evaluation processes help assess progress against stated aims and allow for important feedback loops into redesigning plans at relevant stages (annual, medium and long term).

TABLE 3.3

Intergovernmental relations are generally good in the region, although they remain a challenge in some contexts

Country	Report year	Intergovernmental fiscal relations
Cook Islands	2014	4
Cambodia	2015	3
Nepal	2014	2.5
Afghanistan	2013	4
Viet Nam	2013	3.5
Vanuatu	2013	3
Tuvalu	2011	3
Solomon Islands	2012	3
Philippines	2016	4
Papua New Guinea	2015	3
Pakistan	2012	4
Myanmar	2012	1
Marshall Islands	2012	3
Lao PDR	2010	1
India	2010	3.5
Indonesia	2011	2

Source: Latest available publicly available PEFA assessment reports from 2010 to 2015

Notes: Scores have been converted from alphabetical scores with the PEFA framework (A–D) to numerical (4–1), where A and 4 are the highest available scores. In the case of an alphabetical score followed by a + symbol, a value of 0.5 has been added to the converted numeric score. Only countries with a publicly available PEFA report after 2010 have been included. This assessment was not applicable for Timor-Leste and Samoa.

Many monitoring and evaluation systems have historically only focused on fiscal performance, such as revenue generation and expenditure allocations and disbursements. These systems are often managed by ministries of finance or agencies linked to them such as audit offices. However, with a growing number of Asia-Pacific countries now aligning fiscal policy to an overarching results or outcomes focus, there has been a significant shift in monitoring and evaluation to focus on performance targets linked to outcomes or objectives

in national development planning. Monitoring and evaluation systems are now much more substantial and are often led by a specific ministry, with coordinated systems across a wide range of other ministries. One of the main challenges with a results-focused monitoring and evaluation system is the need for update and timely data, not only on fiscal performance, but also on outcomes, requiring ministries and subnational governments (where relevant) to track progress, as shown in the example of Korea (see box).

90. Convention on Mutual Administrative Assistance in Tax Matters, OECD. <http://www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm>

91. What is the Multilateral Competent Authority Agreement, OECD <http://www.oecd.org/tax/transparency/technical-assistance/aeoi/whatisthemultilateralcompetentauthorityagreement.htm>

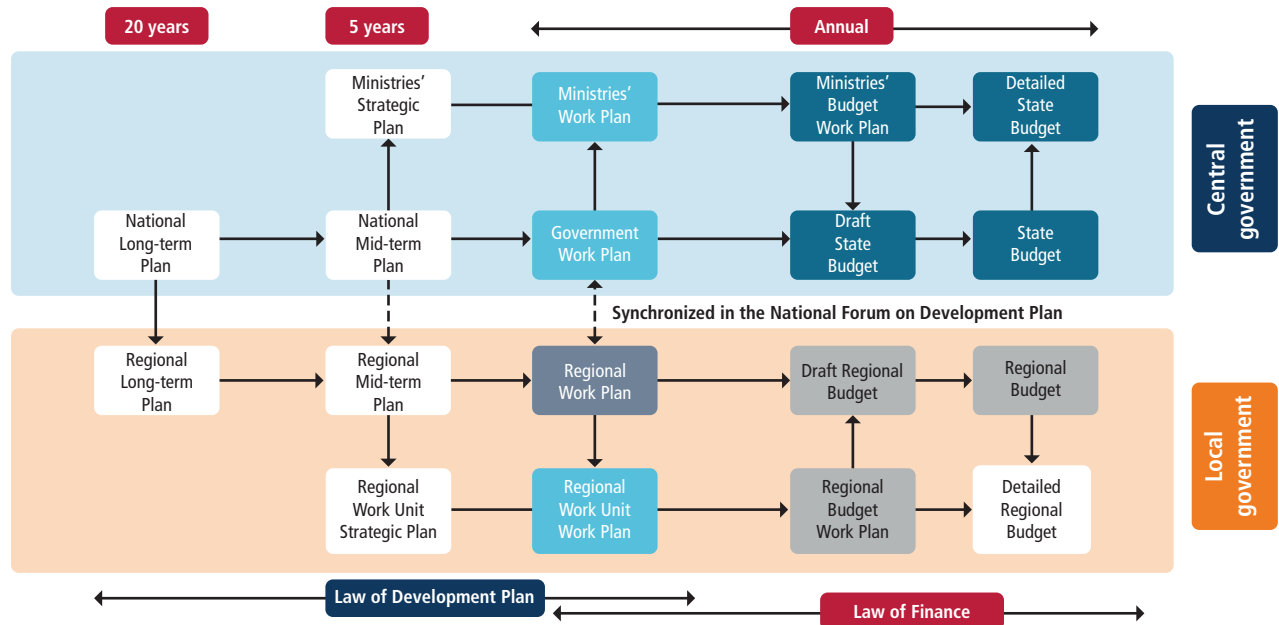
'Musrenbang' planning process in Indonesia^{92,93}

Since 2000, Indonesia has been instituting a transition from centralized to decentralized government with regional autonomy. As part of this process the government passed the National Development Planning System in 2004, the structure of which is outlined in Figure 3.6.

In terms of national development planning, the long-term plan for 20 years and five-year mid-term plans (currently 2015–2019) provide top-down shaping of development priorities, where opportunities are given to the public for consultation. These national plans form the basis for regional planning.

FIGURE 3.6

The Musrenbang system in Indonesia



Source: Directorate Allocation of Development Funding, Bappenas. Figure reproduced from: www.academia.edu/4456555/Integrated_Development_Performance_Monitoring_and_Evaluation_System_in_Indonesia_to_Support_National_Development_Planning_Process

Local and provincial governments participate in annual consultative discussions with national government on work-plan formulation at the national and local levels. Although most subnational revenue is earmarked towards nationally set priorities, the 'Musrenbang' process provides the opportunity for citizens at the community level to shape budgetary decisions at the local level. During the first part of each year, communities articulate and outline development priorities, which are made public. This helps local governments define priorities and programmes to be funded through the annual budget, and representatives from each community 'Musrenbang' attend meetings to agree on the final draft of local government work plans and budgets.

However, in practice there are a number of challenges that this process has faced:

- The 2004 national development law does not articulate how much influence 'Musrenbang' priorities should have over funding allocation, which can limit their influence on budgetary decisions and allocation. There are some exceptions, such as the Bandung local government, which sets aside 30% of the local budget for 'Musrenbang' priorities.
- Local government transparency in making publically available financial documentation varies, as does the capacity of citizens to interpret them, curtailing the influence the 'Musrenbang' process can have. The local government of Jakarta has established e-Musrenbang⁹⁴ to provide a transparent portal for information and allow for easier facilitation of consultation processes.

92. Framework for Results-Based Public Sector management and Country Cases (2011). Asia Pacific Community of Practice on Managing Development Results, <http://www.oecd.org/dac/peer-reviews/Asia%20pacific%20cop%202011%20Framework%20for%20RBPSM%20and%20Country%20Cases.pdf> and Wiroyudo, A., (2011) Integrated Development Performance Monitoring and Evaluation'. EDISI02/TAHUNXVII. http://perpustakaan.bappenas.go.id/lontar/file?file=digital/111468-%5B_Konten_%5D-Perencanaan%20Perencanaan%20edisi-2-th-2011%20hal%2047%20-%2052.pdf System

93. OECD (2016), Open Government in Indonesia, OECD Publishing, Paris.

94. Government of Jakarta Musrenbang Portal, <http://musrenbang.jakarta.go.id/>

Dialogue and accountability

Government mechanisms that enable a systematic approach to dialogue, transparency and accountability are important in shaping the success of fiscal policies. As seen in the case of Korea (see box), an important element to monitoring and evaluation systems is using feedback from wider society. To date there is mixed progress towards transparency and availability of fiscal information and taxpayer obligations in the Asia-Pacific region (Figure 3.7). Although there are clear best practice examples (Nepal and Cook Islands), proxy indicators from the PEFA framework highlight that many countries could make progress in this area. As noted in the case of Indonesia, there can be variation in transparency at the subnational level, which is also of critical importance.

Monitoring and evaluation in Korea: the abundance of real-time information

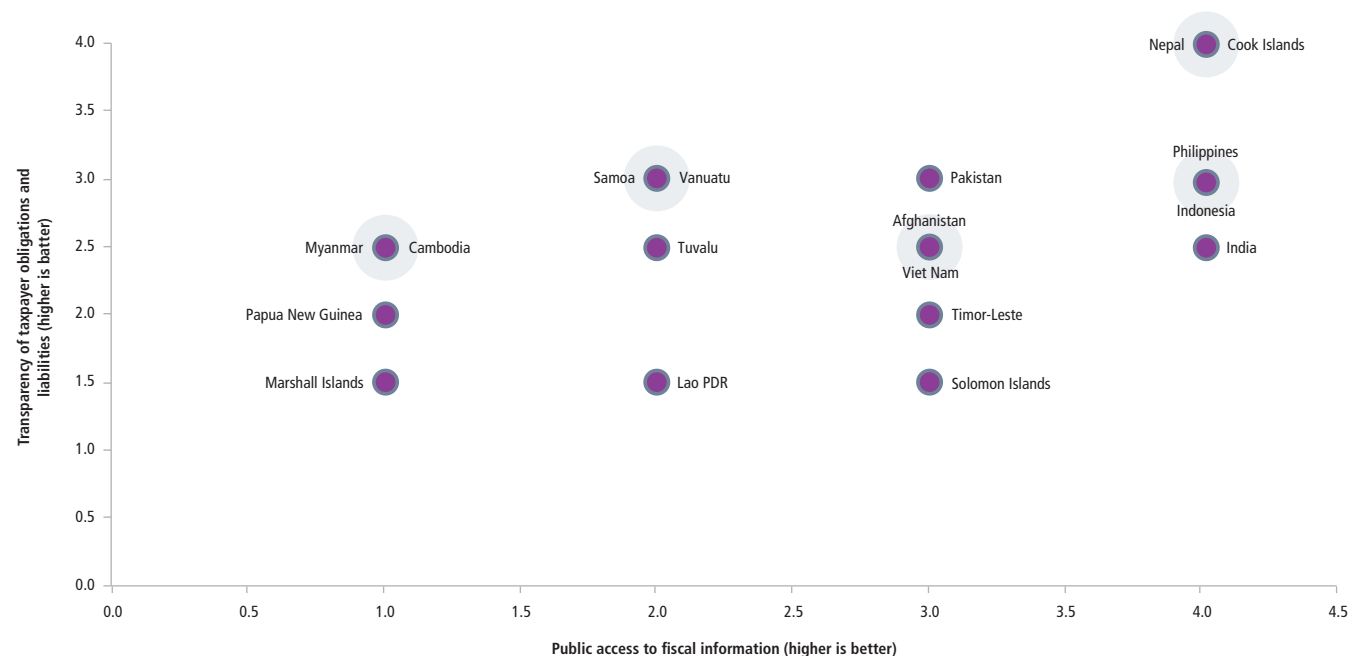
Following the Asian financial crisis in 1998 and the need to increase public spending due to an ageing population, the Korean government instigated a number of reform programmes to improve efficiency. In 2006 the National Finance Act made it a legal requirement for ministries and agencies to monitor performance and be evaluated.

Performance monitoring is based on a variety of systematically collected data, including financial performance, customer surveys and administrative data. This information is then used to measure progress against indicators on planning implementation, impact, public relations and policy evaluation.

The evaluation process is split into two areas: self evaluation and an in-depth review process. Each year a third of programmes are evaluated through self-assessment by ministries coordinated by the Ministry of Finance and selected major programmes are evaluated annually by an evaluation committee under the Prime Minister's office. The results of evaluation feedback directly feed into future budgetary decision-making.⁹⁵

FIGURE 3.7

Transparency and access to fiscal information is mixed in the region and improvements can be made in most countries



Source: Latest available publically available PEFA assessment reports from 2010 to 2015

Notes: Scores have been converted from alphabetical scores with the PEFA framework (A–D) to numerical (4–1), where A and 4 are the highest available scores. In the case of an alphabetical score followed by a + symbol, a value of 0.5 has been added to the converted numeric score. Only countries with a publically available PEFA report after 2010 have been included.

95. Framework for Results-Based Public Sector management and Country Cases (2011). Asia Pacific Community of Practice on Managing Development Results, <http://www.oecd.org/dac/peer-reviews/Asia%20apacific%20cop%202011%20Framework%20for%20RBPSPM%20and%20Country%20Cases.pdf> Session 1. Park, N., (2008), 'Sequencing and Pacing of Budgeting Reforms: Observations and Lessons from Korea'. Center for Performance Evaluation & Management Korea Institute of Public Finance (KIPF). OECD, <https://www.oecd.org/gov/budgeting/41641086.ppt>

When there is transparency of information and an opportunity for dialogue and consultation, both top-down and bottom-up approaches can feed into monitoring and evaluation processes, as seen in the case of China and India (see box). The impact of these processes can be highly beneficial to the

government in feeding back into the planning and implementation stages of fiscal policy, improving efficiency of both revenue generation and expenditure allocations.

There has also been an increase in monitoring and evaluating specific

policy areas that cut across traditional sector boundaries. In two of these cross-cutting areas, climate change and gender budgeting, a number of countries in the region have been taking steps to strengthen their approach to budgeting and financing progress.

Importance of dialogue and accountability mechanisms to monitoring and evaluation of fiscal policies

Top-down government-led approaches: Tax payer satisfaction surveys in China

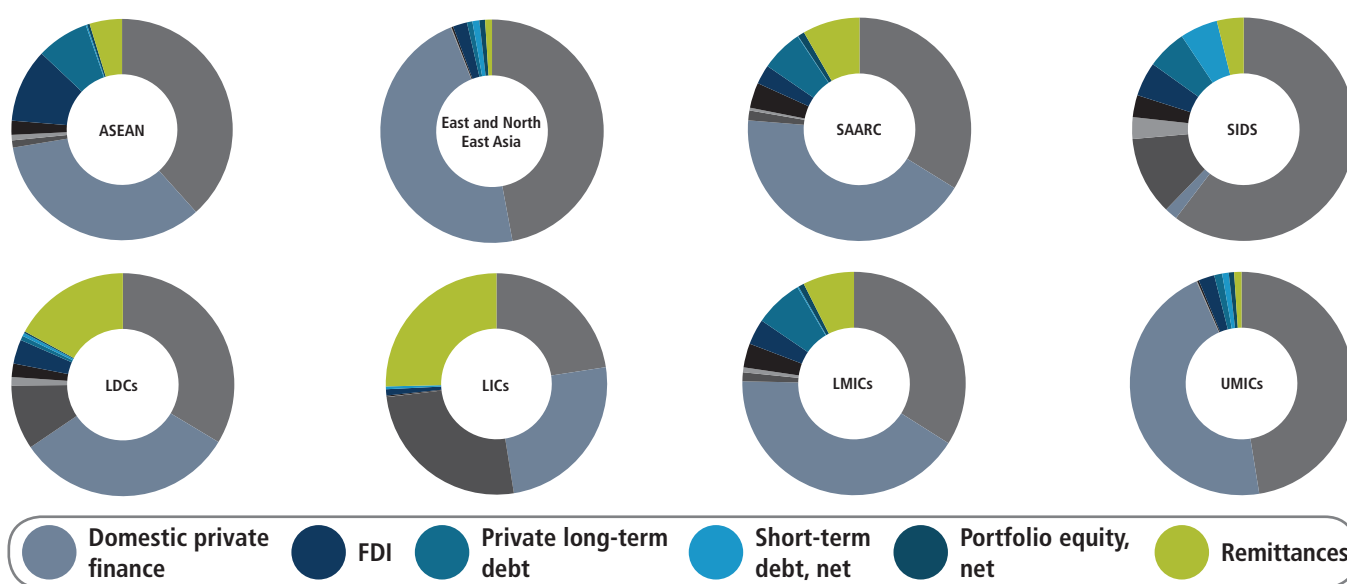
Each year the National Bureau of Statistics of China seeks feedback from taxpayers at both the national and local levels about its level of satisfaction with tax policies and services. These surveys help the authorities understand the compliance costs on taxpayers and assess the impact of tax policy on the business climate in the country, in turn feeding directly back into policy decision-making. Since 2008 the overall satisfaction score for taxpayers has risen from 76% to 82% in 2015.⁹⁶

Bottom-up citizen-led approaches: Centre for Budget and Governance Accountability

A number of NGOs in India are involved in monitoring the budgets of both Union (central) and state governments. The Centre for Budget and Governance Accountability is one of the longest-standing of such initiatives, and tracks spending by the state in specific (especially social) sectors. This helps policy-makers in various ways: it identifies whether stated priorities are reflected in implementation; it clarifies the burden sharing between state and central governments (state burdens are rising much faster than budget transfers from the centre); it raises 'budget literacy' in civil society, the media and the public generally; and it fosters more effective participation of civil society in financing for development and tax structure deliberations. This enhanced participation is reckoned to be one factor propelling a steeper rise in public expenditure in the social sectors (over 12% per annum) than overall spending.

96. Brondolo, J. and Zhang, Z., (2015), 'Tax Administration Reform in China: Achievements, Challenges, and Reform Priorities. IMF Working Paper WP/16/68. International Monetary Fund, <https://www.imf.org/external/pubs/ft/wp/2016/wp1668.pdf>

Chapter 4: Harnessing private finance for development



Private finance now accounts for the majority of resources in the Asia-Pacific region as a whole, with domestic private finance alone accounting for 45% of total financing. These resources, including commercial investments from domestic and foreign investors, private lending and remittances, have important contributions to make in financing sustainable development results. Many governments are taking a more active approach toward mobilising private finance, yet governments have only an indirect influence over the scale of private finance and the way that it is invested.

This chapter reviews trends in private finance and highlights the range of contexts across countries in the Asia-Pacific region. Focusing on domestic private finance and foreign direct investment,⁹⁷ it gives an overview of the results that governments across the region are targeting from private finance. It looks at the principles underlying government strategies for mobilising private finance, and closes by examining some of the key challenges for unleashing growth among domestic private finance and international private finance.

Private finance in the Asia-Pacific region

Domestic private investments are the single largest source of finance in Asia-Pacific countries and have significant potential to contribute to countries' national development objectives. Between 2005 and 2014, domestic private finance in the region more than doubled from \$1.8 billion to \$4.0 billion, driven by growth of domestic credit to the private sector. International private finance—including FDI, private long-term debt, short-term debt, portfolio equity and remittances—also increased, though

97. This chapter focuses primarily on domestic private finance and foreign direct investment. Other aspects of private financing such as remittances or private debt are not explored in detail here.

at a more modest pace, to \$842 billion in 2014, compared to \$596 billion in 2005. In total, private investment to the region grew at an annual compounded growth rate of 8.8% between 2005 and 2014 to \$4.6 billion. (Figure 4.1)

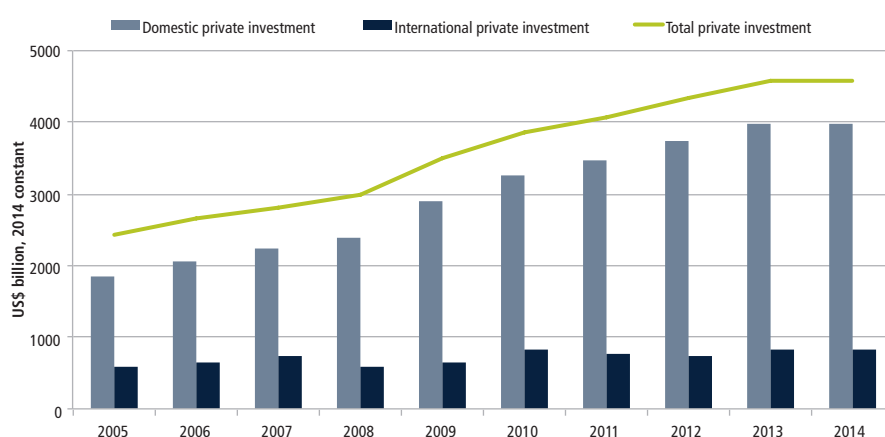
This surge in private investment to the region masks very different realities at country level. For lower and upper middle income countries, domestic private resources represent the largest share of available finance, at 41% and 46% respectively. Private finance is smaller in low-income countries, representing 25% of total financial resources, roughly at par with both private and public international flows (see chapter 1). In per person terms the differences are stark, with domestic private finance totalling over \$2,000 per person in China, compared Afghanistan and Cambodia, for example, where it is less than \$100 per person (Figure 4.2).

Potential contributions of private finance to sustainable development strategies

Governments across the Asia-Pacific region recognize the potential that harnessing private finance offers for achieving sustainable development results and are increasingly targeting it to do so. As a large and growing resource, many countries are seeking to mobilize and channel private finance into priority sectors, thematic or geographic areas, to contribute toward sustainable development objectives. Bangladesh has set a goal for private investment to fund 78% (\$319 billion) of its Seventh Five Year Plan, which is estimated at \$409 billion.⁹⁸ The plan targets 8% GDP growth by 2020, and FDI to increase from 1% of GDP to 3% of GDP. Papua New Guinea's Medium

FIGURE 4.1

Private finance has surged over the past decade



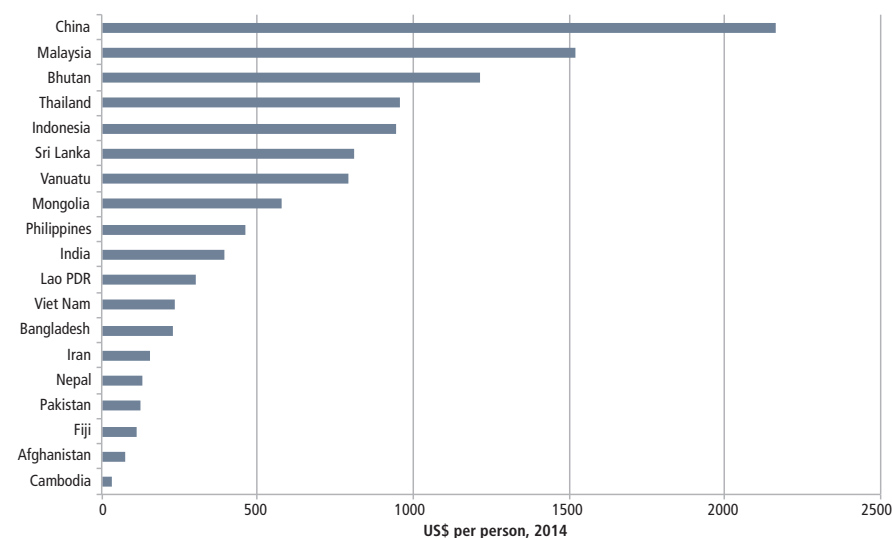
Sources: World Bank WDI, UNCTAD, IMF Article IV publications. See Methodology for calculations.

Notes: International private investment includes data for FDI, private long-term debt, short-term debt, portfolio equity and remittances

Data points: in 2014 total private finance in the Asia-Pacific region totalled \$4.8 trillion, of which domestic private finance totalled \$4.0 trillion and international private finance \$842 billion.

FIGURE 4.2

The scale of domestic private finance varies widely across countries



Sources: WB data on gross fixed capital formation, IMF ART IV data on capital expenditure, UNCTAD data on FDI (for domestic private investment) and WB WDI (for population)

Term Development Plan for 2011–2015 was financed 76.4% by public revenue, leaving a significant funding gap estimated at \$5 billion to be covered by private finance.⁹⁹

There are many ways that private finance can contribute, directly and

indirectly, toward the results that countries in the Asia-Pacific region aim to achieve. Specific priorities for private finance vary from country to country but a number of common results areas stand out across existing country plans in the region.

98. Asia-Pacific Development Effectiveness Facility, 2016, *Strengthening Finance for the 7th Five Year Plan and SDGs in Bangladesh, Findings from an independent development finance assessment*.

99. Asia-Pacific Development Effectiveness Facility and UNDP, 2013, *Development finance and aid assessment, Papua New Guinea* (interim draft).

Many governments see infrastructure as the backbone of sustainable social and economic development. The private sector's potential to mobilize investment for financing large-scale, transnational, infrastructure projects warrants its strategic role for bridging infrastructure gaps across the region. Many countries have established policies designed to incentivize private investment into priority infrastructure that supports national development priorities.

The private sector can contribute to reducing poverty through more direct channels by creating jobs and providing a livelihood and dignity to citizens. Governments across the region aim to maximize development results from strategic private sector development by incentivizing employment creation in labour-intensive economic sectors; in sectors that tend to employ a larger share of women, such as the ready-made garments sector in Bangladesh; or in remote rural areas.

The donor-supported Market Development Facility¹⁰⁰ (MDF) in Fiji, Timor-Leste, Pakistan, Papua New Guinea and Sri Lanka shows how strategic private sector partnerships can support inclusive growth and reduce poverty. MDF analyzes and identifies growth opportunities in the economy that are relevant for poor people, and partners with businesses willing and able to invest in innovative changes to business practices to make a lasting impact. In Fiji, the MDF targeted tourism and related support industries, horticulture and agro-exports, and export processing as the most promising intervention sectors.

Job creation through private investment can also strengthen countries' productive capabilities, helping diversify and increase sustainability over the long term. Developing skills and expertise, as well as technology transfer, can have long-lasting impacts. In the 1970s foreign investors in Malaysia's telecommunications industry employed many Malaysians in managerial jobs which, over time, helped build up local managerial capacity. Many of these people eventually went on to set up companies themselves, in industries such as equipment manufacturing, thereby spurring Malaysia's equipment manufacturing sector.

Targeted incentives can promote social investments by the private sector. In Papua New Guinea an 'infrastructure tax credit scheme' has been effective at responding quickly to provide emergency repairs to the Highlands Highway. It allows companies to build and contribute to public infrastructure such as hospitals, schools, roads and law and justice facilities for a maximum amount of 0.75% of the company's tax receipts.

Growing public resources, in particular tax revenue, through domestic economic activity and foreign investment is an important indirect channel to underpin public investment. This can indirectly support increased investment in essential infrastructure as well as health and education services, which authorities can target to poor and vulnerable people (see chapter 3).

While private finance can contribute to sustainable development strategies, it is by nature profit seeking, and the aims of private investors may at times conflict with national sustainable development objectives. It is important for government to establish strategies to mitigate the potential negative impacts of private finance, covering issues such as environmental degradation, labour standards, tax avoidance, corruption and repatriation of profits, as part of overall policy toward private financing.

Private sector development can also pose important environmental challenges if appropriate mitigation measures are not taken. Cambodia's current growth is based on inefficient technology, energy generation and transportation systems, with the bulk of its emissions attributable to the private sector. The country's Industrial Development Policy with its accelerated development of the private sector may aggravate this problem. Its current "Climate Change Strategic Plan 2014–2023" is mainly focused on mobilizing private sector investment for moderating the potential harm caused by climatic change effects in Cambodia.¹⁰¹

Countries with high inflows of FDI and portfolio equity may be exposed to financial shocks as these flows are characterized by high volatility. Between 1995 and 2008 the average absolute annual rate of change of FDI inflows in Asia-Pacific countries was 113%.¹⁰²

100. MDF is a multi-country private sector development programme funded by the Australian Government, currently operating in Fiji, Timor-Leste, Pakistan, Sri Lanka and Papua New Guinea. For more information: <http://marketdevelopmentfacility.org/>

101. Asia-Pacific Development Effectiveness Facility and UNDP, 2016, *Cambodia Development Finance Assessment, Scoping report*.

102. UNDP, 2011. *Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty*. http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Towards_SustainingMDG_Web1005.pdf

Government strategies to harness private finance have a number of core features

Governments' ability to harness private finance for results will be a key determinant of the extent to which national development objectives are realized. The challenge is that governments only have limited and indirect influence over the way most private resources are invested, the objectives they aim to achieve and their impact, both positive and negative, on people, society and the planet. This indirect influence is largely exerted through the business environment—the ease of doing business, the incentives for investing in different sectors/industries and for using different business models. Responsibility in government for policy toward these different aspects of the business environment is scattered across numerous departments or agencies.

While the context and challenges vary from country to country, there are a number of common features to governments' approaches for engaging private finance. Looking across country strategies for mobilizing private finance, a number of key principles emerge.

Articulating a clear role for private finance

A number of countries in the Asia-Pacific region have established processes to define a clear role for private finance, and set targets to realize this. Governments will be most successful in mobilizing private finance (or any type of finance) to achieve results if they have a clear vision for the role that finance will play. A number of countries across the

Mobilising private finance in Laos

Lao PDR has been successful in mobilizing increasing domestic and international private finance. Lao PDR's national socio-economic development plans (NSEDPs), which cover five-year periods, are used to operationalize policymaking and the vision for results. In consecutive NSEDPs, Lao PDR has developed estimates of financing needs and targets for mobilizing private finance, alongside other financing.

These clear targets for mobilizing private investment have provided a basis for more targeted policymaking and have contributed to ongoing reforms in the way investment is governed in the country. Through measures such as establishing a single-window approach to investment project approvals, enhanced dialogue through annual meetings with investors and an amended investment promotion law, the country has been able to achieve and exceed private investment targets in successive NSEDPs. Over the 20 years between 1986 and 2005, cumulative FDI totalled \$8.5 billion; yet this rose to \$11 billion during the Sixth NSEDP (2006–2010)¹⁰³ and \$20.9 billion during the 7th NSEDP (2011–2015).¹⁰⁴ Lao PDR now aims to further grow and diversify private finance, for example targeting greater FDI in sectors such as tourism.¹⁰⁵ Other countries, such as Bangladesh and Cambodia, have adopted similar approaches to setting out the overall scale of private finance to be mobilized through their five-year plans, and using this as a basis for targeted policymaking.

region have developed processes in their medium-term planning systems to set targets for mobilizing private finance and priority areas it can be invested in. This guidance on the role that private finance is expected to play in relation to other types of financing sets a foundation for more focused policies to target and influence private finance.

Establishing coordination mechanisms to align policy and implementation

A government's approach to private finance must be aligned if it is to successfully influence the way private finance is invested and the results it realizes. Many important reforms transcend the responsibility of a single ministry. This demands an

authoritative, high-level coordination mechanism across all government stakeholders to ensure the different components of key reforms and policies are coherently designed, developed, implemented and monitored. This is only possible if there is political drive from the highest levels of government to establish such alignment and in practice it may take a number of rounds of policy development over years before it is realized.

Countries across the region recognize the need for mechanisms to coordinate private sector policy in this way but, with just a few exceptions, have found this more difficult to achieve in practice. Government influence over private finance is less direct and exerted through the incentives and business environment created

103. Table 4, page 15, Seventh Five-Year National Socio-Economic Development Plan (2011–2015), Lao People's Democratic Republic, Table 4, page 15

104. Page 9, Eighth Five Year National Socio-Economic Development Plan (2016–2020), Lao People's Democratic Republic, page 9

105. Development Finance for the Eighth National Socio-Economic Development Plan and the Sustainable Development Goals in Lao PDR, A Development Finance and Aid Assessment, Lao PDR Ministry of Planning and Investment and UNDP

by a large number of government agencies, often across levels of national and subnational administration. When these agencies and levels of government are not well coordinated the result can be fragmentation and duplicity. In Viet Nam, for example, competition between subnational administrations to attract investment has led to a disproportionately large number of infrastructure projects. Where countries have been successful, such as Cambodia's promotion of rice exports, their efforts have often been characterized by narrowing the focus to specific interventions that have clear leadership from the highest levels of government, clear targets and a well-defined implementation plan.¹⁰⁶ The Tonga Energy Road Map has achieved successes, building on government leadership at the highest levels; a shared sense of social and economic issues among government, the private sector and development cooperation providers; and clear targets for outcomes.¹⁰⁷

Inter-ministerial coordination mechanisms can focus on identifying and aligning potentially conflicting policy priorities upfront. For instance, the Ministry of Finance may excessively finance its public investment budget from borrowing on domestic capital markets, crowding out business from access to finance and effectively cancelling the impact of central bank measures to facilitate access to finance. In Bangladesh, domestic borrowing by the government risks crowding out private sector investment.¹⁰⁸

Such mechanisms can operate across central government and between the different administrative levels to

ensure alignment and identification of synergies between national and local policymaking. Local governments are often more aware of deep poverty and inequality issues in their regions and such mechanisms can elevate this information to agencies responsible for development planning. Local governments also have a better understanding of the economic dynamics and necessities of local small and medium-sized enterprises (SMEs) and can enter into dialogue with them or ensure their needs are taken into account. The Philippine Development Plan 2011–2016 recognizes that provinces have different constraints to growth due to differences in location and initial endowments, and has adopted for the first time a spatial focus for matching provinces to development strategies and interventions designed to address deep poverty and inequality in the country.¹⁰⁹

Developing effective monitoring, evaluation and learning mechanisms

Strong monitoring, evaluation and learning systems are critical for effectively linking financing policy to results. The reality of achieving desired results is often a complex one incorporating multiple indirect mechanisms. This is particularly true for private finance. Rigorously assessing the contribution of private finance to national development results—and the contribution of government activity in influencing private finance—can inform more effective policymaking. It can highlight where private finance is more or less effective in achieving results, identify constraints to mobilizing private finance, and help

governments to understand their own efficacy in influencing the private sector.

Specifically, monitoring and evaluating the private sector's contribution to national development priorities can focus on two main questions. How do particular resources/types of investments impact on overall desired development results targeted by the national development plan? And to what extent have dedicated government policy measures facilitated this private sector impact?

Integrating these two overarching questions into wider monitoring and evaluation systems requires indicators and measures of progress that capture progress against the desired results from private finance and enable these to be linked up to the wider results targets. It is also critical to understand the effectiveness of government policies in influencing private finance.

This could entail three related levels of indicators that measure:

1. The effectiveness of government policy, output and activities towards the private sector, such as the measure of quality of public-private dialogue.
2. The volumes and types of private sector investments being made, such as the volume and quality of FDI.
3. The impact of private sector investments related to private sector resource policies, for example the number and quality of jobs created by FDI, number of women employed and wage levels.

106. Asia-Pacific Development Effectiveness Facility and UNDP, 2016, Cambodia Development Finance Assessment, Scoping report.

107. See page 5, Kingdom of Tonga Forum Compact Peer Review Report, http://www.forumsec.org/resources/uploads/embeds/file/Tonga%20Report_final_report.pdf. The Tonga Energy Road Map 2010–2020 aims to reduce Tonga's vulnerability to oil price shocks and achieve an increase in quality access to modern energy services in an environmentally sustainable manner. <https://sustainabledevelopment.un.org/content/documents/1330tongaEnergy%20Strategy.pdf>

108. Asia-Pacific Development Effectiveness Facility and UNDP, 2016. Strengthening Finance for the 7th Five Year Plan and SDGs in Bangladesh.

109. Philippine Development Plan 2011–2016, Republic of the Philippines National Economic and Development Authority. <http://www.neda.gov.ph/2013/10/21/philippine-development-plan-2011-2016/>

While effective national systems for monitoring and evaluating the impact of private finance on sustainable development results are not common across the region, there are initiatives underway to improve the reporting and understanding about the impact that business is having. Philippine Business for the Environment and UNDP have developed a partnership that aims to leverage the impact reporting that a growing number of companies are undertaking themselves by encouraging them to report through a standardized process. Launched in September 2016, 'Philippine business contributions to the sustainable development goals' will capture and showcase information on private sector contributions through an annual report.¹¹⁰

Strengthening public-private dialogue

Public-private dialogue is an essential foundation for designing effective policy and for engendering the buy-in to and ownership of national plans from private actors that can successfully harness private finance for development. Dialogue can build an understanding of the objectives and challenges that public and private actors (both commercial and civil society) face, and can help align interests. It helps government to understand the challenges and constraints that private actors face, and set realistic ambitions for the size and scope of private contributions to national development objectives.

It is important to determine common interest between what the government wants by way of results and what the business community can support through investment. Through a multi-stakeholder dialogue, governments may have more realistic expectations for business' contributions to national development plans. Public-private dialogue also allows business to contribute its experience and insights for effective policy implementation supportive of an enabling business environment.

To be sustainable, public-private dialogue needs to lead to tangible actions and results for building trust and credibility. This requires involving all relevant stakeholders from the public and private sector and all relevant public agencies affecting the business operating environment so that agreed reforms are actually implemented in a timely manner. Building trust is a prerequisite for partnering with the private sector particularly in countries with significant state ownership of business, such as former communist countries, or in sectors where there has been a history of irresponsible business practice.

Data from the GPEDC monitoring framework show a readiness from public and private sectors to engage in dialogue across much of the region (see chapter 5, box 'What the GPEDC monitoring framework tells us about countries' financing frameworks'). In many countries, the private sector is perceived to be more ready for dialogue than the public sector, which suggests it will be receptive

to engaging with government as it develops more active policy toward private finance. Examples of public-private dialogue across the region illustrate there is no 'one size fits all' approach for governments partnering with private sector actors. Partnerships need to adapt to local realities, needs and stakeholders.

In Timor-Leste a Chamber of Commerce and Industry was established in 2010 to help stimulate growth in the private sector.¹¹¹ A key role of the chamber is to facilitate dialogue between the private sector and government, both about the challenges that private firms face and to enable businesses to participate in consultations about government policy on issues such as tax and fiscal reform measures.¹¹² This dialogue between the public and private sectors has helped to shape policy and build consensus around development objectives.¹¹³

In Nepal, the World Bank's Investment Climate Reform Program was designed in Nepal's post-conflict period to use private sector development and investment for economic reform and peacebuilding. The Philippines are promoting public-private donor efforts to improve governance in certain sectors such as mining. Through the Extractive Industry Transparency Initiative, government and companies in the extractive industries have agreed to systematically record and voluntarily disclose the revenues received by government and paid by private companies. And Viet Nam develops knowledge partnerships in particular industries and markets by linking government institutions with their

110. UNDP, PBE launch partnership to recognize private sector contribution to Sustainable Development Goals, <http://www.ph.undp.org/content/philippines/en/home/presscenter/pressreleases/2016/09/08/undp-pbe-launch-partnership-to-recognize-private-sector-contribution-to-sustainable-development-goals.html>

111. The Private Sector and Government established the Chamber of Commerce and Industry, <http://timor-leste.gov.tl/?p=2672&n=1&lang=en>. Accessed November 2016

112. Business community praise reasonable fiscal reform measures, <https://www.mof.gov.tl/business-community-praise-reasonable-fiscal-reform-measures/?lang=en>. Accessed November 2016

113. As noted in responses to the 2016 Global Partnership for Effective Development Cooperation Monitoring Framework.

counterparts in the donor country to assist the government with developing tailored industrial development strategies and priorities.

Countries face a variety of challenges in mobilising domestic private finance

The status of the business environment and private finance vary widely across the Asia-Pacific region and countries face a range of challenges in both stimulating growth in private finance and in channelling this finance toward investments that can realize sustainable development results.

Developing the domestic private sector, and SMEs in particular, can support national development results and boost national productivity. SMEs are the backbone of Asia's domestic private sector, accounting for 98% of all enterprises. Between 2007 and 2012 they provided on average 66% of total employment and 38% of GDP or manufacturing value added.¹¹⁴ In China SMEs accounted for 41.5% of total export value in 2012, while in Thailand they made up 29.9%.¹¹⁵ Viet Nam's domestic enterprise sector is dominated by small and medium-sized, proprietor-financed enterprises that account for two-thirds of total investment.

Despite the size of the SME sector, there remain challenges that constrain further growth and contribution to development results in many contexts. Many of the challenges to doing business in the region (Table 4.1) are directly related to, or influenced by, government policy and operations, and cut across many different parts of government. Developing a strategic and holistic approach to providing an

TABLE 4.1

The business perspective on main challenges to private sector development

Main challenges	Countries
Access to financing	Bhutan, China, Iran, Lao PDR, Malaysia, Mongolia, Myanmar, Sri Lanka, Viet Nam
Inefficient government bureaucracy	China, Indonesia, Iran, Malaysia, Mongolia, Philippines, Sri Lanka, Thailand
Inadequate supply of infrastructure	Bangladesh, Bhutan, Cambodia, Indonesia, Lao PDR, Nepal, Philippines
Corruption	Bangladesh, Cambodia, India, Indonesia, Pakistan, Philippines, Thailand
Policy instability	India, Iran, Myanmar, Nepal, Viet Nam
Government instability	Bangladesh, Mongolia, Nepal, Thailand
Inadequately educated workforce	Cambodia, Lao PDR, Myanmar, Viet Nam
Restrictive labour regulations	Bhutan, Singapore, Sri Lanka
Insufficient capacity to innovate	China, Malaysia, Singapore
Inflation	India, Pakistan, Singapore
Tax rates	Pakistan

Source: World Economic Forum, Global Competitiveness Report 2015–2016. This table shows the top three “most problematic issue for doing business” mentioned by the 18 Asia-Pacific countries covered in the Executive Survey in 2015–2016. SMEs, defined as those with up to 150 employees, account for close to 50% of the sample for the Asia-Pacific region.

enabling business environment for SMEs is therefore a priority if governments wish to unleash its potential to contribute to national development.

Increasing access to long-term credit

Lack of access to long-term credit limits domestic private sector growth, ultimately impacting on employment, tax revenue and the country's productive capacity.

It is one of the most commonly cited challenges to private sector development across the region (Table 4.1). Countries across the region are

deploying measures designed to address a number of constraints to increasing access to credit.

In Viet Nam private companies depend mainly on proprietor finance with limited access to commercial credit, due to complicated procedures and strict collateral requirements. This has contributed to the challenge faced by domestic business in Viet Nam when moving into higher value-added activities and developing the economies of scale required to act as suppliers to foreign investors and to participate in global value chains. Low

114. Boosting Economic Mobility in Asia: SMEs as Drivers of Inclusive Growth, Asia Foundation. <http://asiafoundation.org/2015/08/12/boosting-economic-mobility-in-asia-smes-as-drivers-of-inclusive-growth/>

115. Asia Small and Medium-sized Enterprise (SME) Finance Monitor 2014, Asian Development Bank. <https://www.adb.org/publications/asia-sme-finance-monitor-2014>

value-added assembly options create employment but have fewer wider benefits. A significant proportion of the commercial credit available in Viet Nam is being spent on low productivity investments. Unless Viet Nam can move into more productive investments, there is a risk that it will begin to lose out to lower wage economies. This will require facilitating private sector access to land for using it as collateral.¹¹⁶

To address financing constraints faced by domestic businesses, Asia-Pacific countries are encouraging their national banking sector to tailor its lending operations to the domestic private sector through measures such as incentivizing more flexible collateral requirements and increasing competition. In the Philippines domestic banks have favoured short-and-medium term loans to SMEs rather than long-term loans such as loans to infrastructure. In 2014 the Philippines Ministry of Finance passed a law¹¹⁷ providing a framework for competitive financial services to underpin economic growth and modernization by allowing the full entry of foreign banks.

Microfinance can be a powerful financial instrument to improve access to finance for the poorest households and micro-enterprises, and is being used to contribute to wider goals such as gender equality. In the Philippines microfinance has been mainstreamed in the formal financial system with private

microfinance institutions providing poor households and micro-enterprises with financial services. The microfinance institutions sector in Cambodia, which has very high levels of transparency and a strong pro-poor approach, has significantly increased financial inclusion with nearly 90% of microfinance institutions lending outside of Phnom Penh.¹¹⁸ And in Bangladesh, where the Grameen Bank developed the early models of microfinance, over 1,500 NGOs, including Building Resources Across Communities, are now providing microfinance. Through the Palli Karma Sahayak Foundation, a not-for-profit established by the Bangladesh government, microcredit has been provided to about eight million borrowers, of which 91% are women.¹¹⁹

Across the region smart use of information and communications technology (ICT) has enabled access to financial services in areas without bank branches. In Viet Nam banks have started to use mobile phone technology, reaching 8 million users of e-money.¹²⁰ In Papua New-Guinea since 2009, the United Nations Capital Development Fund (UNCDF), through the Pacific Financial Inclusion Programme, has led the opening of the mobile money market through its sector development approach. Bangladesh Bank has taken a number of measures, such as mobile banking, to support access to credit for micro, small and medium enterprises.

Access to finance is often restricted to firms operating in the formal economy, yet there are a range of reasons why many firms choose to remain in the informal sector.

Tax policy and administration is one reason: when taxes are high and commensurate gains seem low, many businesses may choose to stay informal, thereby limiting their access to credit (and also their contribution to government revenue through paying taxes). Viet Nam addressed this issue in 2014, acknowledging that tax rates were too high and applying a reduced tax rate of 20% to SMEs, while also reducing rates from 25% to 22% for other businesses.

The challenges for access to finance across the region are significant and demand multi-faceted, coordinated responses from across government, often requiring a long-term perspective.

Addressing infrastructure constraints for inclusive and sustainable development

Infrastructure growth in the Asia-Pacific region lags behind economic growth, and also behind international standards of infrastructure quantity and quality.¹²¹ To address this it has been estimated that Asia and the Pacific would need to raise an estimated \$8 trillion for national infrastructure financing between 2010 and 2020, out of which 68% would be for new capacity and 32% for maintaining and replacing existing infrastructure. An additional \$290

116. Asia-Pacific Development Effectiveness Facility and UNDP, 2014. Development finance for sustainable development goals in middle-income Viet Nam.

117. Philippines Republic Act No. 10641, Republic of the Philippines Official Gazette. <http://www.gov.ph/2014/07/15/republic-act-no-10641/>

118. Mekong Strategic Partners, January 2015, The Goldilocks Conundrum, Are MFI Returns in Cambodia Too High, Too Low or About Right? <http://nebula.wsimg.com/2ba540ad2b5c05875208108566a1bccd?AccessKeyId=AA93D6CE3110750A4A8A&disposition=0&alloworigin=1>

119. Annual Report 2015, Palli Karma-Sahayak Foundation (PKSF). <http://pkf-bd.org/portal/web/wp-content/uploads/2016/03/Annual%20Report%202015.pdf>

120. Roman, 2009

121. Bhattacharyay, B, 2010, Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010-2020. Asian Development Bank Institute (ADBI) Working Paper 248. Tokyo: ADBI.

122. Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010-2020, ADB and ADBI, 2010. <https://www.adb.org/sites/default/files/publication/156103/adbi-wp248.pdf>

billion would be needed for specific regional projects on transport and energy infrastructures (Table 4.2).¹²²

Demand for infrastructure will intensify in Asia-Pacific to underpin rapid growth fuelled by industrialization.¹²⁴

PwC forecasts Asia's infrastructure market to grow by 7% to 8% annually over the next decade, albeit largely driven by China, nearing \$9.0 trillion by 2025 or 60% of the world total, compared to 30% in 2012.¹²⁵ In particular road infrastructure needs in emerging Asian economies are expected to continue to rise as prosperity leads to a demand in car ownership.¹²⁶ The way this is implemented will have an important bearing on countries' environmental and sustainability targets. Properly designed infrastructure, in line with governments' national development plans, can make growth more inclusive by sharing its benefits with poorer groups and communities, especially by connecting remote areas and small and landlocked countries to major business centres.¹²⁷

Channelling private investment into much-needed economic and social infrastructure development is seen as a top priority for many countries in the region.

Infrastructure investment, particularly in water and sanitation, and roads, is critical in attaining economic growth that at the same time benefits poor people. Countries in the region are actively targeting private finance to

TABLE 4.2

The 10 Asian countries' with the largest infrastructure investment needs, 2010–2020

Country	US\$ billions	Country	US\$ billions
China	4,368	Thailand	173
India	2,172	Bangladesh	145
Indonesia	450	Philippines	127
Malaysia	188	Viet Nam	110
Pakistan	179	Kazakhstan	70

Source: Wignaraja, G. (2013)¹²³

bridge the infrastructure financing gap. Viet Nam aims for the private sector to finance a large share of its infrastructure needs, estimated at over \$25 billion a year or 20% of GDP, in complement to public investment, which has never exceeded \$14 billion. Indonesia's ambitious Infrastructure Development Plan for 2015/2019 aims for 40% funding from public investment,¹²⁸ with the remainder mobilized from the private sector.

Public-private partnerships (PPPs) are gaining importance for bridging the infrastructure gap

Many governments in the region have developed PPP policies as a central pillar of strategies to expand and develop infrastructure.

Private actors also see this as an area of growth in the future: over half (54%) of respondents to the PwC 2015 APEC CEO Survey think PPPs will mature as

a vehicle for infrastructure investment over the next five years.¹²⁹

PPPs are seen by governments as an instrument to leverage large investments with limited public finance contributions, and to benefit from the potentially higher levels of technical capacity, efficiency and resources that the private sector could offer.¹³⁰

Infrastructure such as toll roads, power plants and mass rail transport are often amenable to private construction, operation and maintenance, and using this instrument can free up public resources that would otherwise have been used for infrastructure, to meet other societal needs.¹³¹

In 2015 China released new regulations and directives governing PPP investments and launched more than 1,000 projects, worth a total \$317.8 billion.¹³² The Philippines established a

123. Wignaraja, G, 2013, Asian infrastructure development: needs and a way forward. Paper presented during the Eighth Transport Ministerial Meeting, ADBI. Tokyo, 4 September.

124. 2015 PwC CEO Survey

125. Infrastructure development in Asia Pacific, PwC, 2014. <https://www.pwc.com/gx/en/capital-projects-infrastructure/assets/infrastructure-development-in-asia-pacific.pdf>

126. It is estimated that each \$1,000 increase in GDP per capita results in 15 more cars per 1,000 residents (PwC 2016).

127. Bhattacharyay, B, 2010, Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010–2020. ADBI Working Paper 248. Tokyo: ADBI.

128. AP-DEF, 2015. A background paper: Strengthening Coherence between the Effective Development Cooperation and Financing for Development Agendas In Asia-Pacific.

129. PwC 2015 APEC CEO Survey, <http://www.pwc.com/us/en/apec-ceo-summit/2015/apec-ceo-survey-infrastructure.pdf>

130. UNESCAP, 2015, Infrastructure Financing, public-private partnerships and development in the Asia-Pacific Region.

131. UNESCAP, 2015, Infrastructure Financing, public-private partnerships and Development in the Asia-Pacific Region.

132. Reuters, 25 May 2015, 'China invites private investors to help build \$318 billion of projects,'

PPP programme in 2010 that has since awarded deals worth \$4 billion. A key success factor to the government's success in building and maintaining an attractive pipeline of PPP projects has been its PPP Centre,¹³³ and the Philippines was recognized by the Economist Intelligence Unit as the most improved Asia-Pacific country for PPP readiness in 2014.¹³⁴ Indonesia has also established a PPP Centre to specifically handle project preparations and auctions. Thailand's policy toward PPPs is embodied in its new PPP Act, with a PPP Policy Committee headed by the Prime Minister to streamline the project approval process. To avoid a fragmented approach and excessive decentralization of infrastructure that could be detrimental to national development priorities, a country's PPP policy needs to be embedded in its overarching financing plans.

A number of countries are also using ODA inflows in a more

strategic and catalytic way for attracting private capital to finance infrastructure through PPPs. In the Philippines, ODA has been used to provide loan guarantees for projects to entice private capital, and to build institutional capacities in evaluating and monitoring PPP projects. ODA can be used more strategically to catalyse a larger amount of private capital into PPPs for infrastructure development in health or education than it would have been able to finance by itself. Infrastructure is the largest single sector for both ODA and OOF (see chapter 5).

PPPs can make an important contribution to financing infrastructure in Asia and the Pacific, but challenges remain.

Many countries, particularly smaller countries including many Pacific Island countries, lack the human and financial resources to successfully manage PPPs. The model is complex by nature and needs significant technical capacity

from a range of professions, from engineers to economists.¹³⁵ There are challenges in coordination across the various departments and agencies responsible for the areas covered by a PPP policy. This is reflected in investor perceptions in many countries of unpredictable regulations, poor project preparation, bureaucratic delays, inequitable risk allocation, and struggles to secure land rights. At present investment capital exceeds the availability of economically sound projects.¹³⁶ Finally, while PPPs can unlock financing for key projects in the short run, over the long term they can incur costs that reduce their overall efficiency and cost effectiveness.¹³⁷

Multilateral organizations can address capacity constraints and facilitate PPPs in infrastructure by assisting in PPP project preparation. PPPs are a core part of the Asian Development Bank's Strategy 2020, with the bank aiming

133. The PPP Center of the Philippines (PPP Center) is attached to the National Economic Development Authority (the independent planning agency of the Government of the Philippines) and responsible for facilitating, coordinating and monitoring government PPP programmes and projects by overseeing their programming, implementation, monitoring and evaluation.

134. Economist Intelligence Unit, The 2014 Infrascopes: Evaluating the environment for public-private partnerships in Asia-Pacific.

135. Economist Intelligence Unit, The 2014 Infrascopes: Evaluating the environment for public-private partnerships in Asia-Pacific.

136. PWC, APEC CEO 2016 Outlook

137. For example, borrowing costs may be higher for the private partner in a PPP than they would have been for the government and this, combined with private partners' needs to generate a profit, can in some instances mean that the overall cost of a project over its lifetime is far higher than it would have been if the government had borrowed and implemented it itself. Also, many PPPs are off-budget and therefore bypass spending controls, and that they create contingent and future liabilities. Over half of all PPPs are renegotiated, often within two years, with outcomes that often favour the private partner. Source: Jubilee Debt Campaign, What role for public-private partnerships? Available here: <http://www.un.org/esa/ffd/wp-content/uploads/2014/12/12Dec14-Clifton-Presentation.pdf>

138. ADB, 2008, Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020, pp14.

Advancing gender equality through the private sector

The way the private sector and SMEs in particular develop is increasingly recognized across the region as a key driver to progress against gender equality objectives. A number of countries have mainstreamed gender objectives in the laws, policies, plans and programmes that provide a framework for stimulating private sector development.

In the Maldives, legislation governing SMEs, cooperatives and decentralization incorporates features designed to progress gender equality through private sector development. The Micro, Small and Medium Enterprises (MSME) Act (2011) mandates the Ministry of Economic Development to review and amend legislation and policies that may inhibit women from participating in the MSME sector. It provides a framework to support MSMEs owned and operated by women and includes representation of women entrepreneurs among the permanent members of the MSME Council. The Cooperative Society Governance Code (2010) provides for 20% women's participation in cooperative societies and the Decentralization Act (2010) mandates island councils and city councils to focus on income-generating activities for women through their respective committees.¹³⁹

In India, policies at the national and state level aim to promote gender equality through increasing women's employment opportunities and wages. The National Employment Policy (2008) promotes equality in the labour market and increased access to opportunities. The Mahatma Gandhi National Rural Employment Guarantee Scheme is structured with 33% participation by women and equal pay for women. At the subnational level a number of states have developed programmes supporting women's enterprises, such as the Odisha State Agriculture Policy, which aims to help the development of women's agro-enterprise.¹⁴⁰ And in Bangladesh the National Strategy for Accelerated Poverty Reduction (revised in 2009) includes SME policies incorporating strategies sensitive to the needs of women entrepreneurs, reducing wage discrepancies and enforcing labour laws relating to women. A National Women Development Policy was introduced in 2011 to improve working conditions for women, in close collaboration with the Ministry of Women and Children Affairs. The ready-made garment sector, which is a main employer for women in the country, is a particular focus. Programmes have been developed to support 300 garment factories in achieving a safe and healthy working environment for workers, and almost 1,700 exporting factories are inspected for fire and electrical and structural safety under this programme. The Industrial Policy (2009) and National Agriculture Policy (2009) provide incentives and financial support for establishing women-owned businesses, particularly in service industries and agri-processing and agribusiness.¹⁴¹

to promote PPPs in all of its core operational areas.¹³⁸

Countries face varied challenges in mobilising international private finance

International private finance, particularly FDI, has played a driving role in the strong economic expansion in Asia-Pacific over the past decade, attracted by the region's abundant labour resources in manufacturing and agriculture.¹⁴²

FDI can contribute to sustainable development through growing capital and employment, bringing innovations in technology and making positive impacts on the environment. Direct contributions to economic growth may include effects on capital formation; trade and the balance of payments; employment and human resource development; technology and innovation; and market structure and expansion. In Viet Nam foreign investment has been a major driver of reducing poverty through creating over

2 million direct jobs and supporting public revenues and the balance of payments. Over the long term FDI, through close interaction with the local economy can make important indirect contributions to development through 'spill-over effects',¹⁴³ which drive innovation, product and service quality, productivity and wage levels. These can be the result of supplier linkages, competition and demonstration effects, as well as labour mobility.¹⁴⁴

139. ADB Maldives gender equality diagnostic of selected sectors. 2014. Available here: <https://www.adb.org/documents/maldives-gender-equality-diagnostic-selected-sectors>

140. ADB India gender equality diagnostic of selected sectors (2013)

141. ADB Bangladesh Country Gender Assessment (2010)

142. AP-DEF et al. Strengthening Coherence between the Effective Development Cooperation and Financing for Development Agendas in Asia-Pacific, A Background Paper for the Regional Workshop, 26-27 March 2015: Makati City, the Philippines

143. Spill-over effects are intangible benefits brought by the exposure of the local economy to sophisticated foreign production processes.

144. UNCTAD Investment advisory series: Estonia and Jamaica, 2011.

Not all types of FDI have the same development impact. Depending on the economic sector or geographic region to which FDI is targeted, its potential for direct and indirect contributions to economic growth may differ significantly. Resource-seeking FDI, which aims to exploit natural resources endowments, is often characterized by enclave economies with limited positive spill-over effects, and can expose local communities to the risk of environmental degradation. Investors seeking access to the internal market (or a market to which it has preferential access) or looking for lowering production costs through cheaper labour as part of global value chains may have stronger developmental impacts, but also require a more proactive and coherent approach on the part of government to attract.

On this basis governments across the region are identifying and focusing their efforts to attract FDI in strategic economic sectors and geographic areas that have potentially impactful spill-over effects in generating employment and tax revenues, catalysing domestic investment, developing skills and knowledge and stimulating wider private sector growth. Bangladesh's 7th Five Year Plan focuses strategically on export manufacturing and global value chains. It targets productive FDI in the ready-made garments sector and has identified a future strategic opportunity in the shipbuilding industry. For the latter it is providing facilities and policies for ensuring compliance with international standards in ship quality, worker safety and environmental pollution and is working to stimulate a strong network of backward linkages industries.

Government policies matter for attracting higher value FDI

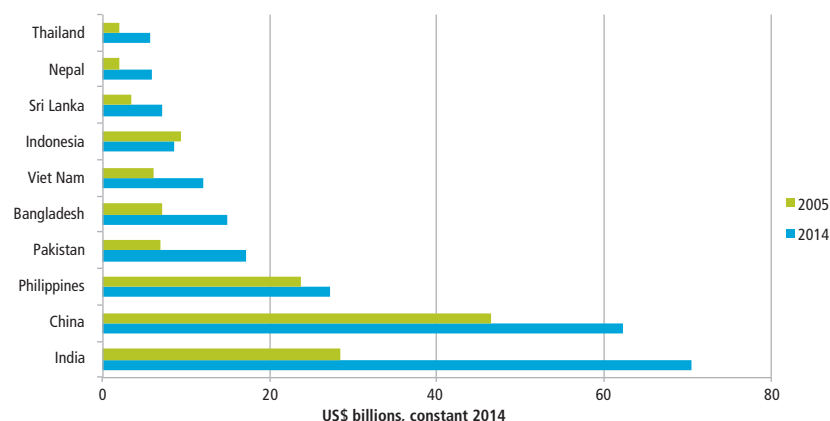
In many Asia-Pacific countries investments in low value-added textiles and simple assembly

Remittances are an increasingly important source of international private finance for many Asia-Pacific countries

For countries with a large overseas diaspora, remittances account for a large proportion of total international financing, and are often more stable and countercyclical than private debt and portfolio equity flows. India receives the largest volume of remittances, an estimated \$70.4 billion in 2014, followed by China with \$62.3 billion and the Philippines with \$27.3 billion (Figure 4.3).

FIGURE 4.3

Remittances are growing rapidly in some countries



Sources: World Bank Migration and Remittances data

Remittances can support domestic consumption, a key source of economic growth, boost local business and real estate markets and, in some cases, be used as a source of investment.

operations still dominate among FDI flows. Economic spill-over effects in these cases remain limited as many foreign companies bring their components from abroad and export their product, offering few opportunities for local SMEs to become part of international value chains or acquire new management skills or technology. Viet Nam is an example of such a case.¹⁴⁵

Providing an attractive investment climate for attracting higher value FDI means having a stable and predictable macro-economic environment, decent infrastructure, public services, a skilled labour force, and effective governance. Improving the investment climate therefore involves multiple policy areas that cut across the remit of a large number of government agencies and departments: competition

policy, consumer protection, property and creditor rights, trade facilitation, judicial reform, fiscal transparency, market reforms, education policy, among others. As well as an attractive investment climate, governments may need to provide appropriate incentives to focus FDI on labour-intensive, job-creating sectors that employ a large share of the most vulnerable segments of the population such as women, unskilled labour and rural poor.

This requires central government agencies capable of interacting with foreign investors and coordinating across different government agencies and jurisdictions responsible for FDI promotion and facilitation (e.g. infrastructure, energy, access to finance, development of PPPs and labour market regulation) to ensure coherency across

145. Asia-Pacific Development Effectiveness Facility and UNDP, 2014. *Development finance for sustainable development goals in middle-income Viet Nam*.

policies. The government of Viet Nam has developed a strategy for attracting higher quality FDI to increase the development returns from FDI by designing packages of interventions to support specific sectors or markets, covering areas such as infrastructure, vocational training and incentives for investors.¹⁴⁶

Perceptions of governance and corruption have an important bearing on FDI and there is considerable evidence that business confidence and investment increase in countries where public pressure fuels improvement in governance.

Transparency International's Corruption Perception Index placed the Philippines 141st out of 180 countries in 2008—consistent with the World Bank's assessment in 2006 of it being very corrupt, but by 2014 it had climbed to 85 out of 175. This rapid improvement was helped by many government actions, but most influential have been the myriad efforts of civil society and business networks (such as the Makati Business Club) to scrutinize public programmes and identify likely corruption and leakage. As a result, business confidence has improved and there has been a significant increase in FDI.¹⁴⁷

FDI may also support development objectives through contributing to domestic private sector growth. This requires policies supporting local SMEs in developing the capacity needed to act as suppliers to foreign investors and establish economic linkages to fully tap the indirect benefits of FDI and integrate global value chains.

Impact investing, which aims to generate social and environmental impacts, as well as a financial return, is growing (see chapter 1).

Across diverse sectors, from housing to energy and financial services, this type of financing offers the potential to provide sustainable, scalable impact on sustainable development. A number of initiatives exist to stimulate impact investing and channel financing into social impact enterprises. In the Philippines, UNDP has recently launched a social impact fund that aims to help enterprises grow from the 'late validation' phase, where business models are refined, to the 'early scale' phase, where they are rolled out to reach larger numbers of customers or suppliers.¹⁴⁸ Other initiatives look to improve impact measurement and rating systems, to help social impact enterprises improve performance, and to attract financing to the most impactful investments.¹⁴⁹ Corporate social responsibility policies can also complement national governments' development activities, especially in remote areas or specific economic sectors, while supporting sustainable profits and investment for business. Bangladesh's National Corporate Social Responsibility Policy for Children, developed through multi-stakeholder consultations in close collaboration with the Ministry of Labour and Employment, requires businesses to contribute to ensure the rights of education of children, for example by ensuring the quality of education along with technical and vocational apprenticeships and giving special

attention to children who do not have access to mainstream education.

Illicit financial flows sap the contributions of private finance

Vast financial resources are lost to Asian countries due to illicit financial flows, in particular trade flow losses resulting from faulty invoicing designed so that traders can direct funds to countries more advantageous to them. While commonly-quoted estimates may overstate the problem,¹⁵⁰ it nevertheless represents a major loss of resources that could otherwise have important development benefits (albeit indirectly).

It is therefore important that national development plans recognize the potentially significant losses of public revenues occurring from illicit finance. Understanding the multiple ways in which this finance flows in and out of the country and its impact on development outcomes is a prerequisite for developing policy measures to stem the illicit finance problem. While tax havens and countries housing the banks and other firms that receive illicit financial flows should take responsibility for the problem at their end, there is much that countries in Asia and the Pacific can do to stem the problem. This ranges from strengthening anti-money laundering laws and practices to curtailing trade misinvoicing and improving the transparency in taxing multinational corporations. Addressing illicit financial flows can strengthen the direct and indirect impacts of FDI on sustainable development results.

146. Asia-Pacific Development Effectiveness Facility and UNDP, 2014. Development finance for sustainable development goals in middle-income Viet Nam.

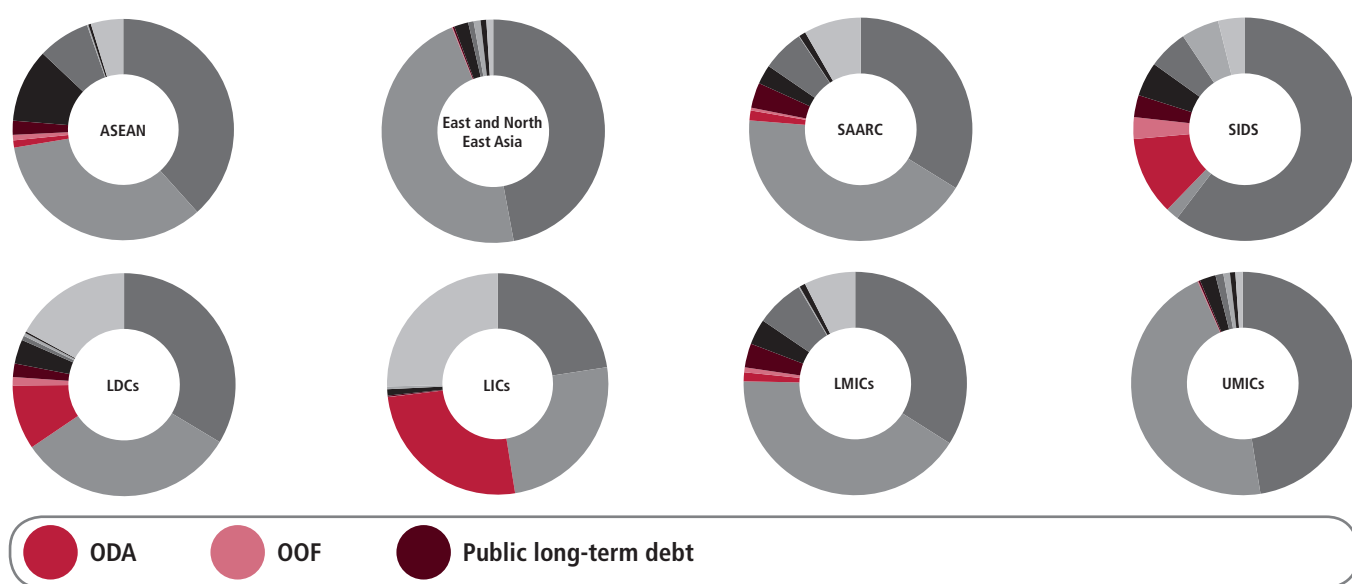
147. A Forbes Magazine article credits citizen action for most of the improvement, "now everyone in government and outside government is monitoring each other so people try to be very careful in how they do things" (Ralph Jennings, Forbes Magazine "Why Graft is Declining in the Notoriously Corrupt Philippines" March 2015). Social media, mobile phone use and modern information technology are key tools but it is the CSOs who provide the infrastructure through which these can be used.

148. Innovation for Social Impact Fund, presentation by Titon Mitra to the 2016 AP-DEF conference, November 2016.

149. UN Social Impact Fund, <http://un.socialimpact.fund/>

150. Global Financial Integrity has estimated that in 2013, \$1.1 trillion left developing countries in illicit financial outflows, mostly resulting from misinvoicing in imports and exports and errors/leakages in balance of payments. They also estimate that Asia accounts for 39% of these flows (Global Financial Integrity, 2015, Illicit Financial Flows from Developing Countries: 2004–2013, Washington DC). Yet the analysis methodology has recently been questioned, so the precision of these figures is in doubt, though there is consensus that the scale of illicit finance is significant. Still, it correctly identifies that the causes of illicit outflows include corrupt officials extracting public funds from the country (perhaps using shell companies); money laundering by drugs cartels, terrorists and others; and human trafficking.

5: International public finance



International public finance accounts for a declining proportion of total resources in the Asia-Pacific region, as other types of financing have grown more rapidly. Yet it retains an important role in many countries' financing strategies. While discourse on policy processes for financing development emphasizes domestic institutions as the primary driver, there is consensus about the important supportive role that development cooperation in particular can play.

This chapter looks at the development cooperation component of international public finance, covering ODA, SSC, OOF and other

financing from development finance institutions.¹⁵¹ It gives an overview of what we know about development cooperation trends in the region and asks what roles it can play within integrated national financing frameworks. It also considers what data from the Global Partnership for Effective Development Cooperation (GPEDC) monitoring framework can tell us about the extent to which it is already meeting those roles, and what the monitoring framework can tell us about certain aspects of the financing frameworks that countries already have in place. This chapter can feed directly into discussions at the High Level Meeting of the GPEDC in Nairobi,

with messages about the roles that development cooperation can play and monitoring effective development cooperation for the future.

International public finance and development cooperation in the Asia-Pacific region

Across the Asia-Pacific region as a whole international public finance totalled at least \$150.9 billion in 2014 – data on some components, notably south-south cooperation, are unavailable.

Within international public finance, ODA and OOF have together fallen from 2.3% of total financing in 2000 to

151. Note that chapter 5 focuses on development cooperation rather than all international public finance. The difference is non-concessional loans that are not reported as either ODA or OOF.

0.7% in 2014. Yet for many countries it remains an important part of overall financing, both in terms of its monetary value and the roles that it can play. In 16 countries, including many low-income countries and Pacific Island countries, ODA alone accounts for more than 10% of total financing (see chapter 1).

While falling as a proportion of total resources, ODA and OOF to the region have actually risen since 2000 in absolute terms, growing 65% and 22% respectively (Figure 5.1¹⁵²). ODA to the region fell almost 10% in 2014, largely because of exceptional debt relief for Myanmar in 2013.

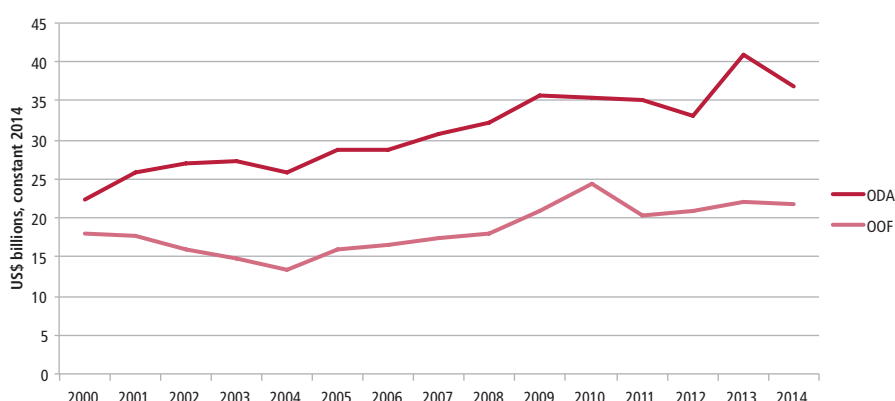
India, Viet Nam and China are the largest recipients of ODA and OOF combined (Figure 5.2). In 2014, India received \$5.2 billion in ODA (making it the largest recipient of ODA worldwide) and \$4.1 billion in OOF. Viet Nam is the second largest regional recipient of ODA at \$5.0 billion, just ahead of Afghanistan, though OOF to Afghanistan are small at just \$6 million. China is the largest recipient of OOF at \$5.5 billion, and one of only three countries (China, Indonesia and the Philippines) in the region where OOF exceed ODA.

As a proportion of national income, the picture of largest recipients looks quite different. In six countries, five of them Pacific Island countries, receipts exceed 20% of GNI. Only Afghanistan appears among the 10 largest recipients of ODA and OOF in both volume and percentage GNI terms.

Infrastructure is the largest single sector for both ODA and OOF disbursements, accounting for almost a quarter (24%) of ODA disbursements to the region and 41% of OOF. Beyond infrastructure, governance and security

FIGURE 5.1

ODA and OOF to the region have risen since 2000

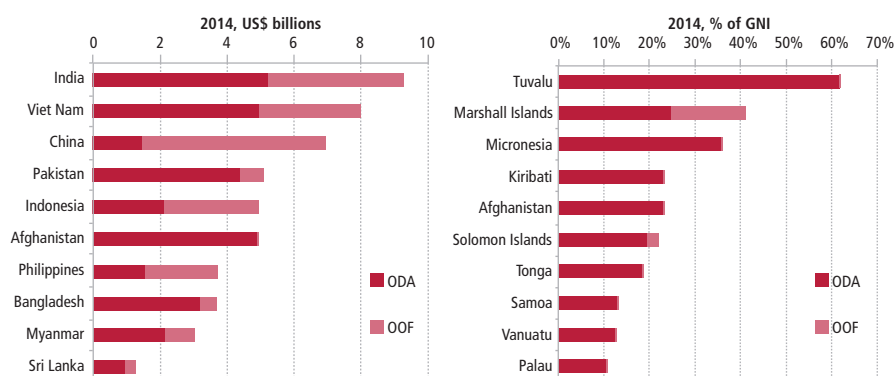


Source: OECD DAC

Data points: ODA grew from \$22.4 billion in 2000 to \$36.8 billion in 2014; OOF grew from \$17.9 billion to \$21.8 billion over the same period.

FIGURE 5.2

The 10 largest recipients of ODA and OOF

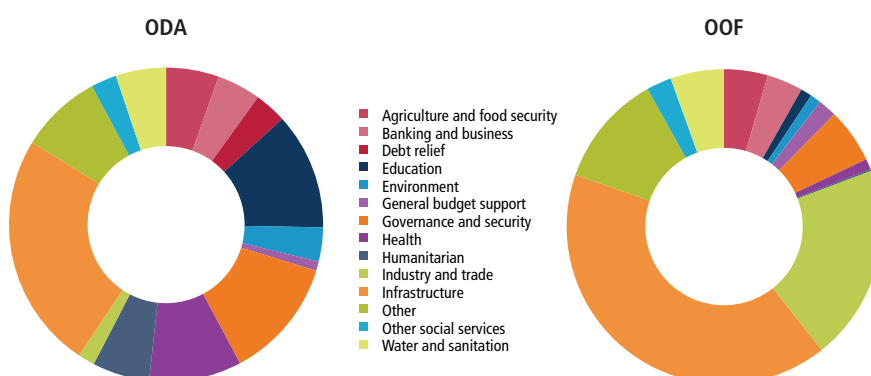


Source: OECD DAC and World Bank World Development Indicators (WDI)

Notes: Comprehensive data on SSC flows from development finance institutions beyond those reported as ODA or OOF and other development cooperation flows are unavailable.

FIGURE 5.3

Infrastructure is the largest sector for both ODA and OOF



Source: Author's calculations based on OECD DAC CRS

Note: Data are for 2014.

152. There are no comprehensive data on SSC or other forms of development cooperation, so these flows are not included in these figures

153. Excluding 'other' which is not a single sector.

accounts for 12.5% and education for 12.0% of ODA in 2014, followed by health at 9.5%. Industry and trade is the second largest sector for OOF, at 20.0% of total disbursements, followed by governance and security at 5.6%.¹⁵³

ODA is not a homogeneous resource and encompasses a range of financial and non-financial instruments including grants, concessional lending, technical cooperation, food aid and other modalities. This 'bundle' of ODA to the region is evolving over time (Figure 5.4). Loans account for the largest proportion of the bundle, at 38% of \$16.2 billion in 2014; loans have accounted for between 35% and 45% of ODA every year in the last decade. Cash grants have doubled proportionately, from 7% in 2005 to 14% in 2014, when they totalled \$6.7 billion. Technical cooperation, on the other hand, has fallen, from 22% of

ODA to the region in 2005 to 11% in 2014. Mixed project aid, which is typically a combination of cash grants or loans and technical cooperation, has fallen from 28% of total ODA in 2005 to 16% in 2014.

The evolving role of development cooperation

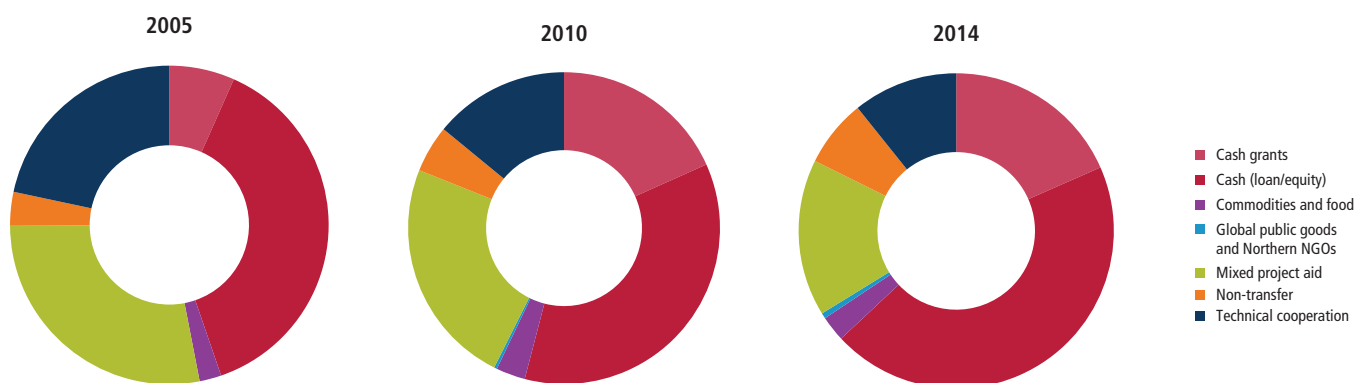
At the start of the SDG era countries and providers alike are reflecting on how the role of international public finance should evolve. There is strong consensus in international financing agreements that countries are the primary drivers of their own development, with international public finance playing an important supportive role.

Development cooperation at the country level should reinforce and, as far as possible, work within

countries' national financing frameworks. Greater emphasis on nationally led development places increased importance of providers operating in a way that supports and helps countries build the institutions and policy structures they need to achieve this. Governments across the region are working to strengthen their financing frameworks for strategically managing financing to realize the results they want to achieve (see chapter 6). Within these frameworks many governments are also articulating a clearer role for development cooperation. Three particular roles for development cooperation stand out: meeting its comparative advantages in the country context, leveraging wider resource flows and supporting institutional development.

FIGURE 5.4

The financing instruments that make up ODA are evolving



Source: Author's calculations based on OECD DAC CRS

Total official support for sustainable development

In 2014 the OECD began work to develop a concept, total official support for sustainable development (TOSSD), which goes beyond ODA and aims to capture all officially-supported international financing for sustainable development. Its goal is to provide more comprehensive information on international financing, which can be the basis for more informed policy discussions about the roles and relevance of different financing instruments. The concept is still in development, but has been recognized in the Addis Ababa Action Agenda and integrated into the SDG monitoring framework. Moving forward it will move away from the OECD and taken under the aegis of the UN.¹⁵⁴

154. TOSSD: A new statistical measure for the SDG Era, OECD DAC.

Meeting its comparative advantage

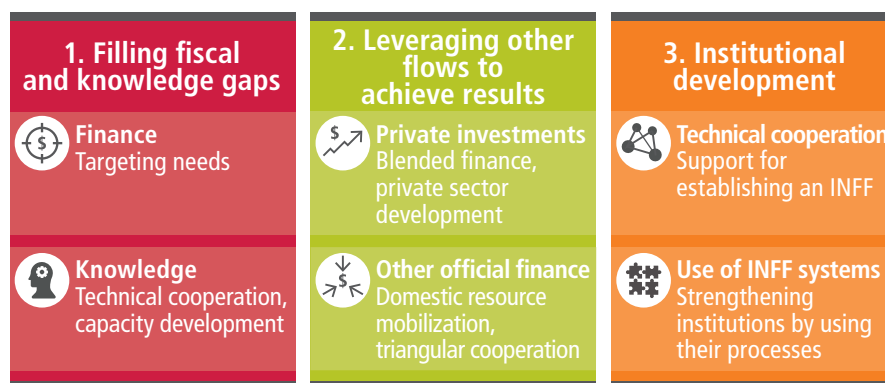
Ensuring that development cooperation works to its comparative advantages in each country context and within the region can ensure it makes an important contribution to results.

While accounting for a decreasing proportion of total resources in the region, development cooperation has unique characteristics that mean it can be used in ways that other resources, even those many times larger in scale, are less well suited to. Development cooperation is the primary type of international financing that can be used to target investments designed to reduce poverty and vulnerability.¹⁵⁵ It does not need to return a profit and as such can make investments that are not (or are not perceived to be) commercially viable by private actors. It can be used to address issues faced by the most vulnerable populations, to help ensure no one is left behind. And it can provide financing and help raise political attention for priorities that are otherwise difficult to finance.¹⁵⁶

Development cooperation will be most effective if it plays to its strengths relative to other types of financing in each country context. Dialogue between the government and development cooperation providers is essential to develop the comparative advantages of development cooperation among other financing. Agreeing the level of ambition in terms of the scale of financing from development cooperation can help countries to plan more effectively. Articulating the comparative advantage of development cooperation in this way can help providers guide their programming to ensure it is aligned

FIGURE 5.5

The role of development cooperation in an integrated national financing framework



to countries' visions for results and is being invested effectively.

Targeted financial investments will remain an important component of development cooperation. This is true both in countries with limited access to other resources, and even in priority areas or sectors in more rapidly growing countries. For many countries across the region, development cooperation is an important part of overall financing in monetary terms (see previous section) and makes important contributions to national results. Even for countries that are growing rapidly and gaining access to wider resources, financial investments from development cooperation can remain critical for some time. Transitioning away from dependency on development cooperation is an important target for many countries, but must be carefully planned and managed so as not to undermine the objectives of development cooperation (see box below, 'Managing the transition away from concessional financing').

Supporting countries to develop knowledge and expertise in critical areas is another function of development cooperation. Many

countries have limited capacity or expertise in operational areas related to service delivery, managing complex financing instruments or accessing other sources of international finance. This lack of capacity can stop countries accessing or effectively using financing that would otherwise be available to them, particularly LDCs.¹⁵⁷ Development cooperation can play an important role in providing technical cooperation and supporting capacity building in countries. Facilitating knowledge sharing between countries can be a catalyst for cross-fertilizing successful solutions to common challenges and regional platforms can play a particularly important role in this.

Development cooperation can also play an important regional role in supporting the provision of global or regional public goods. Supranational public goods are essential for combating issues that stretch beyond the borders of individual countries, such as climate change, infectious disease or financial crisis. Many of these issues are prominent in the SDGs and development cooperation can support them at the regional level. Globally,

155. UN DESA for the Development Cooperation Forum, Improving ODA allocation for a post-2015 world.

156. For more on this see, for example, in relation to health financing: Salvado, R, A roadmap for the inevitable transition in development assistance, UN Secretary-General's Special Envoy for Health in Agenda 2030 and for Malaria. <http://www.healthenvoy.org/commentary-we-need-a-roadmap-for-the-coming-transition-in-developing-assistance/>

157. UNDP and Agence Française de Développement, 2016, Financing SDGs in the Least Developed Countries: Diversifying the Financing Tool-box and managing vulnerability.

an estimated 8% of ODA is spent on global public goods.¹⁵⁸

Leveraging other finance to achieve results

As a smaller resource with a strong development focus, development cooperation can leverage and catalyse other flows to contribute to results.

Many governments and development cooperation providers see a growing role for blended finance as a mechanism that has the potential to leverage results on a significant scale with comparatively small input from official resources. Public-private partnerships (PPP), one of the key blended finance instruments,¹⁵⁹ feature prominently in many existing financing strategies. In the Philippines, the PPP framework is a key part of the country's infrastructure financing strategy, and envisages an important role for development cooperation providers (see chapter 4).

Through mechanisms that reduce the risk (or perceived risk) to private investors, blended finance mechanisms can help encourage higher levels of investment. As international actors themselves, development cooperation providers may be able to support countries in mobilizing foreign investment, as well as stimulating domestic private sector growth. In countries across the region, such as Lao PDR, where SSC providers are also important investors in sectors such as energy generation or other infrastructure, there are opportunities to work with these

providers in leveraging investment.¹⁶⁰ Importantly, the role of development cooperation is not just to leverage additional financing, but to leverage 'development additionality' from these private investments. This makes the important link between financing and results, and should have a bearing on both the types of investments leveraged and the way they are made. Providers of development cooperation can support countries to mobilize and stimulate private investment in key sectors, thematic areas and regions in the country where those investments can make an important contribution to results. And by partnering with private actors, development cooperation providers can also influence the way those investments are made, so that operating models are designed in a way to impact positively on sustainable development results.

The international community can also play an important role in supporting countries as they increase domestic revenue mobilization. International actors impact the revenues that governments collect through a number of avenues. Policies toward tax havens and international trade regulations have a critical bearing on the way that multinational businesses operate and the taxes they pay. Direct support to the institutions responsible for revenue mobilization, through technical cooperation, sharing of technology and best practices, can also play a role in expanding and strengthening tax systems. Development cooperation providers have recently committed to double the support they provide, through the Addis Tax Initiative. Afghanistan, Bangladesh and the

Philippines are among the countries currently receiving the largest amounts of this type of assistance.¹⁶¹

Supporting institutional development

With a greater emphasis on country-led development, there is increased priority on the role and responsibility of the international community to support institutional development.

As a central driving force for achieving results it is critical that development cooperation providers support, and do not undermine, the institutions and structures that countries have in place to manage financing policy.

Direct support for national institutions and processes is an important aspect of institutional development. Technical cooperation and capacity building for key institutions can help countries to strengthen their structures, build expertise, and plan and deliver policy more effectively. Institutional development is important not just for governments, but also for the actors across civil society, business, academia and other sectors who make important contributions to results.

The operating models that international actors use themselves have an indirect, though often powerful, impact on countries' institutional development. The way development cooperation providers either use government systems, or parallel systems can place additional burdens on government capacity and have a major impact on the strength of national systems. Monitoring is

158. Estimates are based on 2014 data; 8% of global ODA is equivalent to -\$12.9 billion. Measuring aid to global public goods, Development Initiatives. <http://devinit.org/#!/post/measuring-aid-to-global-public-goods-gpgs>

159. For an analysis of the different types of blended finance instrument, see Development Initiatives, Blended finance, forthcoming. <http://devinit.org/author/anna-hope/#!/post/the-role-of-blended-finance-in-the-2030-agenda-setting-out-our-analytical-approach>

160. Development Finance for the Eighth National Socio-Economic Development Plan and the Sustainable Development Goals in Lao PDR, A Development Finance and Aid Assessment, Lao PDR Ministry of Planning and Investment and UNDP

161. Development Initiatives, 2016, Aiding domestic revenue mobilisation. See: <http://devinit.org/?dialogFeatures=protocol=http#!/post/aiding-domestic-revenue-mobilisation>

one critical area. International actors need to report on results through their corporate systems in a way that is not always easily compatible with national monitoring systems, for example because donor results are aggregated across countries to report on global impact. This can create a tension between using national monitoring and evaluation systems in a way that would

reinforce them, and creating parallel systems that could even undermine national systems by placing additional data-reporting responsibilities on governments. It is important to find solutions to these challenges so that development cooperation providers can directly and indirectly contribute to institutional development. For monitoring and evaluation,

development cooperation providers can work with governments to plan their reporting requirements and link them in with national monitoring systems. And, critically, they can work together to harmonize the underlying data sources and definitions that feed into monitoring requirements at the national and donor level (see chapter 6).

Managing the transition away from concessional financing

One key challenge that many low-income and LDCs in the region are likely to face is reduced access to concessional finance as they graduate¹⁶² from these groups. Two countries, the Maldives and Samoa, graduated from the LDC grouping in 2015 and seven will be considered for graduation in 2018.¹⁶³ Taking a longer-term view on the role of development cooperation can help countries manage this transition as they graduate from LIC or LDC status.

Many concessional financing windows, in both multilateral and bilateral institutions, currently use the LDC and LIC groupings as a key determinant of eligibility for financing. While many countries have had access to a wider range of financing by the time they have graduated from these groups in the past, the transition can nonetheless result in financing gaps with significant impacts on sustainable development results. Social sectors such as health and education, where development cooperation plays an important role in LICs and LDCs, are particularly vulnerable. This is because less concessional forms of financing are more difficult to use in these sectors, which do not yield the direct commercial returns in the short run that are needed to repay non-concessional financing. Longer-term public investments can also suffer, as development cooperation finances a high proportion of capital investments made by many LDCs. In Cambodia and the Solomon Islands, for example, 34% and 21% of capital expenditure respectively was externally financed according to latest data.¹⁶⁴

Planning in advance for reductions in concessional finance is essential if the transition is to be managed without adversely affecting results in key sectors. Engaging in forward-looking dialogue with providers of development cooperation, to share information on future financing plans and manage the way that development cooperation changes once countries have graduated, is critical. This forward planning can help countries build the domestic political will to adjust and restructure government budgets as necessary. For example, this could mean shifting funds between sectors so those investments that generate a more direct return are funded by non-concessional finance, with increased core government funding to social sectors. **There are calls to widen the focus of narrow eligibility criteria.** We are entering an era that prioritizes progress across three integrated dimensions of sustainable development – economic, environmental and social. In this context, the criteria currently used to determine eligibility for concessional financing look increasingly narrow as they focus only on a subset of the sustainable development agenda, placing a heavy weighting on economic considerations in particular. A number of countries, particularly Pacific Island countries, are calling for the criteria used in concessional financing windows to be broadened, to include vulnerability to climate change.

162. 'Graduation' occurs through different mechanisms for the two groupings. Countries reach middle income status simply by surpassing the average income per capita threshold for middle income countries set by the World Bank each year. But to graduate from LDC status countries must meet criteria related to average income levels, human assets (including nutrition, health, education and adult literacy) and/or economic vulnerability. The Committee for Development Policy of the UN Economic and Social Council reviews the status of countries in the group every three years; countries must meet the criteria for two successive reviews to formally graduate. Source: UN-OHRLS, <http://unohrlls.org/about-lDCs/criteria-for-lDCs/>.

163. In the 2015 review four Asia-Pacific countries (Bhutan, Solomon Islands, Timor-Leste and Nepal) met the eligibility criteria for graduating from LDC status for the first time and will therefore be eligible for formal graduation in 2018. Three other Asia-Pacific countries, Kiribati, Tuvalu and Vanuatu, have actually met the eligibility criteria for graduating from LDC status at two or more successful reviews, but economic vulnerability is so high that graduation will be postponed and reviewed again in 2018.

164. It is not possible to determine the exact proportion of external financing that is development cooperation, though it is likely that it is the majority. Data are for 2013 for Cambodia and 2014 for Solomon Islands. Source: Development Initiatives Development Data Hub. See <http://data.devinit.org/#!/country/cambodia> and <http://data.devinit.org/#!/country/solomon-islands>.

Monitoring development effectiveness

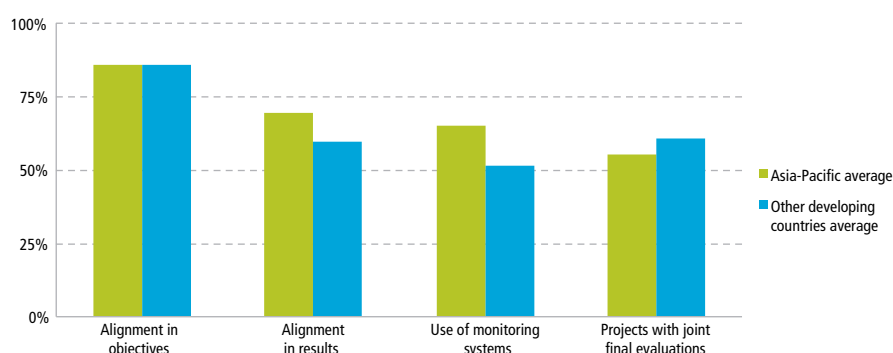
The roles for development cooperation discussed above: meeting its comparative advantage, leveraging and catalysing other flows to achieve impact, and supporting institutional development, are three key ways that it can work within and strengthen countries' financing frameworks. Some aspects of these roles are assessed in the Global Partnership for Effective Development Cooperation (GPEDC) monitoring framework.

Now in its second round,¹⁶⁵ the GPEDC monitoring framework tracks progress in implementing four principles of effective development cooperation: ownership, focus on results, inclusive partnerships and transparency and accountability. It tracks progress in 10 areas across these principles, covering the enabling environment for civil society, public-private dialogue, transparency, systems for gender equality, the effectiveness of country institutions, the alignment of development cooperation with national development plans, mutual accountability and the extent to which development cooperation is predictable, on budgets and untied.

The monitoring framework focuses on the effectiveness of the systems, processes and cooperation that are in place, rather than the direct outcomes of those systems. As such, a number of its indicators capture information about country financing frameworks and the way development cooperation is working within them. This section

FIGURE 5.6

Use of country results frameworks by development cooperation providers is generally on par with or above other regions



Source: GPEDC 2016 Monitoring Survey data

Note: Calculations include 26 of the 36 developing countries in the Asia-Pacific region.

presents the findings from relevant indicators about the way development cooperation works within country financing frameworks (see box below, 'What the GPEDC monitoring framework tells us about countries' financing frameworks').

Alignment with national development objectives

One of the core principles of country financing frameworks is that the more aligned actors are around a core, common set of results, the more effective their activities will be in realizing those results in practice.

Indicator 1 of the GPEDC monitoring framework tracks the extent to which development cooperation providers use the results frameworks of the countries they are working in. The measures in this indicator give insights into aspects of current alignment between development cooperation and the results articulated through countries' existing results frameworks.

In the 26 Asia-Pacific countries that participated in the survey scores are, on average,¹⁶⁶ on par with or above other developing countries (Figure 5.6). On average, development cooperation providers drew their objectives from government (from results frameworks, plans or strategies) in 86% of new projects¹⁶⁷ in 2015. However, there is considerable variation in practice among development cooperation providers across countries in the region (Figure 5.7). In more than half of all countries (14 of 26) 90% of new projects¹⁶⁸ initiated by development cooperation providers have objectives which are aligned to government, and three-quarters report that more than 90% of projects are aligned. An average 69% of indicators in the results frameworks for these projects are drawn from country results frameworks. In seven countries over 80% of new projects from development cooperation providers are aligned in objectives and in results.

165. The development effectiveness monitoring framework is in its second round; it was preceded by a series of aid effectiveness surveys that looked at similar issues. The aid effectiveness agenda was transformed into the development effectiveness agenda at the 2011 Fourth High Level Forum in Aid Effectiveness in Busan.

166. The available data allow only a simple average (i.e. the average of all country level scores), rather than a weighted average (which would take into consideration the number or size of projects) to be calculated. This means that countries with a large number of projects are weighted equally with those that have a smaller number of projects.

167. The monitoring framework only covers projects that exceed \$1 million in value.

168. Only new projects exceeding \$1 million in value, including a maximum of 10 projects per provided, are examined in the survey.

65% of results indicators in new projects will¹⁶⁹ include national data sources, and just over half of new projects (56%) from a final joint evaluation, on average. On this measure development cooperation providers are aligning less in Asia-Pacific countries than in other regions

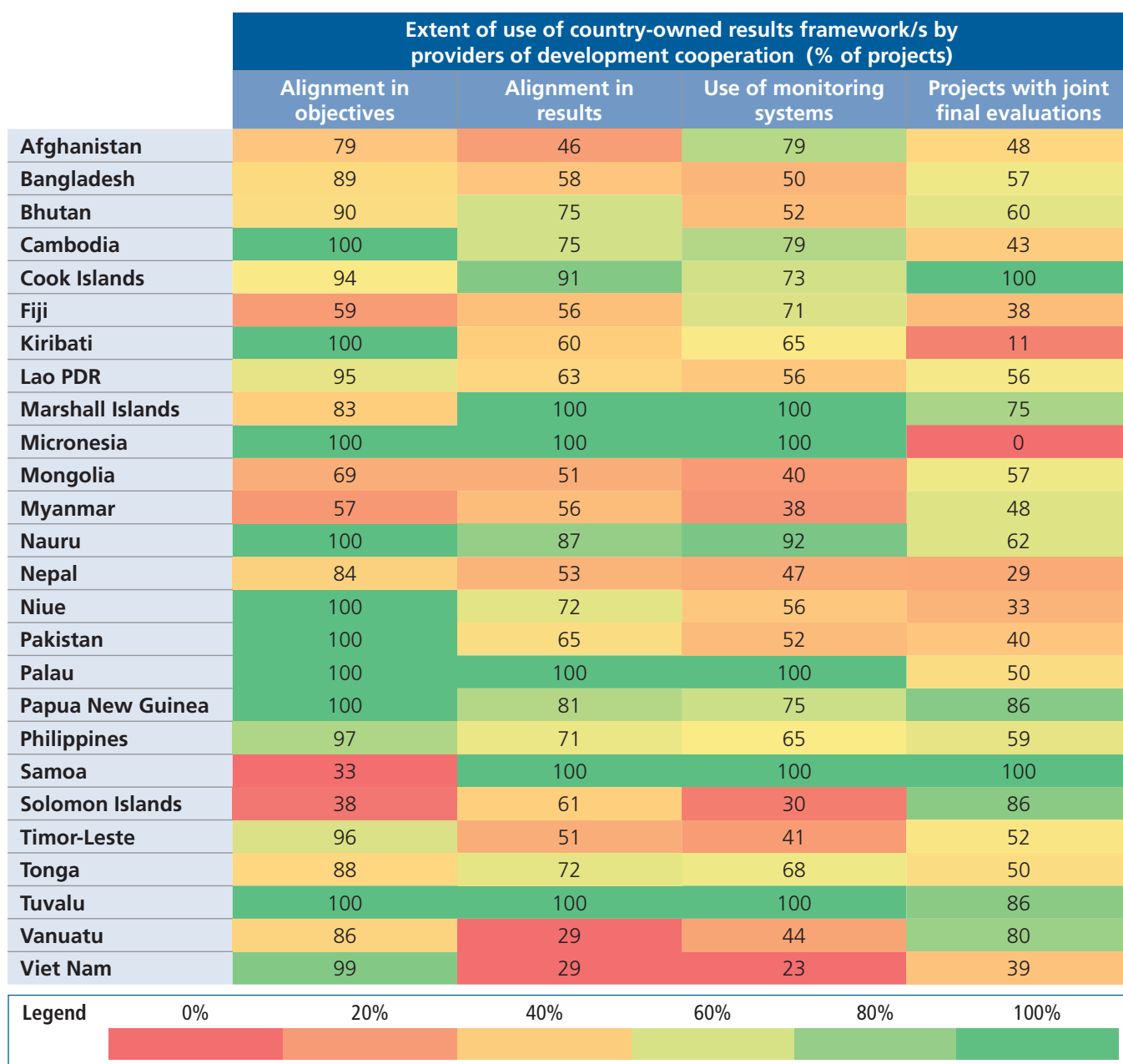
(61%). In only five countries, all of which are Pacific Island countries, more than 80% of projects plan to have a joint evaluation.

These indicators highlight the extent to which development cooperation providers align their programming

to countries' existing financing frameworks. The results show that core aspects of many projects are aligned to national systems, although there is much room for improvement.

FIGURE 5.7

There is wide variation in the extent to which development cooperation providers use country results frameworks within the region



Source: GPEDC 2016 Monitoring Survey data

Note: Calculations include 26 of the 36 developing countries in the Asia-Pacific region.

169. Given that indicator 1 focuses on new projects, the survey asks about plans for how a project will be managed, rather than asking retrospectively how a project has been managed.

Use of country systems

The monitoring framework captures information on the extent to which development cooperation providers use country systems for budgeting, financial reporting, auditing and procurement. These are core systems for public finance management and the extent to which development cooperation providers use them, or create parallel processes for the same function, can impact their strength and the capacity requirements on government.

The results from Asia-Pacific countries are on average higher across all four areas than countries outside the region (Figure 5.8). On average providers use financial reporting systems more than other country systems, though with just over 51% of disbursements flowing through countries' systems on average, overall use of systems remains low.¹⁷⁰

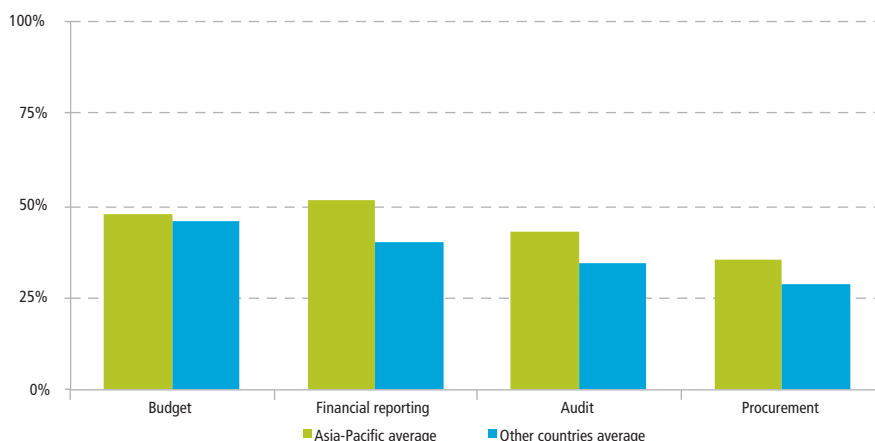
Mutual accountability

The monitoring framework captures information on five aspects of mutual accountability, ranging from whether there is an aid policy or partnership policy that defines priorities for development cooperation, to whether there has been an assessment of results against targets and if so, if the findings were made public. The monitoring framework considers the mutual accountability indicator to have been met if four of the five criteria are satisfied.

Overall, mutual accountability criteria were met in less than 40% of Asia-Pacific countries (9 of 24) surveyed, compared to 49% of countries outside the region. However, the findings for each individual component of the overall indicator are quite varied (Figure 5.9). Almost 80% of Asia-Pacific countries surveyed have an aid or partnership policy in place, an

FIGURE 5.8

Development cooperation providers use country systems in the region more frequently than in other regions, though usage remains low overall



Source: GPEDC 2016 Monitoring Survey data

Note: Calculations include 26 of the 36 developing countries in the Asia-Pacific region

FIGURE 5.9

Some aspects of mutual accountability are more widespread within the region than others



Source: GPEDC 2016 Monitoring Survey data

Notes: Data cover the 24 Asia-Pacific countries, and 53 other countries, that provided a survey response. Within the Asia-Pacific country respondents Micronesia, Niue and Palau did not provide a response to 'Involvement of non-executive stakeholders' and 'Results made public'.

important tool for shaping the role of development cooperation and outlining the areas it is well placed to contribute to in a given country context. The same proportion of Asia-Pacific countries have targets for development cooperation covering both the government and development cooperation providers, while 83% have undertaken a senior-level assessment

against those targets in the last two years. These are important mechanisms for ensuring that development cooperation is working effectively toward the agreed areas of focus in each country. Fewer countries, however, involve non-executive stakeholders in these assessments or make the results public.

170. As previously, this average reflects the simple average across country scores and is not weighted by the number or size of projects in each country.

What the GPEDC monitoring framework tells us about countries' financing frameworks

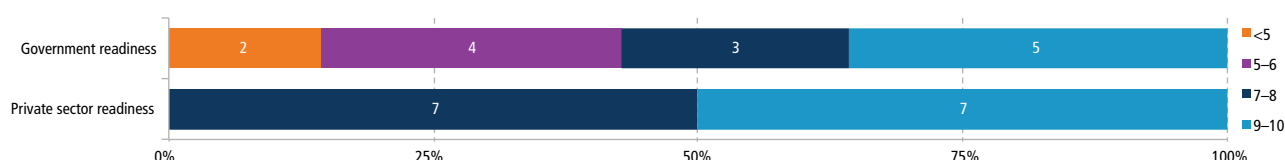
The GPEDC survey includes a number of questions that provide insight into aspects of countries' existing financing frameworks. The survey gathers information on the state of public-private dialogue, whether policies are in place for collaborating with development cooperation providers, whether there are systems for gender budgeting, and the enabling environment for civil society.

The state of public-private dialogue

Strong public-private dialogue is critical for developing the trust necessary to partner with and mobilize resources from private sector actors. The GPEDC monitoring framework gives some insight into the state of public dialogue, for example by asking respondents to score the readiness and willingness of the public and private sectors to engage with each other (Figure 5.10). These are subjective scores articulated by survey respondents, but can give an indication of the general context and perceptions of willingness to engage and collaborate. Interestingly, private sector readiness to engage appears to be higher on the whole than public sector willingness. Of the 14 countries in the region that responded to these questions, the private sector is perceived to be more ready and willing to engage than the public sector in nine. Only in Fiji is the government perceived to be the party more ready to engage in dialogue. This suggests that in many countries the private sector may be receptive to engaging with government as it develops more active policy toward private finance.

FIGURE 5.10

Readiness for public-private dialogue is high across the region, particularly on the part of private actors



Source: GPEDC 2016 Monitoring Survey data.

Notes: 16 Asia-Pacific countries that responded to this indicator are included. The data show scores awarded by respondents for readiness and willingness to engage with the other party. Scores are out of 10, with 10 showing greater willingness to engage in dialogue.

National aid policies and targets

Articulating a clear role for development cooperation in a country's national financing framework is essential for ensuring that it meets its comparative advantages. Many countries articulate this role in a national aid policy: of the 24 countries that responded to the GPEDC survey, 19 have such a policy in place. Objectives for development cooperation in the country context can be strengthened further with specific targets for effective cooperation and government. Of the 24 Asia-Pacific countries that took part in the GPEDC survey, 20 have specific targets in place for both the government and providers of development cooperation.

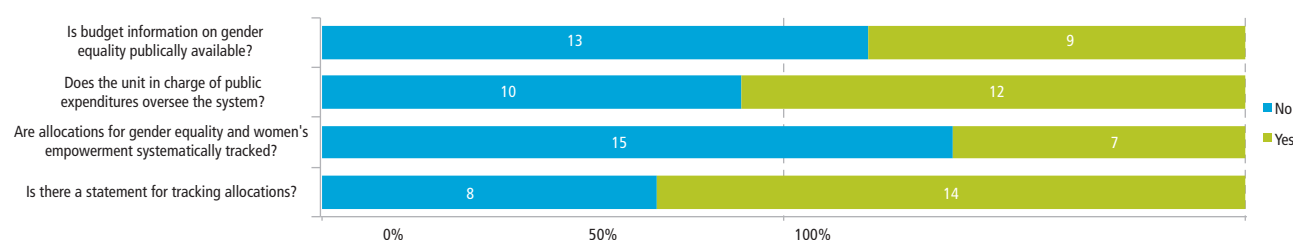
Gender equality

Gender equality is a central feature of the sustainable development goals and of many countries' national development plans. As an issue that cuts across a wide range of policy areas, it is important for governments to have the systems in place to design, manage and track their policies toward gender equality.

While some countries in the region have such systems in place to track policy toward gender equality (Figure 5.11), many do not. Only 7 of 22 countries systematically track allocations for gender equality and women's empowerment, for example. A higher proportion of countries have a statement for tracking allocations in place, though 8 of 22 responding countries do not have such a statement.

FIGURE 5.11

Systems for tracking policy toward gender equality are more established in some countries than others



Source: GPEDC 2016 Monitoring Survey data

Note: Of the 24 Asia-Pacific countries who provided a survey response, 22 provided a response for this indicator

Monitoring effective development cooperation for the future

The current GPEDC monitoring framework tracks a number of important aspects of effective development cooperation, but there are important topics that it does not cover. Three particular roles for development cooperation stand out in the integrated national financing framework: meeting its comparative advantage, leveraging and catalysing other flows to achieve results, and supporting institutional development (see previous sections in this chapter).

The extent to which development cooperation is aligned to national results frameworks goes part way to capturing whether it is meeting its comparative advantage. Agreed objectives and results for development cooperation are built on a shared understanding between government and development cooperation providers about the priority areas for development cooperation to invest in and the results it should target. Yet there is a dimension above the project level that is absent from the monitoring framework. This considers the extent to which providers are investing across all their projects in line with the vision of their comparative advantages with respect to other resources.

Support by development cooperation toward institutional development is partially captured by the monitoring framework.

The indicators that relate to the use of country systems—budgeting, financial reporting, audit, procurement and even monitoring and evaluation systems (a component of indicator 1)—go part way to tracking the indirect impact of donor operating models on institutional development. Where use of country systems is high, the assumption is that development cooperation providers' use of those systems reinforces and strengthens them. Where it is low, developing parallel systems can undermine country systems and even draw capacity away from government's focus on its systems by requiring departments that receive development cooperation to report through multiple processes.

Direct support for institutional development is not well captured by the monitoring framework, however, and it is possible that the methodology even excludes many relevant projects from its tracking of alignment in objectives and results. The monitoring framework only assesses the alignment of new projects exceeding \$1 million in value. This may be appropriate for projects in which the key provision is financing, but less appropriate for those that focus on factors such as capacity building or technical cooperation, as they are typically much smaller in value. For example, the Addis Tax Initiative was launched at the Third International Conference on Financing for Development in Addis Ababa in 2015, to stimulate growth in technical support for countries in increasing their tax revenues. Initial analysis shows

that existing aid for domestic revenue mobilization projects are small (the average project size is under \$400,000) yet the knowledge and capacity they provide can have a significant impact.¹⁷¹ The alignment and impact on institutional development of most of these projects, as well as similar scale projects in other capacity or knowledge-focused areas, would therefore not be assessed by the monitoring framework.

Finally, the extent to which development cooperation catalyses and leverages other flows to achieve results is not captured by the monitoring framework. Developing countries and development cooperation providers alike see this as an increasingly important component of the role of development cooperation—both to leverage additional financing, and to influence business models to enhance their impact on development results. These components are not currently monitored by the framework, though blended finance has been identified as an important dimension that may be incorporated as the framework evolves.

171. Development Initiatives, 2016, Aiding domestic revenue mobilisation, <http://devinit.org/#!/post/aiding-domestic-revenue-mobilisation>



Chapter 6: Integrated national financing frameworks

Previous chapters have shown the scale and diversity of financing challenges that countries across the Asia-Pacific region face.

Ambitions for achieving results across the sustainable development agenda are high and levels of financing must be commensurate with those ambitions if they are to be realized. The challenge is not only to mobilize more financing but to maximize efficiency and leverage the varied contributions that all types of financing, public and private, domestic and international, can make.

To address these challenges governments are developing more integrated, holistic financing frameworks: the policies and institutional structures they use to manage their approach to making, mobilizing and harnessing financing to achieve the results targeted in their national development plans. Governments across the region are strengthening the frameworks they have in place to mobilize and maximize the returns to financing, in order to achieve sustainable development results.

This chapter looks across the financing frameworks that countries have in place, and are developing, to draw out the key principles behind them. It draws on evidence from the development finance assessments (DFAs) undertaken in countries across the Asia-Pacific region.

The DFA exercise analyzes the strengths and limitations of existing frameworks and helps countries develop a roadmap toward establishing stronger financing frameworks (see box below, ‘The strategic financing policy’).

The key principles of countries’ financing frameworks are woven together to develop the concept of an integrated national financing framework. This can be understood as a system of policies and institutional structures that can help governments to develop and deliver a strategic, holistic approach to managing financing for nationally-owned sustainable development strategies. This concept, which was called for in the Addis Ababa Action Agenda, is explored for the first time in detail here. This concept of an integrated national financing framework outlines a structure that can help governments take a strategic, holistic perspective on the investments needed to achieve the results they are targeting.

Integrated national financing frameworks: a conceptual model

The aim of an integrated national financing framework is to provide a structure for governments to form and implement a strategic, holistic, results-driven approach to financing their development objectives. Such a system can help governments develop

a strategy for mobilizing resources commensurate in scale and in a manner consistent with the results they are aiming for. It can provide clarity on the roles that all actors—public and private, domestic and international—are best placed to play in contributing to that vision. And it can determine the roles and responsibilities for different actors in government for mobilizing and fostering investments. In short, an integrated national financing framework can help countries set a strategy to effectively mobilize the investments they need, and provide a structure that supports coherence across government in channelling resources to the areas they are most suited.

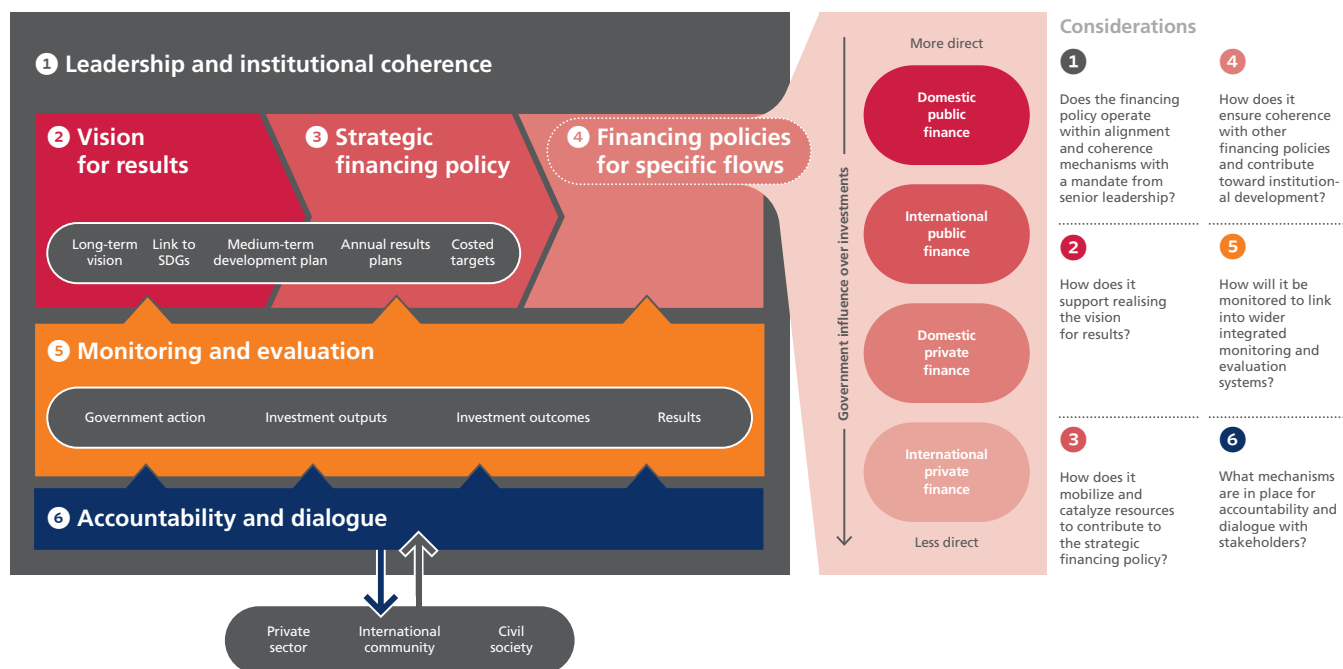
Evidence from country financing frameworks in the region points to six building blocks that form the basis of the integrated national financing framework:

1. Leadership that facilitates institutional coherence
2. A clear vision for results
3. An overarching strategic financing policy
4. Financing policies for specific flows
5. Integrated monitoring, evaluation and learning
6. An enabling environment for accountability and dialogue

These building blocks and the country experiences they are drawn from are explored in detail in this chapter.

FIGURE 6.1

The building blocks of an integrated national financing framework for delivering national development priorities and the SDGs



Note: This figure also appears in Chapter 2 as Figure 2.1.

1. Leadership that facilitates institutional coherence

Leadership that provides direction and facilitates institutional coherence is essential to bring a government together and establish mechanisms for aligning policy around a shared vision. Experience from across the region highlights the importance of the level at which a financing framework is driven from within government, and the strength of mechanisms to ensure alignment. The extent to which a government can work to mobilize financing in an aligned, complementary manner is largely determined by the political importance of the systems designed to achieve this alignment. To be fully effective, the financing framework requires leadership from a senior level,

in order to develop and build shared ownership around a vision for results and to convene government ministries and agencies from all levels of the administration to determine their roles and functions in delivering a strategic financing policy.

For many countries leadership over the financing framework as a whole sits with the office of the prime minister or president.

In Samoa the Prime Minister leads the Cabinet Development Committee and the Ministry of the Prime Minister plays a crucial role in strengthening the whole of government approach to planning, monitoring and implementation.¹⁷² In Indonesia a dedicated Cabinet-level ministry coordinates planning and policy for economic affairs.

Ensuring alignment between the various policies that together form a financing framework is critical to efficient operations and the success of financing strategies as a whole.

Alignment across a wide-range of policy areas, each with different models of investing, partnering or influencing the way private and non-state actors use their resources, presents significant challenges in any context. There is a need for strong mechanisms to ensure both 'vertical' alignment between the overarching, longer term policies and operational policies, and 'horizontal' alignment between operational policies focused on different themes or financing types, to avoid contradictions and ensure complementarity.

Effective policy implementation requires coherence not just at the

172. Government of Samoa and Pacific Islands Forum Secretariat, 2014, Samoa Forum Compact Peer Review Report. See: http://www.forumsec.org/resources/uploads/embeds/file/PIF%20Peer%20Review%20Samoa_25082014_FINAL.pdf

national level but across all levels of government, from the national administration to state and local levels. In key sectors such as education or basic healthcare, and more generally in federated systems of government, subnational levels of administration play a pivotal role in mobilizing resources, making investments and developing partnerships. Indonesia has developed a process known as ‘Musrenbang’ for coordinated, consultative planning across central and local government that brings together top-down and bottom-up thinking (see chapter 3).

As policies and budgets are developed, refreshed and monitored many countries use a senior-level review and sign-off process to build alignment in practice. The institutional arrangements for such mechanisms vary from country to country but typically involve some kind of senior-level system for checking alignment as policies, budgets and reviews of progress are undertaken. In the Philippines the annual development budget is scrutinized by two cabinet-level committees to ensure there are clear linkages between the proposed outputs and the desired results of the medium-term vision document, the Philippine Development Plan. The President is Chair of one of these committees and of the National Economic and Development Authority responsible for the Philippine Development Plan, ensuring that these processes have strong political drive.

In an integrated national financing framework, reviews of policy, budgets and progress would evaluate each financing policy area against the overarching vision for results and strategic financing policy (see box

below, ‘The strategic financing policy’). Critically, the mechanism would also evaluate against other financing policies, to identify synergies, address contradictions and examine trade-offs between interconnected issues.

2. A clear vision for results

Having a clear vision for the development path that a country wants to follow is the foundation of an efficient, results-driven financing framework. Countries’ visions for results, which are typically articulated in a national development plan, outline the aspirations for where they want to be over the medium and long term. They determine the sustainable development outcomes and impact that the country aims to realize. Most give headline targets to work toward, often covering the three dimensions of sustainable development and including targets on reducing poverty, making progress in social sectors, reducing inequality, stimulating economic development and protecting the environment. The headline target of the Philippine Development Plan is ‘Poverty reduction in multiple dimensions and massive creation of quality employment’. Many also cover national milestones: half of the LDCs in the region include an explicit target in their national development plan for graduating from the LDC group.

Many countries articulate a vision which covers a long-term timeframe, ranging from 10 years to more than 40 in some instances. Perspectives over this kind of timeframe are powerful as they can be a catalyst for investments or policy changes in the short term that pay off over a longer timeframe. They can provide a foundation for continuity in direction and strategy between successive medium-term

plans. These visions are typically articulated in a long-term national plan or strategy, which is usually managed by a planning authority. In recent years a number of countries have developed new long-term visions. Papua New Guinea established Vision 2050 in 2009 which, with a 40-year outlook is one of the most forward-looking plans in the region. Countries such as Bangladesh, Indonesia, Tonga and Mongolia—which recently launched its 2030 Sustainable Development Vision, have established plans with a 10 to 20-year timeframe. Others such as Lao PDR are in the process of establishing a long-term vision.

This long-term vision for results provides a foundation on which more detailed plans can be developed. Many countries develop medium-term operational plans that link directly to the themes and results of the long-term vision, and develop specific objectives and more detailed indicators to drive progress toward longer-term goals. In the Solomon Islands, the National Development Strategy sets aspirations over a 10-year period (the current strategy covers 2011 to 2020), which are broken down for the medium term in macroeconomic planning and provincial and sectoral plans. These are then operationalized through the four-year medium term expenditure framework, provincial plans, sector plans and the development budget.¹⁷³ In Myanmar the National Comprehensive Development Plan 2011–2031 is designed to encompass four five-year plans. A medium-term Framework for Economic and Social Reforms outlines key policy priorities and ‘quick wins’ and acts as a bridge between longer-term plans and the regional and sector plans that feed into the five-year plans.¹⁷⁴ Other countries in the region, such as Samoa, which do not currently have a

173. National Development Strategy 2011–2020: A United and Vibrant Solomon Islands, Government of the Solomon Islands, July 2011. See: <https://www.adb.org/sites/default/files/linked-documents/cobp-sol-2015-2017-sd.pdf>

174. Myanmar: Unlocking the Potential, Country Diagnostic Study, ADB. <https://www.adb.org/sites/default/files/publication/42870/myanmar-unlocking-potential.pdf>

long-term planning process in place, are considering establishing one.¹⁷⁵ The Philippines is in the process of finalising its long-term plan, *Ambisyon Natin 2040*, at the time of press.¹⁷⁶

While national plans form the basis for government efforts, it is important to understand how they link to international commitments, particularly the 2030 Agenda for Sustainable Development. This will enable government and stakeholders across the board to monitor progress against the international commitments the country has made, help facilitate priority partnerships with international actors (for whom international commitments are a key focus), and provide a basis for reporting to international forums such as the High-Level Political Forum on Sustainable Development.¹⁷⁷ A number of countries including Bhutan¹⁷⁸ are using rapid integrated assessments to understand the linkages between their plans and Agenda 2030.

3. An overarching strategic financing policy

Developing an overarching strategic financing policy that estimates costs and the scale and types of financing needed to achieve results can be a foundation for clearer objectives in relation to each type of finance. Most countries have developed a vision about the results they want to achieve over the

medium to long term, yet this is often only linked to financing over the short to medium term in operational policies such as a medium-term expenditure framework or five-year plan.

There are key gaps in many countries' planning systems: a lack of long-term costed estimates of the scale of financing needed, and a lack of clarity about which types of financing are best placed to make the investments to achieve the vision for results.

For many countries, the policies that are in place for mobilizing and fostering investments are based on an assessment of the resources that are likely to be available given the current context, often based on a projection of recent trends into the future. They also typically only cover a 3 to 5 year time period, leaving a gap between the timeframe for the vision for results and plans for mobilizing finance.

Some countries, such as Bangladesh and the Philippines, are taking steps to estimate longer-term financing needs and articulate clearer roles for different types of financing. In Bangladesh, the 'Perspective Plan of Bangladesh',¹⁷⁹ presents a roadmap outlining the broad approach for financing the country's long-term plan, *Vision 2021* (which was developed in 2010). The plan includes guidance on the approach to be taken by the government on financing. It provides direction on

the volume of public revenue growth required, sets targets for how the model of public revenue should evolve, and outlines broad strategies to make this happen.¹⁸⁰ It articulates a 'thrust' to make public expenditure more pro-poor, gender sensitive and environmentally friendly. And it outlines a number of strategies for improving the investment climate to stimulate domestic and foreign commercial investment, including the use of PPPs to improve infrastructure and specific targeting of investors from regional neighbours to industries in which they have a strong comparative advantage.

The Perspective Plan is operationalized through five-year plans that go into specific detail about the financing required and types of investments to be made and mobilized. Bangladesh's Seventh Five Year Plan, for 2016–2020, sets targets for both public and private resource mobilization that draw from the guidance of the Perspective Plan.¹⁸¹ It presents sector-level strategies, outlining the public resources to be invested in each sector and in some cases, such as energy generation and transport, sets targets for the mix of public and private resources to be mobilized.¹⁸²

In the Philippines, financing frameworks have historically only taken a medium-term outlook, through the Philippine Development Plan. However, alongside development of the next Philippine Development Plan (2017–2022), the National Economic

175. This was a recommendation of the 2014 Samoa Forum Compact Peer Review.

176. See <http://2040.neda.gov.ph/2016/10/14/president-duterte-signs-ee-to-adopt-ambisyon-natin-2040/>

177. The High-Level Political Forum is the primary official forum for monitoring the progress of the 2030 Agenda. In 2019 all countries will present their first progress reports.

178. UNDP, 2015, Rapid Integrated Assessment, Bhutan SDG profile, https://undg.org/wp-content/uploads/2016/06/RIA_Bhutan_Key_Observations-18.12.2015-1.pdf

179. Perspective plan of Bangladesh 2010–2021, Making vision 2021 a reality. General Economics Division, Planning Commission, Government of the People's Republic of Bangladesh, April 2012.

180. For example the Perspective Plan sets a target for increasing the contribution of direct tax from 25% to 40% of total tax revenue and outlines broad strategies, such as modernizing the tax administration, moving to computerized systems and accounts-based auditing, which can be implemented to make this happen.

181. The targets include, for example, raising total revenue from 10.7% of GDP to 16.1% by 2020 and increasing FDI by \$9.6 billion by 2020. The plan sets a target to be 78% funded by private investment.

182. Bangladesh's Development Finance Assessment presents recommendations for strengthening other aspects of its financing system in working toward an integrated national financing framework. It focuses on the need to strengthen the quality of the budget; to improve the efficiency of spending and alignment with national priorities; to deepen domestic resource mobilization (with attention to the economic, social and environmental impact of doing so); and steps needed for greater leverage of private resources behind national development priorities.

Development Authority has led a process to develop a long-term vision, AmBisyon Natin 2040.¹⁸³ This will include a chapter on financing that sets the foundation for operational financing policies to work toward.

In this way Bangladesh's Perspective Plan and the financing component of the Philippines' new long-term vision, AmBisyon 2040, provide longer-term direction on financing for each government to work toward as it develops shorter-term policy related to each specific financing or thematic area. They fulfil a number of the functions of a strategic financing policy that this report suggests countries could consider developing

(see box). However, these systems are the exceptions rather than the normal practice across the region. While there are a few other countries that have developed systems that clearly articulate the roles that different resources can play, such as Lao PDR's approach to private financing (see chapter 4), most countries in the Asia-Pacific region do not currently have this type of planning process in place.

These examples show the benefits of establishing a strategic financing policy that covers the same time horizon as the national development strategy. They allow an assessment of what resources are needed: what the costs are and what

scale and types of investment are best placed to contribute to realize these long-term goals. This assessment can then form the foundation of longer-term planning to attract, mobilize and foster the necessary investments. It can prompt government to ask what needs to be done to elicit these sought-after investments from private and other non-state actors (see, for example, section 6 below on accountability and dialogue). And it can give impetus to changes such as establishing infrastructure for direct taxation, or mechanisms to engage in dialogue with new actors; these could offer significant payoffs in the long-term but take time and investment upfront, with little benefit in the short to medium term.

The strategic financing policy

The development of a strategic financing policy is identified by this report as one of the key building blocks of an integrated national financing framework. For most countries (with a few exceptions such as Bangladesh and the Philippines) this would be a new feature of the financing framework: one that could ground and pull together existing structures around a common, longer-term strategy for financing.

For countries considering establishing such a policy process, the aim would be to guide short and medium-term operational plans with longer-term direction on financing based on an assessment of the resources needed to make the national vision for results a reality. As such it should include two fundamental exercises to (1) estimate the broad costs associated with the vision for results and (2) establish a theory about the comparative strengths and roles that each actor and financing—public, private, domestic and international—should play in priority areas (such as sector, thematic or geographic areas).

Based on these exercises the overarching strategic financing policy could articulate:

- How much is needed: estimates of the costs associated with the outputs that are needed to realize the outcomes and impact envisioned by the country's vision for results, with targets for the scale of resources that needs to be invested.
- How much would be sought after from each actor: broad targets covering investments that could be mobilized from all actors, including public and private actors at the domestic and international level.
- How much investment this would entail in priority areas by each actor: based on the perceived comparative advantages of those actors in the country context, broad targets for investments from specific actors in each sector, thematic, geographic or other priority area from the vision for results.
- What the government needs to do to elicit the sought-after contribution of all these actors to foster the right incentives and policy environment for their cooperation.

A policy process of this kind can become the basis for the departments and agencies in government to understand their own roles and objectives in financing more clearly. Like in Bangladesh, it would form the foundation for short to medium-term operational plans.

The critical point of this policy process, which would be new for many countries, is not creating a new document, but moving to an approach rooted in a longer-term perspective on the costs and types of investments needed. The actors whose contributions it seeks to mobilize would need to participate. It would be an iterative process reviewed and updated periodically based on actual progress and revised estimates of costs. And the policy itself could be contained as a prominent part of the national development strategy or as a related policy document.

183. At the time of writing, AmBisyon 2040 was in the latter stages of being finalized but had not yet been published.

4. Specific financing policies

Building on a strategic financing policy, policies for each type of financing can guide the way resources are mobilized and harnessed to achieve results.

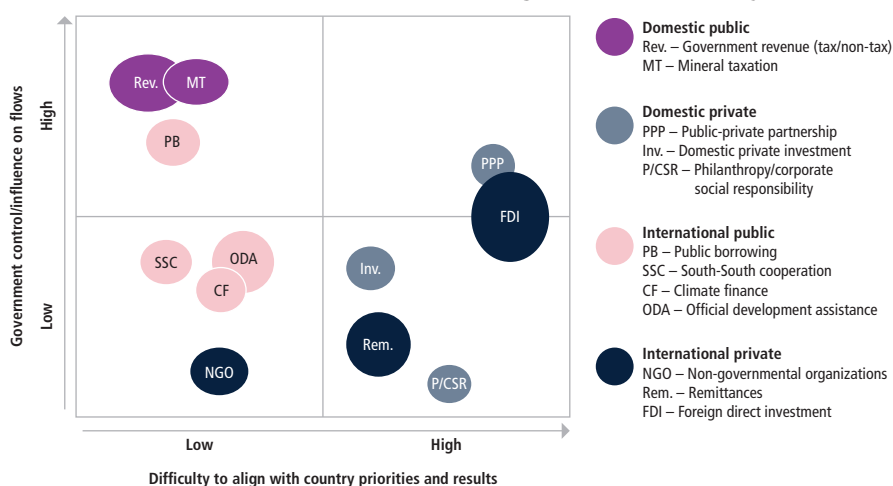
Governments across the Asia-Pacific region aim to harness the contributions of a wide range of resources to meet the diverse challenges of an interconnected sustainable development agenda. Public finance, development cooperation, philanthropic finance, remittances, commercial investments and other resources all have unique characteristics and can play differentiated and complementary roles in achieving results. Realizing this will require approaches that encourage resource mobilization according to the comparative advantages of each flow and build on the synergies between different types of financing.

Governments have varying degrees of influence over different types of financing (Figure 6.2). Public finance is wholly controlled by government, albeit with competing interests within government and complexities around coordinating various levels of administration. In partnerships with development cooperation providers or private actors, the government has direct influence but not full control. And the government has no direct involvement with private investments but can indirectly incentivize the way financing is used.

In all areas of financing there are multiple departments and agencies in government that are involved in mobilizing or using the financing, or impacted by the way it is invested and the results it achieves. There are also interlinkages and synergies between policies toward different types of

FIGURE 6.2

Government influence over resources and alignment with country results



Source: UNDP AP-DEF. *Development finance assessment: Linking Finance and Results to Implement the SDGs at Country Level: A Guide*.

financing that impact on the same results areas. For example, poverty reduction targets can be influenced by the types of taxes a government raises, by the quality and coverage of its social protection spending, by development cooperation provider programming and by the number and quality of jobs created. The way government manages this complexity, and the strength of the linkages between policymaking in specific areas of financing and overarching plans, will have a significant bearing on the volumes and types of financing mobilized and the ultimate results achieved.

Domestic public finance

Domestic public finance is, in most contexts, the central driving force to realize the vision for results. Recent international agreements on financing have reinforced the principle of nationally led development and the importance of domestic public finance as a key driver. Strong alignment between domestic public finance and results is essential, both because its central to financing overall and because of the demonstration effects

to other actors. If a government cannot successfully align its own models of resource mobilization and investment to results then it will struggle to persuade other actors to do so.

Revenue mobilization strategies are important for providing government with the financing needed to enact the budget, deliver public services and make investments to underscore long-term sustainable development. The scale of revenue mobilized is therefore very important, and many countries set targets for increasing revenue over time. Yet the model by which revenues are raised is also a critical contributor toward results, as differing systems of taxation can have very different distributional impacts and can be major determinants to the success or otherwise of targeted results in areas such as poverty reduction and gender equality. There are potential gaps in tax administrations across the region as planning frameworks do not typically extend beyond the current or upcoming fiscal year,¹⁸⁴ meaning it is more challenging to make any necessary structural changes to tax structures. And the links between the strategic

184. ADB. A comparative analysis of tax administration in Asia and the Pacific, 2016 edition, See: <https://www.adb.org/publications/comparative-analysis-tax-administration-asia-pacific-2016>. The analysis covers 13 of the 36 Asia-Pacific countries included in this report. Maldives is one notable exception, having introduced a four year strategic plan in 2015 to cover the period 2015-2019.

goals of these administrations and the vision for results are often weak, and lacking a focus on the distributional or societal impacts of the type of tax system deployed (see also chapter 3).¹⁸⁵

The way a government spends its resources is a critical determinant of results—through the services and investments made by the state itself, as well as the wider resources mobilized and investments influenced. The systems that governments have in place for budgeting, for linking budgets to national planning, and for monitoring the performance and results generated from budgetary expenditure, are very important. Evidence from the Development Finance Assessments shows that in many countries the systems currently in place lack strong integration between the vision for results and budgeting. Recommendations for many countries include consolidating results-based financing approaches, introducing programme-based budgeting and strengthening national and sector plans.¹⁸⁶

International public finance

National aid or development cooperation policies provide a framework for coordination between government and development cooperation providers: DAC donors, providers of SSC, and multilateral, international and regional institutions. Such policies and their related forums and country results frameworks are vital mechanisms for aligning the investments made by development

cooperation providers with national priorities. Of the 24 Asia-Pacific countries surveyed in the 2016 GPEDC monitoring framework, 19 have an aid policy or development cooperation partnership policy in place (see box ‘What the GPEDC monitoring framework tells us about countries’ financing frameworks’ in chapter 5).¹⁸⁷ Twenty countries have established specific targets for both the government and development cooperation providers.

Domestic and international private finance

Domestic private finance is the largest source of financing across the region (see chapter 1) and has the potential to contribute significantly in many results areas. However, a government can only exert indirect influence over this type of financing, as well as international private finance, through the environment it creates for the private sector to grow and the policies and services it provides. There are a wide range of government policies that affect different aspects of the business environment, from headline policies such as economic development or industrial development strategies, to those covering more specific areas such as access to credit, infrastructure and skills development. The policy and institutional structure governing private sector development varies considerably from country to country, but in all there is a complex web of interrelated policies and numerous agencies at the national and subnational levels.

Evidence suggests that coordinating and aligning the policies that influence the business environment and overarching results planning is a challenge for many countries in the region (see Chapter 4).

Remittances are an important source of finance for a number of countries in the region with large overseas diasporas, such as Bangladesh, the Philippines and Afghanistan. While there may be limited opportunities to directly harness these and influence the way they contribute toward sustainable development results, they can play an important role in financing household consumption and investments in housing, health, education and similar areas.¹⁸⁸ Some countries are deploying strategies to engage the diaspora more directly in development. Bangladesh, for example, has enacted a range of measures such as allowing Bangladeshis overseas a 10% quota in initial public offerings of local companies. In the Philippines, the Commission of Filipino Overseas has a longstanding programme to channel donations from the diaspora to finance development projects identified by local government or NGOs.¹⁸⁹

5. Integrated monitoring, evaluation and learning frameworks

The strength of systems for monitoring, evaluation and learning has an important bearing on the extent to which financing policies can be effectively managed

185. ADB, A comparative analysis of tax administration in Asia and the Pacific 2016 edition. See: <https://www.adb.org/publications/comparative-analysis-tax-administration-asia-pacific-2016>. Four common strategic objectives are found across Asia-Pacific tax administrations: improving the overall level of taxpayers’ voluntary compliance; improving service delivery performance; increasing organizational efficiency; and strengthening internal capabilities (especially human resources). In only a minority of cases (typically more economically advanced economies such as Australia and South Korea) is there an expression of the broader societal role of a tax system.

186. UNDP AP-DEF, Development Finance Assessment: Linking Finance and Results to Implement the SDGs at Country Level: A Guide,

187. GPEDC monitoring survey 2016. Indicator 7: mutual accountability. <http://effectivecooperation.org/2016/11/2016-monitoring-report-released/>

188. Development Finance and Aid in the Philippines: Policy, Institutional Arrangements and Flows, Country Report 2014. National Economic and Development Authority, Republic of the Philippines.

189. Development Finance and Aid in the Philippines: Policy, Institutional Arrangements and Flows, Country Report 2014. National Economic and Development Authority, Republic of the Philippines. The programme, called ‘Lingkod sa Kapwa Pilipino,’ or LINKAPIL, was created in 1989.

to achieve desired results. If a government does not have a holistic view of all investments being made or that could be elicited, and the impact of those investments toward the results targeted in the vision and strategic and specific financing policies, they cannot effectively develop or refine policies for managing finance or take the steps to elicit those contributions. Strong monitoring, evaluation and learning frameworks which link government action with investments mobilized and outcomes, evaluate results and feedback into policy development are essential for managing financing to achieve the results targeted.

Countries across the Asia-Pacific region have widely varying systems for monitoring, evaluation and learning and for linking the monitoring of financing to progress in achieving results.

In some countries, systems focus on monitoring outputs while others have results-oriented¹⁹⁰ systems in place. Systems for ensuring coordination across government ministries vary between countries. In Vanuatu monitoring of progress is understood as a shared responsibility, with information collated by a central monitoring and evaluation unit that publishes an annual development report.¹⁹¹ The *Status of National Evaluation Policies Mapping Report 2015* found that, of 13 Asia-Pacific countries covered, 10 had evaluation systems that are developing, two had evolving systems and one had a semi-formalized system.¹⁹²

A number of countries, including the Philippines, have taken steps to strengthen the results

focus of monitoring, evaluation and learning frameworks, to underscore more impactful policymaking. As part of the Philippine Development Plan 2011–2016, the Filipino government has introduced results matrices to monitor progress and provide a results-based management approach to implementing development plans. These focus on achieving the outcomes and impacts from the Plan, which presents the medium-term vision for the country. The framework is designed to also align with other key government policies including the Public Investment Program and President’s ‘Social Contract with the Filipino People’.¹⁹³ The results matrices are monitored at a number of levels linked together in a hierarchical structure. At the highest level the framework looks at progress toward the overall societal goal: ‘Poverty reduction in multiple dimensions and massive creation of quality employment’, tracking five indicators related to poverty and employment. Below this sit two intermediate goals related to rapid economic growth and equal development opportunities. At the third level, progress is monitored for outcomes in nine sectors, most of which are also disaggregated to a fourth level that tracks progress toward subsector outcomes. At each level there are clear targets set for the five-year period of the Philippine Development Plan and annual plans during that period, as well as means of verification and responsible agencies. Through this structure the results matrices provide an interlinked picture of progress toward outcome targets in different priority areas that can inform an understanding of where progress is

happening and the impact of outcomes on the desired headline results.

Building on this type of results-based management model, monitoring, evaluation and learning in an integrated national financing framework could follow a hierarchical model that links financing mobilized with outcomes and results. The critical feature in a results-oriented financing framework is the ability to understand how interventions generate and contribute to results. This could mean, for example, establishing indicators at four levels. At the output level government actions to mobilize resources would be monitored. For example, this could assess the quality of public-private dialogue or the impact of government policy on the business environment. A second level would monitor investment outputs, measuring the scale of resources mobilized, for example monitoring growth in SMEs in key sectors such as agriculture. The outcomes that those investments generate would be monitored at the third level, for example the number and quality of jobs created by agricultural SMEs. These second and third levels would align to the targets of the strategic and specific financing policies. Progress toward the results targeted in the vision for results, for example progress in poverty reduction, would be monitored at the fourth level.

With sufficient disaggregation and harmonization in the data collected at each level, the monitoring system could build a picture of the links between these levels—the outcomes that investments generate, and their contribution to meeting headline

190. Here the term results is used to mean what is referred to as impact in literature on results-based management. See box ‘defining results’ in chapter 1.

191. See 2010 Annual Development Report here: http://www.mjcs.gov.vu/images/research_database/Vanuatu_annual-development-report-2010.PDF. For an overview of Vanuatu’s system see page 8 of the Cook Islands Forum Compact Peer Review Report, 2014: http://www.forumsec.org/resources/uploads/embeds/file/PIF_Peer_Review_Cook_Is_Web.pdf

192. Status of national evaluation policies: Global mapping report 2015, Parliamentarians Forum on Development Evaluation in South Asia and EvalPartners, 2015. <http://www.pfde.net/images/pdf/gmrnew.pdf>

193. Philippine Development Plan 2011–2016, Revalidated results matrices, pages 8–11.

results targets. Understanding the way progress happens at each of these levels and the links between them is a strong basis for countries to learn what works and increase the efficiency and impact of policymaking.

The way data are collected, understood and used is critical. The quality of information from monitoring, evaluation and learning systems can only ever be as good as the data collection systems on which they are based. While this presents challenges in resource-constrained contexts, there are also opportunities in many countries to draw from under-used data sources such as the administrative data collected by government agencies. Data for effective monitoring must also be harmonized, particularly in a multi-stakeholder environment. Harmonizing the way data are defined and joined-up can support more effective collaboration between diverse partners by helping them overcome the varying terminology, standards and definitions public and private actors often use to approach similar topics.

6. An enabling environment for accountability and dialogue

The actors who could provide the wider forms of development finance that countries seek to mobilize are unlikely to do so unless they are confident in the targets set, find the role allocated to them attractive, and have trust in the process. The level of ambition for results, alongside changes in the financing landscape, is driving countries to seek new sources of development finance, including domestic and international private sector investment and philanthropy. The efforts and systems governments have in place to engage in meaningful dialogue, at a political and technical level, with these actors and bring them on board will affect their success in mobilizing resources. These actors will be much

more willing participants if they are confident in the fiduciary competence and integrity of the authorities with which they are expected to work. It is therefore important that countries ensure the independence and professionalism of state oversight institutions: national audit offices, government inspectorates, relevant parliamentary committees and so on, and make sure these are adequately resourced, concentrate on the priority sectors and topics, and are genuinely independent. This has strong ramifications for the planning and accountability mechanisms of countries' financing frameworks.

Strong accountability will help governments, heightening the confidence of potential development cooperation providers, foreign and domestic investors, philanthropists and others in government plans, making their contributions more likely. To ensure realism regarding the contributions of all actors outside government, and build shared ownership, it is important that there is full transparency of the development plans and assessments of the resource needs for them. It is also important that planning processes include consultation with those actors and opportunities for them to participate in the deliberative processes. This would ensure the frameworks are more realistic and also, by ensuring they have some ownership of the plans developed, heighten the likelihood that they contribute.

To maintain that spirit of cooperation and confidence, it is necessary to continue the participatory approach during implementation, allowing non-state actors to identify possible improvements, barriers experienced in realizing their contributions and ways of addressing them, and government measures that would afford a more enabling environment for their cooperation.

To maintain their trust in the process it is essential that the monitoring and evaluation mechanisms are rigorous, objective and used to elicit the changes that are called for. This again requires their involvement in framing the approach and for sufficiently independent third parties to play key roles in monitoring and evaluation, including – especially for decentralized service delivery and poverty reduction programmes – community monitoring of public expenditures. The findings from monitoring and evaluation processes, as well as citizens' experience of the programmes financed, must be used rigorously by state oversight institutions and made readily available to others to heighten the accountability in SDG programmes. This again requires a commitment to transparency, engagement with non-state actors, and an enabling environment for citizen-led accountability mechanisms.

In the Philippines, for example, a national NGO working with community groups tracked the production of school textbooks to identify where there was malpractice or inefficiency in their printing and distribution. This discovered losses of 40% of the books and massive delays, but with these findings the process was changed, procurement was strengthened and now there are minimal losses, delivery times are a whole year quicker and the per-book cost has fallen by 55%. While initially sceptical that this was any more than a 'government-bashing' exercise, the Department of Education quickly saw the potential benefits and came to be a strong advocate for such citizen monitoring. The department now cooperates strongly with NGOs in the 'Check my school' initiative in which pupils, parents and others can prove all aspects of spending and service delivery.

Experiences such as these have led to a flourishing social accountability industry in which citizens use a variety of tools to

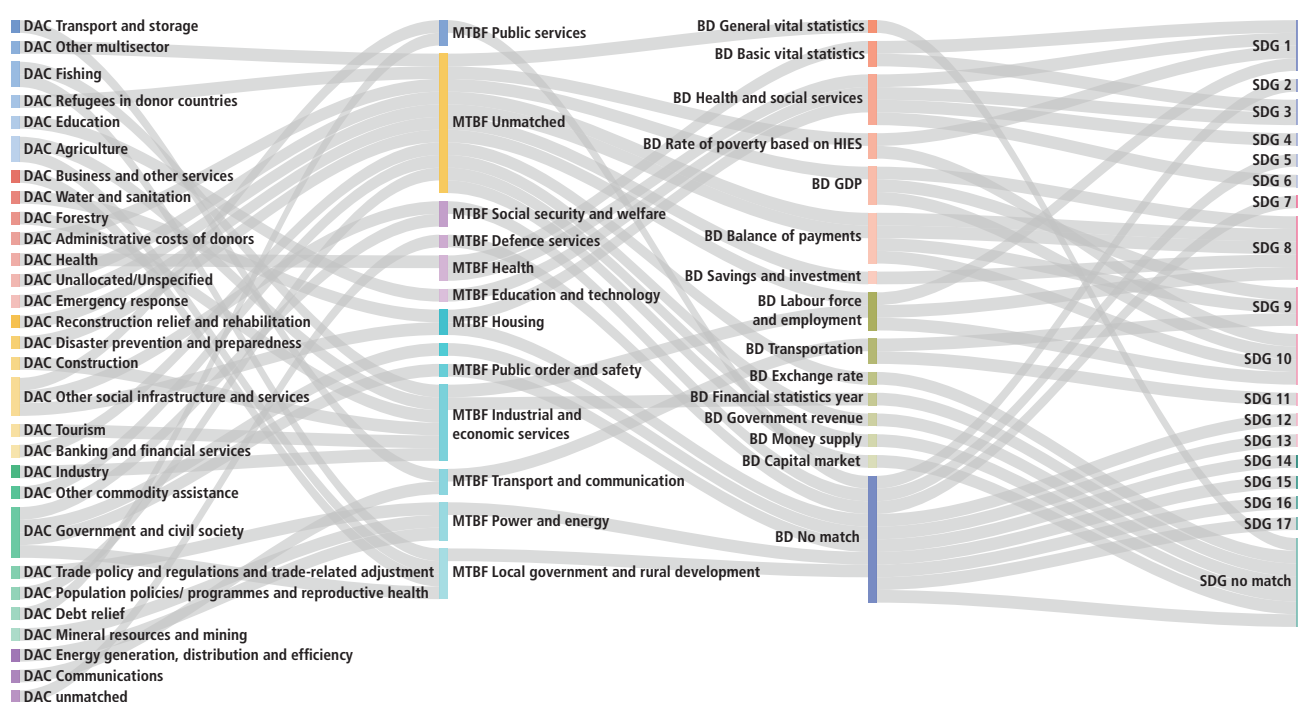
Harmonizing data

As governments aim to collaborate with and influence increasingly diverse actors to implement their financing strategy, so the need for a common understanding of the objectives, indicators and definitions used is amplified.

The example in Figure 6.3 shows the complexity in understanding the definitions used in existing parallel systems. Each column captures the definitions used in a different system mapping, from left to right, definitions for categorizing: international public finance (OECD definitions), Bangladeshi government spending, outcomes from the national results framework, and SDG indicators. The lines between each column show how they relate to one another, and how complex those relationships are. It highlights how, without harmonizing definitions, even simple questions about, for example, comparing the contribution of different types of finance toward results in a specific area, become very challenging to answer.

FIGURE 6.3

Without harmonization of data it is difficult to understand the linkages between financing and results



Source: Joined-up data standards, forthcoming paper.¹⁹⁴

Notes: BD: Bangladesh; MTBF: medium-term budgetary framework.

Linking data has historically been done on paper per analysis, demand and organization and has hence rarely been reused or updated. More sustainable solutions include data dictionaries that hold centralized metadata information on definitions, meanings and relationships to other data sources. Data dictionaries would allow the scope for all data that will be collected across a government to be determined and set. They have been commonly used by international organizations such as the World Health Organization, the International Labour Organization and the World Bank to organize data collected per country (such as data collected through surveys). However, Uganda is an example of data dictionary which was introduced by the Uganda Bureau of Statistics to increase the usability of national data. Since 2010, the office has been maintaining a national statistical indicators metadata dictionary, which includes definitions, standard classifications, units of measure, disaggregation, compilation practices, sources of data, computation methods, periodicity of production and comments. Ideally the metadata dictionaries supporting integrated national financing frameworks would also include the relationships to other data sources.

194. Joined-up data standards, forthcoming paper, see: <http://juds.joinedupdata.org/discussion-papers/>

track expenditures and check whether programmes are being implemented as stated in their locality. In aggregate this provides rich data to supplement official monitoring and accountability instruments. For example, NGOs in India have shown that a high proportion of food distributed in the government's 'fair price shops', intended for poor people was either sold in the market or went to people who were not poor. This monitoring, coupled with NGO advocacy with local officials, has led to much reduced losses and better targeting. In Karnataka, for example, one survey concluded that the benefits to the state's poor amounted to \$52 per family, without adding to the cost of the scheme.

Civil society can similarly contribute to enhancing accountability at the national level, especially by monitoring government procurement: mis-procurement is estimated to cost developing countries 2.5 to 3.3% of GDP.¹⁹⁵ NGOs in many countries have worked with governments to insert 'Integrity Pacts' into major public sector procurements; firms bidding must agree to openness (subject to reasonable commercial confidentiality) and allow civil society monitoring. In Pakistan, monitoring the bidding led to an estimated \$10m saving in the Greater Karachi Water Supply project, which was completed ahead of schedule.

A holistic approach to strengthening accountability, entailing improvements in state oversight bodies and encouraging civil society monitoring, is vital for ensuring that resources mobilized are efficiently directed to their intended uses. This requires strong transparency of development plans, budget allocations, expenditures, procurement rules and processes used. It also requires welcoming civil society and the private sector into deliberative processes (setting plans,

budgets and drawing up programmes) and ensuring an enabling environment for them to act freely in monitoring state programmes and empowering communities to voice their concerns.

Establishing an integrated national financing framework in practice

Together these six building blocks present a conceptual model of an integrated national financing framework. This builds on the strengths of the financing frameworks that countries in the Asia-Pacific region have in place, yet the framework as a whole is an ambitious concept. For many countries, some of these building blocks are a number of steps beyond the frameworks they currently have in place.

The concept of an integrated national financing framework is useful as a prompt and a guide for countries to assess the status of their financing frameworks overall and prioritize change. One of the unique features of the integrated national financing framework is its comprehensiveness, and this concept can therefore act as a prompt for policymakers to take a holistic view of their financing frameworks. In this way it is complementary to existing processes and initiatives that support improvements in particular aspects of a financing framework. It may well be unrealistic for countries to move from existing systems to one that functions like the building blocks outlined above in a short period of time. Nevertheless, the concept can prompt countries to examine their financing frameworks overall, think about the strengths, weaknesses and gaps, and determine which aspects and building blocks should take priority in their context. It can help countries undertake reform in the short term that builds toward more integrated, holistic, effective systems over the long

term. Indeed, a number of countries in the region are already using the concept to prompt this thinking (see box).

Political leadership and champions from a senior level in government are essential for driving reform.

Institutional and policy reform often takes an extended period of time and requires the buy-in of many stakeholders. The opportunities for reform may be infrequent, for example around major political moments such as a change in administration, response to crisis, or renewal of key policies such as a national development plan or five year plan. There may also be opportunities to reform components of the system related to particular flows or thematic areas (see below). With the need for significant political capital to drive change and infrequent opportunities to undertake reform, it is pertinent to consider how to sequence reforms, and whether certain building blocks are higher priority than others.

Prioritization and sequencing should be determined at the country level, yet there are certain changes that can, once established, help to build momentum and strengthen systems more widely over time. The integrated national financing framework offers a concept to help countries improve the way they manage financing policy, by increasing alignment, strengthening the results focus and making systems more holistic. Setting three building blocks in particular in place—the strategic financing policy, leadership and institutional coherence mechanisms, and results-oriented monitoring and evaluation systems—can create the foundations for strengthening the system as a whole over the longer term, supporting continued movement toward an integrated national financing framework.

195. OECD, 2013, Implementing the OECD Principles for Integrity in Public Procurement: Progress since 2008.

A strategic financing policy can help governments move toward a way of approaching financing that starts by asking what investments are needed to achieve results, and critically assessing which types of financing are best placed to make those investments. It builds a link between the vision for desired results over the long term, and shorter-term operational policymaking. Putting such a policy process in place can be a first step toward a more holistic

financing framework as it prompts government institutions and their stakeholders to come together and define a view on the roles that different resources are best placed to play in financing sustainable development. As this is developed it can become a foundation for policies that are clearer about the role a specific type of financing should play, thereby enhancing overall alignment and complementarity between resources over time.

Putting in place authoritative coherence mechanisms is a foundation for building closer alignment between results, financing objectives and policy. Experience demonstrates that coherence mechanisms grow iteratively through success: they may start with a narrow focus and expand their remit over time. In Nepal, gender responsive budgeting was rolled out among a selection of central government ministries in 2007/08, to align with the country's

A number of countries are already taking steps to establish an integrated national financing framework

The concept of integrated national financing, and an earlier draft of this report, were discussed by countries in the region at the 2016 Asia-Pacific Development Effectiveness Facility Conference, 'Linking development finance with results'.¹⁹⁶ A number of countries reported on the follow-ups from the development finance assessments they have undertaken (and which formed a key source for this report), including on the steps they are taking to move toward establishing integrated national financing frameworks.

The government of Bangladesh is taking steps toward establishing an integrated national financing framework which can support its Seventh Five Year Plan.¹⁹⁷ It has estimated the cost of the Seventh Five Year Plan and undertaken a review of resource mobilization from different sources, evaluating the status of its collaboration with relevant actors and how this collaboration needs to change. Bangladesh's Development Results Framework has been strengthened, to monitor the Seventh Five Year Plan and implementation of the SDGs. The National Policy on Development Cooperation and Joint Cooperation Strategy are in place to promote alignment with development cooperation providers, and a new Development Effectiveness Wing has been established in the Ministry of Finance to undertake research and provide policy support on ODA, climate finance, SSC and innovative finance.

In Cambodia, the findings from the development finance assessment are prompting the government to look at strengthening the integration of planning, budgeting and financing frameworks in public finance.¹⁹⁸ The government is looking at how it can build on successes in domestic revenue mobilization and is considering a new framework for development cooperation.

Nepal and Thailand are considering how to take forward integrated national financing frameworks in support of the implementation of the SDGs. In Nepal a development finance assessment will help inform the government as it thinks about a roadmap for the preparation of an integrated national financing framework.¹⁹⁹ In Thailand the government is considering how to build on progress with the BIO-FIN initiative and Climate Change Benefit Analysis to strengthen financing frameworks more widely.²⁰⁰

196. For more on the conference, see here: <http://www.asia-pacific.undp.org/content/rbap/en/home/presscenter/pressreleases/2016/10/26/domestic-resources-dominate-development-finance-in-asia.html>

197. Presentation by Mr Chou Heng, Director: Policy and Development Assistance Coordination, Council for Development of Cambodia, to the 2016 AP-DEF conference, 26th October 2016.

198. Presentation by Mr Laxman Aryal, Joint Secretary, Ministry of Finance, Nepal, to the 2016 AP-DEF conference, 26th October 2016.

199. Presentation by Ms. Ladawan Kumpa, Deputy Secretary General, Office of the National Economic & Social Development Board, Government of Thailand, to the Asia-Pacific Regional Knowledge Exchange, 24th October 2016. The presentation is available here: <http://www.asia-pacific.undp.org/content/dam/rbap/docs/meetTheSDGs/Planning%20and%20Budgeting%20-%20Ladawan%20NESDB.pdf>

200. Presentation by Mr Chou Heng, Director: Policy and Development Assistance Coordination, Council for Development of Cambodia, to the 2016 AP-DEF conference, 26th October 2016.

201. Presentation by Mr Laxman Aryal, Joint Secretary, Ministry of Finance, Nepal, to the 2016 AP-DEF conference, 26th October 2016.

202. Presentation by Ms. Ladawan Kumpa, Deputy Secretary General, Office of the National Economic & Social Development Board, Government of Thailand, to the Asia-Pacific Regional Knowledge Exchange, 24th October 2016. The presentation is available here: <http://www.asia-pacific.undp.org/content/dam/rbap/docs/meetTheSDGs/Planning%20and%20Budgeting%20-%20Ladawan%20NESDB.pdf>

poverty reduction strategy in which gender equality and inclusion formed one of the key pillars. Following the initial roll out, the gender responsive budgeting system has been expanded more widely across government, with supporting initiatives to build capacity among agencies to deliver it and plans to increase its use in aid management systems.²⁰¹ The increased alignment that coherence mechanisms facilitate is vital for ensuring complementarity and avoiding duplication between different actors working on related agendas.

Establishing monitoring and evaluation frameworks that are focused on results can become the foundation of a stronger results-oriented approach across government. Planning for and tracking progress in results-focused indicators from the beginning of a policy or investment is important for building the culture necessary to fully manage results-oriented financing strategies. Evidence from the development finance assessments finds that data and information are key enablers of more advanced government management systems, so establishing strong monitoring frameworks with supporting data systems can be a catalyst for long-term change.²⁰² Even basic results-oriented monitoring can become a first step toward the more advanced frameworks that monitor the links between government actions, investment outputs and the outcomes and results those investments generate and contribute to.

Alongside more comprehensive reforms, countries can leverage opportunities in particular areas of sectoral or thematic focus to build more integrated financing frameworks. Revisions to policies in key sectors or thematic areas present

opportunities to align with overarching national development plans, strengthen coherence mechanisms, and enhance monitoring and evaluation frameworks. Sector or thematic initiatives at the regional or global level may also offer opportunities. For example, the UNDP Biodiversity Finance Initiative (BIOFIN)²⁰³ works with 11 countries in the Asia-Pacific region on a model for addressing financing for biodiversity in a comprehensive manner. The approach brings together many key integrated national financing framework stakeholders: ministries of finance, economy, planning and environment, the private sector and others. The approach has similar building blocks to those of the integrated national financing framework: it analyzes current spending levels, resource needs, and builds a plan to fill the financing gaps. The long-term aims of this initiative are to help governments integrate the conceptual framework in planning and budgeting systems related to biodiversity. As this and other similar initiatives, such as the United Nations Environment Programme Finance Initiative, take root in these specific thematic areas of government, they can support institutional reform more broadly across government. They can demonstrate the benefits of such strategic planning about financing, and build understanding and knowledge in key ministries of the core concepts.

Knowledge sharing, monitoring and support for countries establishing an integrated national financing framework

Countries wishing to strengthen the building blocks of an integrated national financing framework can learn from one another by

sharing their experiences of reform. Reforming institutions and the structures and mechanisms that guide the way institutions work together takes time and sustained political drive, and can be fraught with challenges. While the financing frameworks that countries in the Asia-Pacific already have in place for managing their approach toward financing vary widely, there are many common features and challenges that will be faced by those that choose to strengthen the building blocks outlined in this report to establish an integrated national financing framework. Sharing experience and knowledge can be invaluable in helping countries determine the paths they will follow and decide which structures, mechanisms and policies best fit their own context.

Regional platforms play an important role in facilitating knowledge exchange and supporting countries as they undertake reform. They can help convene countries to share and discuss the challenges they face and solutions they are using to overcome those challenges. They can also actively collect and digest information to build an understanding of good practice and what works, and does not, in particular contexts. The development finance assessments (see box) can be used periodically by countries to undertake a thorough review of their financing opportunities, challenges and governance systems. These originated from a regional perspective on the financing landscape and institutional setup, and can help countries to determine and refine a roadmap for establishing an integrated national financing framework. Their methodology has recently been refined to focus more specifically on roadmaps toward an integrated national financing framework.

201. Yoga Nath Poudel, Nepal Ministry of Finance, Presentation to the Substantive informal session of the preparatory process for the Third International Conference on Financing for Development on Domestic Public Finance. See: http://www.un.org/esa/ffd/third-conference-ffd/informal-session-dpf/Poudel_Presentation_11Nov14.pdf

202. Dealing with complexity: how governments are managing financing for sustainable development – Lessons from Development Finance Assessments in Asia and the Pacific, p 4.

203. UNDP, 2014, The BIOFIN Workbook: A Tool to Mobilize Financial Resources for Biodiversity and Development. New York: UNDP. See: www.biodiversityfinance.net

Development finance assessments

As an action-oriented diagnostic tool, the Development Finance Assessment (DFA) provides both the baseline and the road map for implementing reforms needed for countries to adopt integrated national financing frameworks as referred to in the AAAA. To stimulate further learning on what challenges will need to be addressed in developing these, UNDP can build on on-going discussions in several countries in the region and beyond that have embarked on a process towards localizing the SDGs, and exploring different avenues of mobilizing more resources to finance development.

UNDP's Bangkok Regional Hub, in serving as the Secretariat for the Asia-Pacific Development Effectiveness Facility (AP-DEF) has been developing the DFA,²⁰⁴ a tool to respond to the growing demand from countries in the region 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. DFAs were introduced as the very first development finance studies of their kind, seeking to bring together fragmented approaches on the use of the different sources of funds that may not all be primarily dedicated to address development.

The DFA provides governments with data and analysis on the quality of their national development strategies/plans and country results frameworks, changing trends in development finance and their alignment with national priorities and results. It also helps formulate recommendations on how institutions and systems might be adjusted to ensure that different sources of development finance are managed within a coherent framework, which better supports the implementation of the SDGs.

The findings emerging from DFAs provide useful data and analysis for discussing reforms at country level, and stimulating evidence-based dialogue and exchange among countries in the region that face similar change processes. Examples of DFA's impact in this area include: 1) the restructuring of government departments to take a more integrated approach to managing finance for development across institutions or bringing closer together the planning and budgeting processes; 2) the development of new integrated policy frameworks that seek greater coherence across external financial flows; and 3) proposals for new policy dialogue structures for governments and their partners, providing a multi-stakeholder platform that could be used to review SDG implementation.

Before reform can begin it is important for governments to understand the status of their existing financing frameworks.

Understanding the strengths, weaknesses and gaps of existing systems is an important foundation for guiding the priorities and roadmap for change. A roadmap would evaluate the extent to which each of the building blocks is functioning, and determine the ultimate goals of a reform initiative as well as intermediate steps for each block. A development finance assessment can help countries to do this. Governments may also wish to compile a dashboard of indicators that describe the status of components in each building block, and which can be monitored over time to help understand progress in establishing

an integrated national financing framework overall. Such a dashboard could be at least partially built on information from existing monitoring processes and surveys.

Using a dashboard of indicators to understand the status of integrated national financing frameworks

Establishing a dashboard of indicators that describes the status of each of the building blocks of an integrated national financing framework can help guide governments and monitor progress against planned changes.

Governments that reform their financing frameworks will set out milestones to meet through the

reform process. A dashboard could combine information gathered by existing monitoring processes with a simple framework of questions for the government unit overseeing the reform process to ask. This would build up a picture of the structures are in place in each building block and progress toward these milestones.

The first building block, **leadership and institutional coherence** highlights the importance of structures that align policy and build coherence toward all areas of financing. Governments could monitor this by identifying which processes exist to ensure coherence between the long-term vision / financing strategy, and financing policies in each area, and assess their effectiveness.

204. For more on DFAs and their findings see Dealing with Complexity: How Governments are Managing Financing for Sustainable Development Lessons from Development Finance Assessments in Asia and the Pacific, UNDP. Available at: https://www.climatefinance-developmenteffectiveness.org/sites/default/files/event/CFSDforum2015/financing/Dealing%20with%20Complexity_How%20Governments%20are%20Managing%20Financing%20for%20Sustainable%20Development.pdf

They may also be able to draw on external assessments of policy coherence, such as the policy coherence for development index.²⁰⁵ A dashboard could capture information on the second building block, the **vision for results**, by outlining if such a long-term vision exists, the period it covers and whether there is alignment between that long-term period and medium term operation planning periods. It could also capture whether clear long-term targets are set and how targets relate to the SDGs. Critical to this aspect of an integrated national financing framework is also the degree to which it is costed. The third building block, **the strategic financing policy**, could be summarized by outlining if such a document exists and whether it is a standalone document or incorporated into the long-term vision for results. A dashboard could capture whether the policy is based on an estimate of the costs of the vision for results, the extent to which it sets guiding targets or objectives for mobilising all types of financing and whether it outlines clear roles for the different types of financing it seeks to mobilize. The realism of the financing strategy should also be considered in light of trends in financial flows.

A dashboard could help governments monitor the fourth building block, **financing policies related to each area of finance**, by outlining a comprehensive list of all policies related to each area of financing, covering all ministries and levels of administration. It could capture the extent to which these policies are grounded in the strategic financing policy and all mechanisms that exist to coordinate related policies or with external partners in each area. Existing external monitoring processes could feed in. The GPEDC monitoring

framework captures information on the quality of public-private dialogue and policy toward and collaboration with development cooperation providers. It also captures information on systems for managing policy on gender equality (see box in chapter 5) which can be used to understand alignment between financing policy and overarching goals on gender. The World Bank's PEFA (Public Expenditure and Finance Accountability assessments), and Country Policy and Institutional Assessments (CPIA), each capture information on domestic public finance systems. They include indicators on the strengths and weaknesses of public financial management, efficiency of tax policy, administration and debt management, and coherence between national and sub-national administrations on the budget. The Open Budget Initiative also captures information on public financing, looking at transparency and participation in public finance processes. The World Economic Forum's Global Competitiveness Survey, IMF's Financial Access Survey and World Bank's Ease of Doing Business Index could be used to understand the business environment.

The fifth building block, **monitoring, evaluation and learning**, could be covered by understanding the strength, results-focus and coverage of monitoring and evaluation systems. A dashboard could capture the extent to which results-focused targets are set and how comprehensive targets are – for example whether they cover on and off budget expenditure and whether they link to the targets used in each financing policy. External sources could be used to inform the dashboard. For example, the Status of National Evaluation Policies²⁰⁶ gathers information about the strength of

evaluation systems. IMF staff reports often include a statistical issues appendix which summarizes information on the quality of data and statistical systems. Finally the sixth building block, **an enabling environment for accountability and dialogue**, could be monitored by asking what processes exist for participation by civil society, academia, the private sector and other actors in the development, implementation and monitoring of financing policies. It could also draw on external processes such as the CIVICUS Enabling Environment Index²⁰⁷ to understand the environment for civil society.

By drawing on these existing monitoring processes and developing a framework of simple questions, governments that undertake reform in their financing framework can create a dashboard of indicators to monitor key features within each of the building blocks of an integrated national financing framework. Such a dashboard would need to be supplemented by an understanding of the political importance of different mechanisms or effectiveness of each structure, but it could form an important foundation for doing so and for guiding government as it develops its financing framework.

Building such a dashboard could also, if made public, support knowledge exchange and facilitation by highlighting the successes and challenges countries are facing. It can also form a basis for regular reporting to international monitoring processes, such as the High-level Political Forum on Sustainable Development (all countries will report on progress against the SDGs for the first time in 2019) and Financing for Development follow-up process.

205. The policy coherence for development initiative. <http://www.icpd.info/en/>

206. The Status of National Evaluation Policies Global Mapping Report 2015, Parliamentarians Forum on Development Evaluation in South Asia jointly with EvalPartners, 2015. <http://www.pfde.net/index.php/publications-resources/global-mapping-report-2015>

207. CIVICUS Enabling Environment Index, <http://civicus.org/eei/>

Chapter 7: Recommendations

Country-level recommendations

This is an important moment for governments to assess their financing frameworks and consider how effectively they can shape and deliver financing policy for the future. Meeting the scale of ambition that countries have set for themselves will require holistic, long-term approaches that mobilize and maximize the impact of diverse forms of financing. This report has presented six core features of financing frameworks that countries are using to develop such approaches – these form the building blocks of an integrated national financing framework. Governments across the region can use this concept to help guide how they will refine financing frameworks to achieve sustainable development results.

RECOMMENDATIONS:

- ▶ Assess the financing framework that government has in place as a whole; what are its strengths, and what changes are needed to address future financing challenges? Consider undertaking a Development Finance Assessment.
- ▶ Use the concept of an integrated national financing framework to help guide thinking about how to reform the policies and institutional structures in the financing

framework, considering each of the building blocks:

- **Leadership and institutional coherence:** is there buy-in and leadership of the financing framework from the highest levels of government? Are there effective mechanisms for aligning operational policies with long-term visions?
- **Vision for results:** is there a long-term vision for the country's sustainable development path? Does it have buy-in from the whole of government and external stakeholders? Does it link to the SDGs?
- **Strategic financing policy:** has the vision for results been costed? Is there guidance on the scale and types of financing that need to be mobilized and roles they should play over the long-term?
- **Specific financing policies:** are policies across each area of finance—public and private, domestic and international—aligned to the strategic financing policy and vision for results?
- **Monitoring, evaluation and learning:** are systems for monitoring progress integrated across the financing framework?

Are government actions linked to outcomes and impact on sustainable development? Are independent evaluations undertaken? What mechanisms exist to incorporate learning into future policy design?

- **Accountability and dialogue:** are processes in place for systematic engagement with civil society, the private sector and other stakeholders throughout the financing framework, from objective setting, through policy design and implementation, to monitoring and evaluation?

Regional recommendations

Governments wishing to strengthen their financing frameworks can learn from one another by sharing experiences of reform. While contexts vary widely between countries, governments nevertheless face many common challenges. Sharing experience and knowledge about how one government has overcome these challenges can be invaluable in helping others determine the path they will follow. Regional platforms play a critical role in facilitating such knowledge exchange, building up an evidence base about what has and has not worked in different contexts, and supporting countries as they undertake reform.

RECOMMENDATIONS:

- ▶ The Asia-Pacific Development Effectiveness Facility (AP-DEF) convenes an annual regional forum for dialogue and knowledge sharing about financing challenges and integrated national financing frameworks.
- ▶ AP-DEF continues to work with governments on Development Finance Assessments that develop roadmaps for establishing integrated national financing frameworks
- ▶ AP-DEF develops a regional repository that responds to demand for evidence and analysis on financing challenges and policy and institutional reforms.
- ▶ Engagement is strengthened between the Asia-Pacific region and regional platforms in other parts of the world, to share knowledge and lessons.

Global recommendations

The concept of integrated national financing frameworks developed in this report has important implications for financing and sustainable development processes globally.

RECOMMENDATIONS:

- ▶ Annual progress reviews of SDG 17 at the High-level Political Forum on Sustainable Development, and of the Financing for Development Agenda should review integrated national financing frameworks as a key enabler of nationally owned sustainable development strategies.
- ▶ Countries work toward milestones in integrated national financing frameworks ahead of the 2019 High-level Political Forum, when all

countries will report on overall SDG progress for the first time.

Recommendations for development cooperation providers

With renewed emphasis on national leadership over development policy, there is a greater need for development cooperation to support such leadership. Three key roles for development cooperation stand out: meeting its comparative advantage, leveraging other flows to achieve results and supporting institutional development.

RECOMMENDATIONS:

- ▶ Work with governments to define a long-term role for cooperation that identifies its added value in relation to other financing.
- ▶ Consider how to support countries as they mobilize wider financing, to access new forms of finance and to influence how it is invested, maximizing sustainable development impact.
- ▶ Evaluate the effect of cooperation on integrated national financing frameworks: is capacity being built up; how can national systems be used more to deliver development cooperation?

Refining the integrated national financing framework concept

This report has presented the first detailed examination of integrated national financing frameworks, a key concept for nationally owned implementation of sustainable development strategies. A number of governments are already taking this forward and working to establish integrated national financing frameworks. As this continues there

is a need to further build and deepen the evidence base to refine the concept and support other governments that wish to strengthen their financing frameworks.

RECOMMENDATIONS:

- ▶ Continue building evidence about how countries are strengthening each of the building blocks of their financing frameworks.
- ▶ Broaden the evidence base by drawing from a wider range of countries to help tailor the concept for different contexts.
- ▶ Use a regional repository as a platform for sharing evidence.
- ▶ Produce a regular report that provides an update on progress in establishing integrated national financing frameworks.

Methodology

Millennium Development Goal (MDG) progress data

MDG data are based on the most recent indicator measurements from the United Nations Statistics Division. Progress calculations follow the methodology used by the UNDP; a full overview of this methodology is available on the UNDP website.²⁰⁸

The progress results are characterized as:

Result	Definition
Achieved	The target value was reached and maintained on or before 2015 according to real data.
On track	The target value is to be reached or surpassed on or before 2015 according to the trend model.
Slow	The target value will not be reached on or before 2015 according to the trend model, but there has been positive progress towards the target.
No progress or regressing	The target value will not be reached on or before 2015 according to the trend model, and there has been no or negative progress towards the target.

Limited data are available for certain countries and indicators; where fewer than half of a region's constituent countries have data for a particular indicator the result is dropped.

The calculations of the Gini coefficient as a measure of inequality use national income distribution data from the World Bank's PovcalNet. National cumulative distributions of income were calculated for years where data were available; from these, regional cumulative distributions of income were generated, from which Lorenz curves and subsequently Gini indices were calculated. Data cover 25 of the 36 countries in the Asia-Pacific region.

Financing flows data

Analysis of financing flows has been undertaken from the recipient

perspective, thus only including country-allocable resources. The data on financial flows that national policymakers use, and which are analyzed in the development finance assessments, are taken from a mixture of national and international sources. However, the data in this report are necessarily sourced from international sources only, to present data that can be aggregated to regional and subregional levels and compared across countries in the Asia-Pacific region. This may result in some differences between the data in the report and data familiar to those working with national data sources, though any differences should affect only the degree of precision and not the overall context or trends that are the focus of this report. The use of international data sources means that the most recent year for which comprehensive data are available is

2014. For international flows, only data on remittance inflows are available for 2015. For domestic finance data, country coverage from before 2005 is substantially more limited, thus any trend analysis including domestic resources begins at 2005.

Domestic public finance

Domestic public finance includes data on non-grant government revenues. Unless otherwise specified, all government revenue figures in the chapter exclude grants. To compare across countries, IMF Article IV publications have been used to source budget data for all countries. Comprehensive domestic finance data are not available for before 2005 (including for China), therefore all trend analyses including domestic finance data begin at 2005.

208. <http://www.asia-pacific.undp.org/content/rbap/en/home/library/mdg/asia-pacific-mdg-2014-2015.html>

Data are available for 31 of the 36 Asia-Pacific countries included in the report. Domestic finance data are not available for Cook Islands, DPR Korea, Nauru, Niue or Tokelau. Limited data are available for the Maldives, for 2011 to 2014 only. Domestic finance data for Brunei (which although not a developing country is included in analysis related to ASEAN countries) are not available for 2014.

Domestic private finance

The domestic private finance figures included in the report are estimates in lieu of comprehensive data on domestic private investment. Calculations are based on gross fixed capital formation data from the World Bank World Development Indicators (WDI), which are used to estimate total investment in each country. Foreign direct investment (FDI) sourced from UNCTAD, and public capital expenditure data sourced from IMF Article IV publications, are then deducted at the country level, to obtain an estimate for domestic private investment alone. Gross fixed capital formation data exclude certain types of investments such as land sales and purchases and all kinds of financial assets, and it does not make any deductions for depreciation of fixed assets. These estimates should therefore not be treated as precise facts about the domestic private investment taking place in each country, but rather estimates of the general trends and scale of this financing.

Data are available for 22 of the 36 countries included in the report. Domestic private resources data are not available for Cook Islands, Kiribati, DPR Korea, Marshall Islands, Myanmar, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau or Tuvalu. Data are limited for the Maldives: only 2005 data are available; and for Timor-Leste only 2005 to 2007 data are available.

International public finance

International public flows consist of:

- **official development assistance (ODA):** ODA reported by all donors to the OECD DAC
- **other official flows (OOF):** OOF data reported by all donors to the OECD DAC
- **public and publicly-guaranteed long-term debt (public long-term debt):** lending from bilateral and multilateral institutions and private entities received or guaranteed by the state.

All data are gross disbursements.

Data on ODA and OOF are sourced from the OECD DAC, primarily from Table 2A and the CRS, and Table 2B and the CRS respectively. Figures on public long-term debt are calculated by subtracting data on ODA loans and OOF loans from data on public and publicly-guaranteed long-term debt (sourced from the World Bank WDI); this is done to avoid double counting. Any negatives are set to zero at the country level.

Data on ODA are available for all countries. Data on OOF are not available for Niue and Tokelau. Comprehensive data on public long-term debt are available for 25 of 36 countries.

International private flows

International private flows consist of:

- **FDI:** net inflows of FDI into each country, that is new investments in FDI enterprise (such as equity purchases or reinvestments of earnings) minus disinvestments (such as sales of equity or borrowing from FDI enterprise)

- **private non-guaranteed long-term debt (private long-term debt):** lending from private entities to private entities and is reported in gross terms
- **short-term debt:** debt that has an original maturity of one year or less and is reported net of principal repayments
- **portfolio equity, net inflows:** cross-border transactions and positions involving equity securities other than those recorded as direct investment and including shares, stocks, depository receipts (American or global) and direct purchases of shares in local stock markets by foreign investors
- **remittances.**

FDI data are sourced from UNCTAD. Data on private long-term debt are sourced from World Bank WDI data on disbursements of private non-guaranteed debt. Data on short term debt and portfolio equity are sourced from the World Bank WDI. Data on remittances are sourced from the World Bank Migration and Remittances database. Any negative values are set to zero at the country level.

Data on FDI are not available for Tokelau and Tuvalu. Comprehensive data on private long-term debt are available for 15 out of 36 countries. Data on short-term debt and portfolio equity are not available for Cook Islands, Niue and Tokelau. Data on remittances are not available for Cook Islands, DPR Korea, Nauru, Niue and Tokelau. Data on remittances are limited for Bhutan, Kiribati and Timor-Leste with no data from before 2006; and for Marshall Islands, Palau and Tuvalu there is no data from before 2005.

Outflows of international finance

Figure 1.4 includes data on outflows of international finance from Asia-Pacific countries. These consist of public flows (interest payments and capital repayments on ODA, OOF and public long-term debt); and private flows (outflows of profits on FDI, which represent profits of foreign firms based in the country that are remitted to their home country; outward investments of FDI; interest payments and capital repayments on private long-term debt; interest payments on short-term debt; and outflows of remittances).

Data on interest payments on ODA are sourced from the OECD DAC Table 2A. Figures on capital repayments on ODA are calculated by combining data on 'ODA loan repayments' and 'recoveries' from the OECD DAC Table 2A. Data on interest payments on OOF are sourced from the OECD DAC Table 2B. Figures on capital repayments on OOF are calculated by combining data on 'Other Long Term Amounts Received' and 'Official Export Credit Amounts Received' from OECD DAC Table 2B. Figures on interest payments and capital repayments on public long-term debt are calculated by subtracting data on interest payments and capital repayments on ODA loans and OOF loans (sourced from the OECD DAC Tables 2A and 2B respectively) from data on interest and amortization on public and publicly-guaranteed long-term debt (sourced from the World Bank WDI).

Data on outflows of profits on FDI and on short-term debt interest payments are sourced from the World Bank WDI. Data on outward investments of FDI

are sourced from UNCTAD, similarly to that on inward investments of FDI. Data on interest payments and capital repayments on private long-term debt are sourced from World Bank WDI data on interest and amortization on private non-guaranteed long-term debt. Data on outflows of remittances are sourced from the World Bank Migration and Remittances database.

South-South cooperation

Given the lack of comprehensive and comparable data on SSC, this is not included with other international public flows and is instead analyzed separately to the extent possible. SSC data referenced in this report are sourced from the OECD DAC (Table 2A) for those countries that report to it: Thailand, Timor-Leste; and from national sources for China and India, though this is only available up to 2013 and does not allow for recipient-level analysis. All data are gross disbursements.

Climate finance

Data on climate-related ODA are taken from the OECD DAC CRS using the Rio markers for climate change adaptation and climate change mitigation. While there are known limitations to the use of these markers—coverage and consistency of their use by donors reporting to the system is partial—these nevertheless provide the best available estimates of ODA that is relevant to climate change. Projects included in the estimate are both those for which climate change is a 'principal' policy objective and/or those for which it is a 'significant' policy objective, that is, projects that have other key objectives but have been adjusted to incorporate climate

change considerations. While the Rio marker for climate change mitigation was introduced in 1998, the marker for climate change adaptation was introduced in 2010, so any trend analysis based on the disaggregation of climate finance between adaptation and mitigation projects cannot go further back than 2010.

Additional data on climate finance have been sourced from the Climate Funds Update project-level dataset. This includes climate finance approvals from a range of public and private sources, which include but are not limited to ODA. While the data allow for recipient level analysis, reporting is not consistent enough for historical trend analysis.

Overlaps between international resource flows

There are known overlaps in the flows included in the analysis. Where possible, these have been quantified and addressed to avoid any double counting between series (see previous sections for specific flows). In other cases, detail and consistency in current reporting is insufficient to allow for such quantification. These problems of duplication are symptoms of the way the underlying data are compiled and are not limited to this report.

Glossary

Term	Definition
Blended finance	The use of public-sector funds or guarantees to mobilize additional commercial capital for the financing of development projects.
Bundle of ODA	ODA is not a single, undifferentiated mass, but can be broken down to analyse the relative value of its constituent elements, and the relative shares of cash versus in-kind resource transfers (see also ODA).
Civil society organizations (CSOs)	Civil society organizations: non-market, non-state, voluntary, governed groups, organized to pursue shared interests. Examples include charities, community foundations (US), NGOs, faith-based organizations and unions.
Climate adaptation financing	Funding for interventions that aim to build the capacity to adapt to climate change, while reducing the vulnerabilities to shocks and stresses induced or exacerbated by it and their associated impacts.
Concessionality/Concessional [financing and loans]	Loans are concessional when lending conditions benefit the borrower compared with a loan from the market. These benefits can include longer repayment periods or grace period (before repayments have to begin), or reduced interest compared with commercial rates. Such concessions are typically provided directly by a government agency or, for a commercial loan, as a government grant to a lending bank. Lenders may accept in-kind repayments from developing countries.
Domestic private finance	Investments and financing from domestic sources. Domestic commercial investments, particularly from small, medium and micro enterprises, are the main focus in this report though the definition also includes domestic philanthropy, activities by NGOs and civil society, domestic remittances and household expenditure.
Domestic public finance	The resources mobilized and used by governments, including tax revenue (see below) and other forms of government revenue (see below). Unless specified otherwise, this excludes grants received by government from international sources.
Extreme poverty	Income poverty measured against the \$1.90 a day (PPP\$ 2011) threshold, particularly in relation to the goal of ending poverty by this definition by 2030.
Foreign direct investment (FDI)	A cross-border investment that acquires a lasting interest in the company (and country) being invested in. Such investments result in a 10% or greater level of ownership of or control over the asset being invested in.
Gini coefficient	A measure of inequality, usually of income or consumption expenditure, among individuals or households within an economy. The Gini coefficient compares how observed income distribution deviates from a perfectly equal distribution. A value of 0 represents perfect equality (everyone has the same income), while a value of 100 represents perfect inequality (one person has all the income).
Government revenue	The income of a government from either taxation, the use of the government's property, government owned corporations, or fees and fines.
Grant	Transfers made in cash, goods or services for which no repayment is required.
Gross domestic product (GDP)	A measure of economic output often used as an indicator of relative wellbeing. It includes only economic production (or 'value-added') within a territorial unit.

Term	Definition
Illicit flows	Illicit flows involve funds that are illegally earned, transferred, or used and cover all unrecorded private financial outflows that drive the accumulation of foreign assets by residents, in contravention of applicable laws and regulatory frameworks. The phenomenon is part of "flight capital"; money that shifts out of developing countries, usually into Western economies.
International Aid Transparency Initiative	The International Aid Transparency Initiative (IATI) is a multi-stakeholder initiative that seeks to increase the transparency of development cooperation to maximize impact on poverty. IATI has developed an open data standard, the IATI Standard, which enables a wide range of organizations to publish information on their development cooperation in a common, open, electronic format. The IATI Standard is based on publication of data at the level of individual activities—projects and programmes—and it provides timely, comprehensive and forward-looking management information that meets the needs of partner countries.
International private finance	Finance flows to countries from international private sources. This type of financing includes commercial investments such as FDI, portfolio equity and debt from private sources, as well as flows from individual or non-governmental sources, including remittances and private development assistance (see below).
International public finance	Finance flows to countries from international public sources. This type of financing includes official development assistance, other official flows, south-south cooperation and international public debt.
Least developed countries (LDCs)	Group of countries with the poorest economic and human development indicators. The UN-determined criteria are a combination of persistent low per capita income over three years and low scores on specific indices of human assets and economic vulnerability. LDCs are not necessarily the same as low income countries, because of the different criteria. See http://www.unohrrls.org/en/ldc/164/ .
Loans	Transfers either in cash or in kind for which the recipient incurs a legal debt.
Long-term debt (private)	A debt owed to a commercial bank or agency that has a maturity of more than one year. Maturity can be defined either on an original or remaining basis.
Long-term debt (public)	A debt owed to a bilateral government agency or a multilateral development agency that has a maturity of over one year. As well as debt arising from ODA and OOF, it includes former private sector debt that has been rescheduled by the official sector.
Low income countries	Low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of \$1,025 or less in 2015; middle-income economies are those with a GNI per capita of more than \$1,025 but less than \$12,475; high-income economies are those with a GNI per capita of \$12,746 or more. Lower middle-income and upper middle-income economies are separated at a GNI per capita of \$4,035. Thresholds are adjusted annually; these figures apply for 2016/17.
Middle income countries (MICs)	See low income countries.
Millennium Development Goals (MDGs)	A set of eight international development goals officially established following the UN Millennium Summit in 2000, following the adoption of the UN Millennium Declaration, to be met by 2015. The goals cover poverty and hunger, education, gender equality and empowering women, child mortality, maternal health, HIV and AIDS, malaria and other diseases, environmental sustainability, and a global partnership for development.

Term	Definition
Non-governmental organization (NGO)	Not-for-profit organizations involved in development and public fundraising activities. NGOs are characterized by their independence from government, and value-based actions that promote welfare or development.
Non-grant government revenue	The total amount of government revenue collected in a given year, excluding international grants for project or budget support. The exclusion of grants better reflects a government's available domestic public resources and avoids double counting of international assistance. Non-grant revenue includes both tax (e.g. income and VAT) and non-tax (e.g. rents/fees) components.
Official development assistance (ODA)	Grants or concessional loans to eligible recipients meeting criteria for the promotion of economic development and welfare from an official source (i.e. government or multilateral organization) to a set of developing countries agreed by the Development Assistance Committee (DAC) of the OECD. ODA includes development assistance across sectors. ODA is reported to the DAC by member governments and several regional and global institutions. In addition, several non-DAC members report spending that meets the ODA criteria, as does the Bill & Melinda Gates Foundation.
Other official flows (OOF)	Transactions by the official sector with countries on the DAC list of ODA recipients that do not meet the conditions for eligibility as ODA or official aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.
Portfolio equity	A form of international investment that does not confer significant control or influence. 'Portfolio' refers to a group of assets. Investments of 10% or more of the value or control of an asset or company are considered FDI, while investments below this threshold are portfolio equity. Investors receive returns through interest payments or dividends and can use equity to spread financial risks across different markets. They can also sell their equity on to other investors.
Private development assistance (PDA)	International concessional resource flows voluntarily transferred from private sources to international development, including private finance channelled by corporations, foundations and NGOs.
Private non-guaranteed loans (PNG)	Loans that are made to private debtors that are not guaranteed by a public entity.
Public & publicly guaranteed loans (PPG)	Loans made to public debtors or loans to private debtors that are guaranteed by a public entity.
Public-private partnership (PPP)	Long-term partnerships between a private party and a government agency for providing a public asset or service, in which the private party bears significant risk or management responsibility.
Purchasing power parity exchange rates (PPPs)	A constructed exchange rate that adjusts market-based exchange rates for the relative buying power across different countries so enabling international comparisons of welfare of inhabitants. Controlling for price levels, PPPs measure how much money would be needed to purchase the same goods and services in two countries, and use that to calculate an implicit foreign exchange rate. These are generally based on data from the International Comparison Program.
Remittances	Cash transfers made by a migrant worker or immigrant to their country of origin, often to family or relatives. Remittances can also be funds invested, deposited or donated by the migrant to the country of origin.
Short-term debt	Debt that has maturity of one year or less. Maturity can be defined either on an original or remaining basis.
South-South cooperation (SSC)	South-South cooperation is a broad framework for political, economic, social, cultural, environmental and technical collaboration among developing countries. Involving two or more developing countries, this may be on bilateral or other bases (e.g. trilateral, sub-regional, regional, inter-regional). Sharing of knowledge, skills, expertise and resources to meet development goals is a characteristic of this form of cooperation.
Tax revenue	The income that is gained by government through taxation. Taxes are compulsory, unrequited amounts receivable by government units from institutional units. There is no element of direct exchange, making tax different from other transfers such as rent or fees.
Technical cooperation	This includes both the direct supply of experts, consultants, teachers, academics, researchers, and volunteers as part of development cooperation as well as contributions to public and private bodies for sending experts to developing countries.
Triangular/trilateral cooperation	An emerging form of development cooperation that normally involves a traditional donor from the OECD DAC, a non-DAC emerging donor and a beneficiary. This more common arrangement can be understood as North-South-South cooperation, though North-North-South and South-South-South may also occur.
Upper income countries (UICs)	See low income countries.

Data points from Figure 1.5

(US\$ millions)	Figure 1.5: Different groups of countries face different mixes of resources							
Finance types	LICs	LMICs	UMICs	East and North East Asia	ASEAN	LDCs	SIDS	SAARC
Domestic public resources	4,755	724,098	3,173,562	2,959,202	473,789	48,561	10,384	471,230
Domestic private resources	5,930	898,019	3,070,152	2,949,363	420,460	46,122	306	591,910
ODA	6,101	28,026	2,612	1,979	12,969	13,529	1,867	19,885
OOF	11	15,525	6,254	5,677	9,909	1,755	516	5,599
Public long-term debt	42	75,555	16,673	15,348	25,388	2,823	525	51,054
FDI	217	80,664	154,646	129,142	132,833	5,072	814	39,087
Private long-term debt	-	152,591	77,032	49,860	94,309	944	947	84,656
Short-term debt, net	97	3,902	63,405	63,075	2,410	663	898	1,119
Portfolio equity, net	-	18,391	51,916	51,916	4,707	358	-	13,684
Remittances	6,038	161,502	71,133	62,587	58,592	24,682	638	115,529

Sources: OECD DAC, World Bank WDI, World Bank IDS, World Bank Migration and Remittances data, UNCTAD, IMF Article IV publications. See Methodology for calculations.

Notes: Data are for 2014. East and North-East Asia includes 3 countries (China, DPR Korea, Mongolia). ASEAN (Association of Southeast Asian Nations) includes 10 countries, of which two (Singapore and Brunei) are not included in the OECD's list of ODA recipients and are thus excluded from aggregate regional analysis, which focuses on Asia-Pacific developing countries only. LDCs include 12 countries. SIDS include 16 countries. LICs include 3 countries (Afghanistan, Nepal, DPR Korea). Lower middle income countries include 20 countries. Upper middle income countries include 9 countries. Comprehensive financing data for DPR Korea are not available. Data on domestic resources, both public and private, are limited to a subset of Asia-Pacific countries. See Methodology for details.

Data points from Figure 1.6

(US\$ millions)	Figure 1.6: Some Asia-Pacific countries are increasingly accessing non-concessional debt; others still rely heavily on ODA and remittances											
Regions:	East and North East Asia			ASEAN			LDCs			SIDS		
Finance Types	2005	2010	2014	2005	2010	2014	2005	2010	2014	2005	2010	2014
ODA	3,745	3,001	1,979	9,152	10,406	12,969	8,086	12,736	13,529	1,622	2,000	1,867
OOF	3,372	5,673	5,677	7,672	9,211	9,909	431	451	1,755	131	825	516
Public long-term debt	12,988	7,921	15,348	22,636	33,020	25,388	453	595	2,823	41	171	525
FDI	142,778	146,152	129,142	68,024	113,997	132,833	2,677	10,060	5,072	583	1,177	814
Private long-term debt	38,243	43,651	49,860	48,013	38,977	94,309	696	233	944	547	4,015	947
Short-term debt, net	63,890	134,733	63,075	13,006	44,741	2,410	155	1,275	663	272	391	898
Portfolio equity, net	40,439	40,162	51,916	18,136	14,593	4,707	30	68	358	2	0	-
Remittances	46,800	66,268	62,587	43,036	43,036	46,062	9,587	17,297	24,682	552	693	638

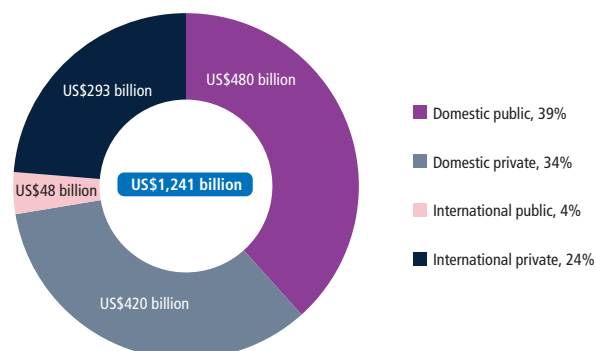
Sources: OECD DAC, World Bank WDI, World Bank IDS, World Bank Migration and Remittances data, UNCTAD. See Methodology for calculations.

Notes: East and North-East Asia includes 3 countries (China, DPR Korea, Mongolia). ASEAN includes 10 countries of which two (Singapore and Brunei) are not included in the OECD's list of ODA recipients and are thus excluded from aggregate regional analysis, which focuses on Asia-Pacific developing countries only. LDCs include 12 countries. SIDS include 16 countries. Comprehensive financing data for DPR Korea are not available

Annex 2: Profiles

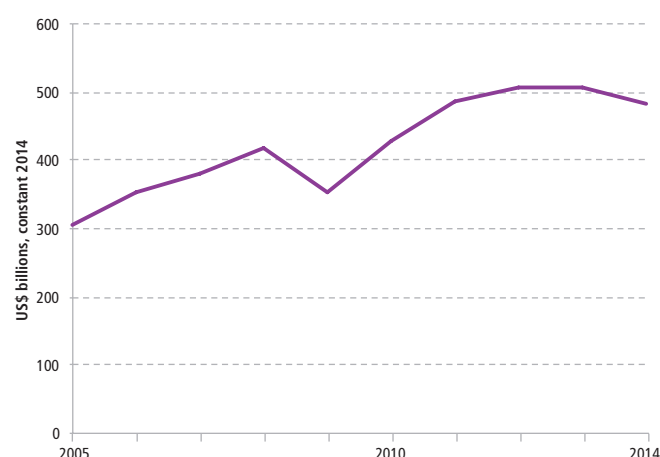
Profile: ASEAN

1. Aggregate mix of resources in ASEAN countries, 2014



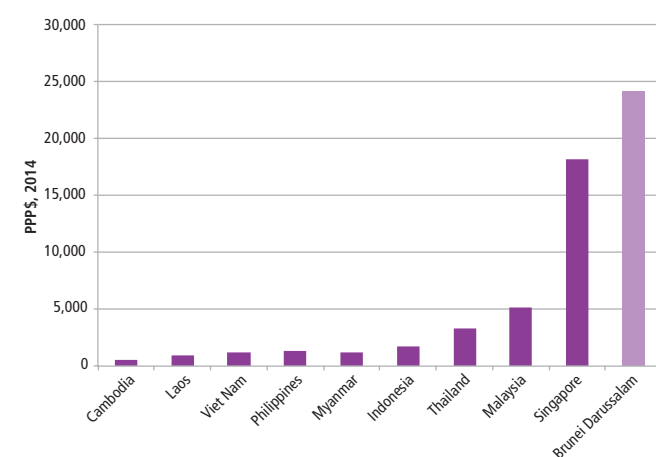
Domestic public finance accounts for 38% of total financing in ASEAN countries, followed by domestic private at 34%

2. Domestic public finance trends in ASEAN countries



Domestic public resources grew on average 8% per year between 2005 and 2012, though have since fallen by 5%

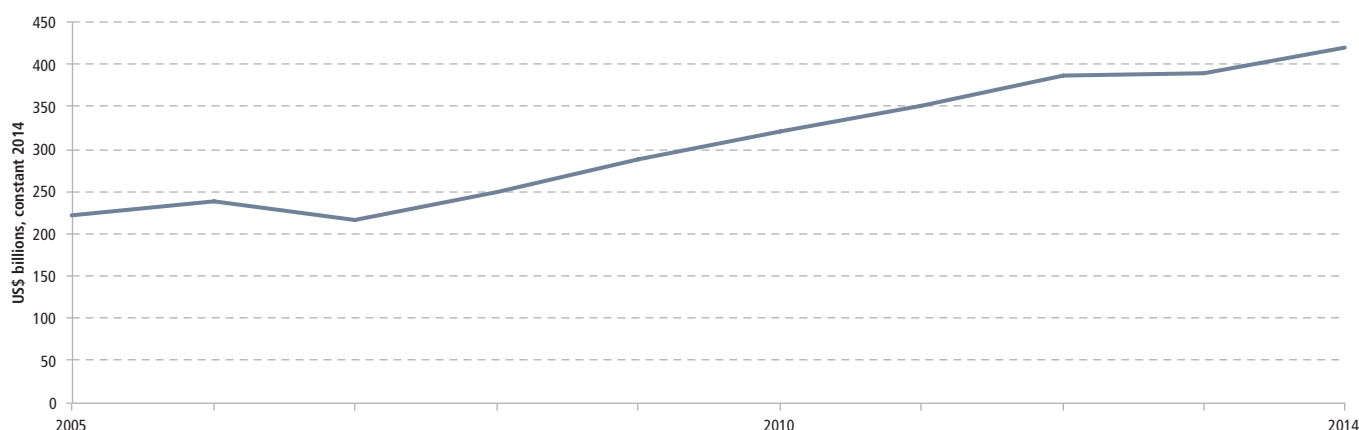
3. Domestic public finance per capita in ASEAN countries, 2014



Government revenue per capita differs greatly between high and middle income countries in the grouping

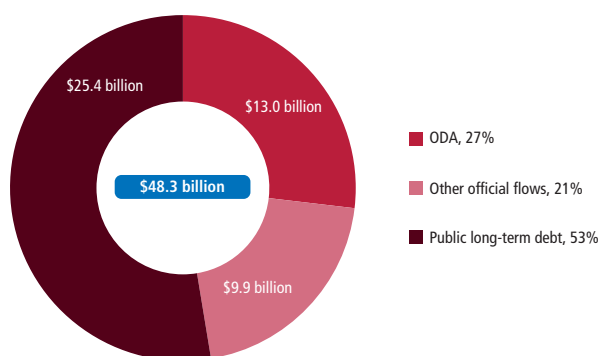
Notes: PPP\$: purchasing power parity dollars; latest data for Brunei are from 2013

4. Domestic private finance trends in ASEAN countries



Domestic private investment has been increasing since 2007 at an average 10% per year

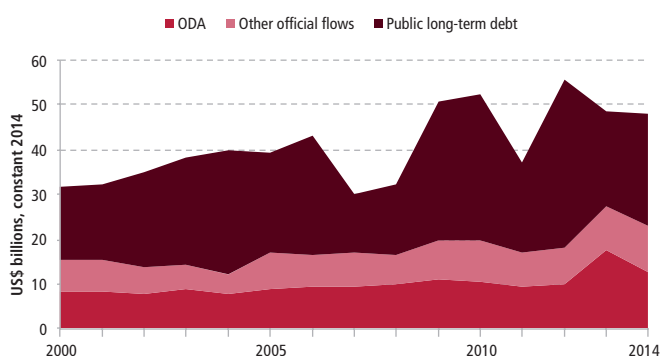
5. International public flows in ASEAN countries, 2014



Public long-term debt accounts for over half of international public inflows to ASEAN countries

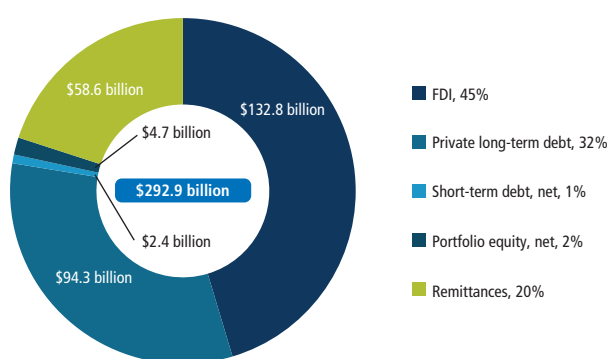
Note: ODA: official development assistance

6. International public flows trends in ASEAN countries



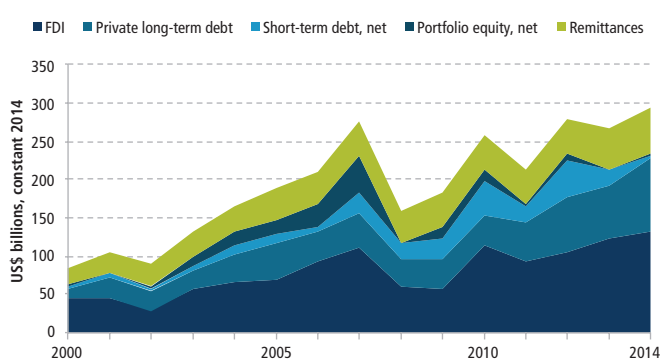
Public long-term debt has been fluctuating in recent years but continues to be the largest source of international public finance to ASEAN countries

7. International private flows in ASEAN countries, 2014



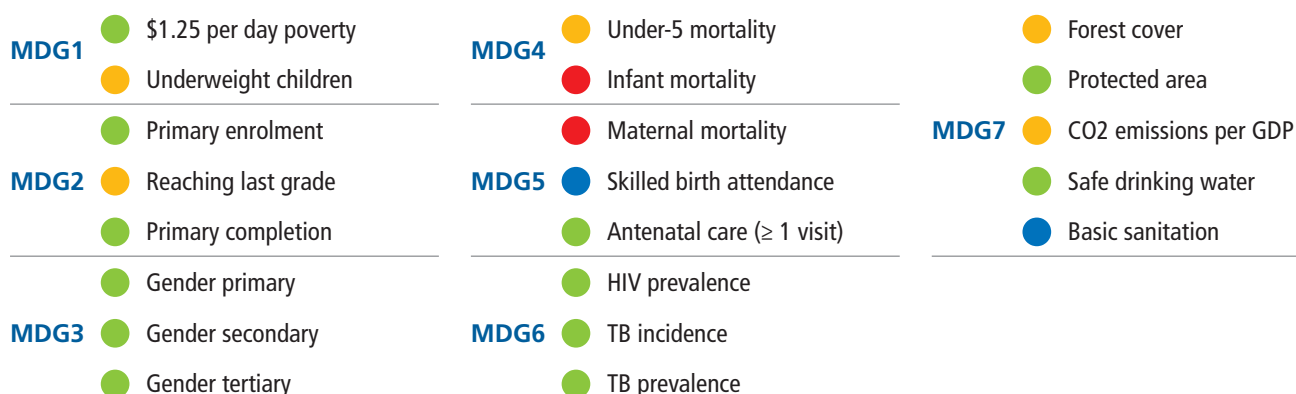
Foreign direct investment (FDI) and private long-term debt account for the vast majority of international private inflows

8. International private flows trends in ASEAN countries



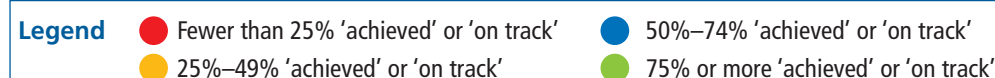
FDI has almost tripled since 2000

9. Millennium Development Goal (MDG) progress in ASEAN countries



While there is strong progress overall, performance on infant and maternal mortality goals is weak

Note: GDP: gross domestic product; TB: tuberculosis.

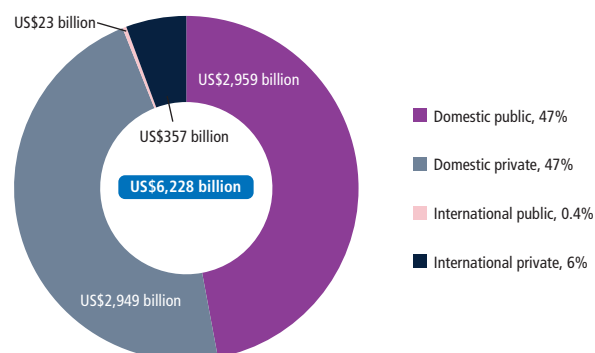


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: ASEAN is made up of 10 countries: Brunei, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam. Comprehensive data on domestic resources pre-2005 are not available. Data on Brunei's domestic resources are not available for 2014. Data on domestic private resources are not available for Myanmar. All government revenue data excludes grants.

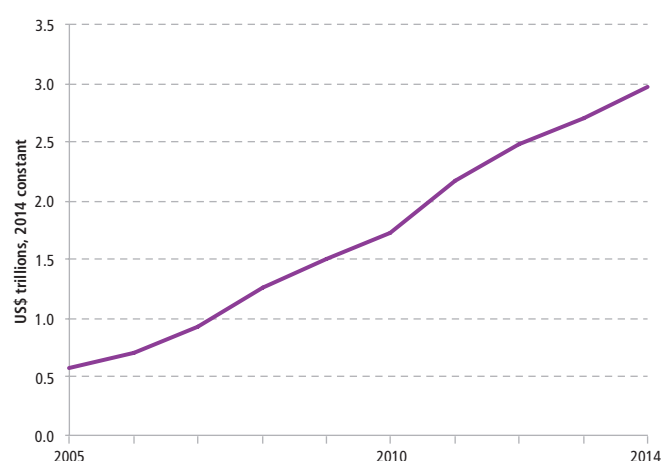
Profile: East Asian developing countries

1. Aggregate mix of resources in East Asian developing countries, 2014



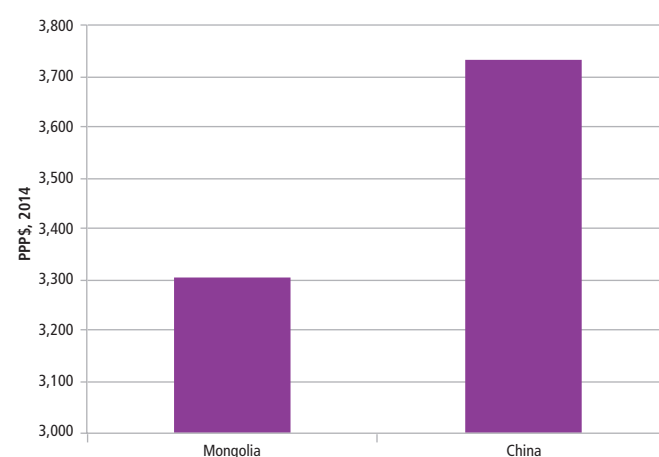
Domestic public and domestic private finance each account for 47% of total financing

2. Domestic public finance trends in East Asian developing countries



Domestic public finance has grown on average 20% per year since 2005

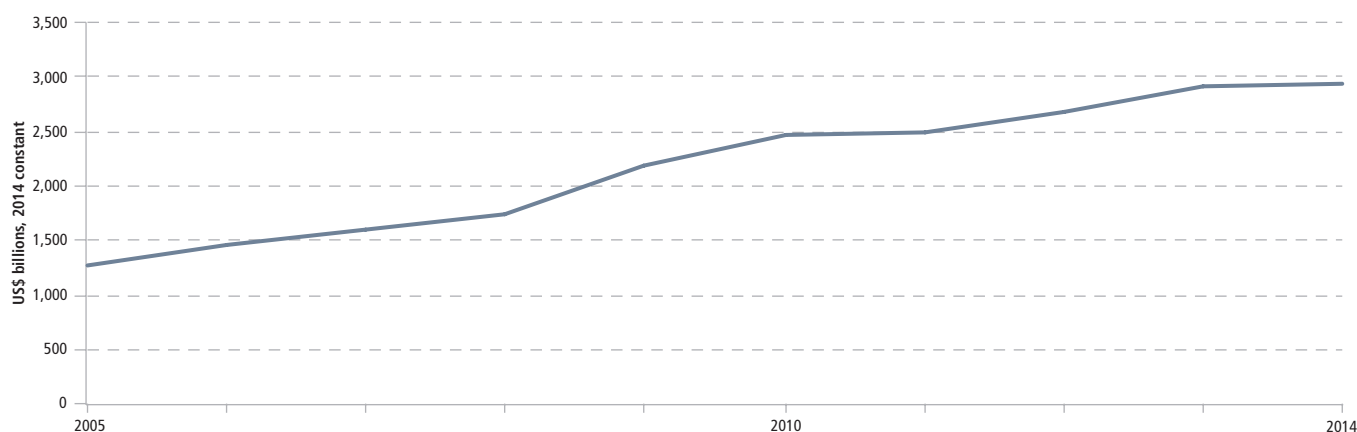
3. Domestic public finance per capita in East Asian developing countries, 2014



Government revenues per person in China exceed PPP\$3,700 while in Mongolia they are over PPP\$3,300

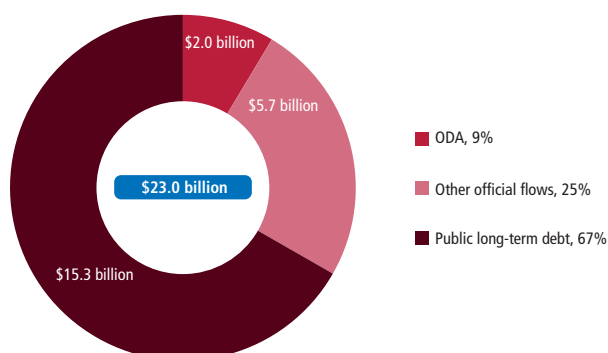
Note: PPP\$: purchasing power parity dollars

4. Domestic private finance trends in East Asian developing countries



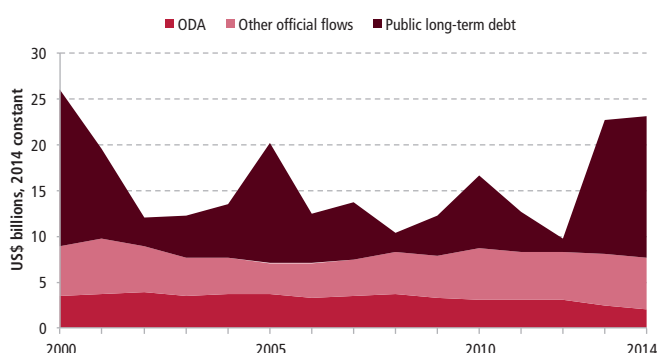
Private investment within East Asian developing countries has more than doubled since 2005

5. International public flows in East Asian developing countries, 2014



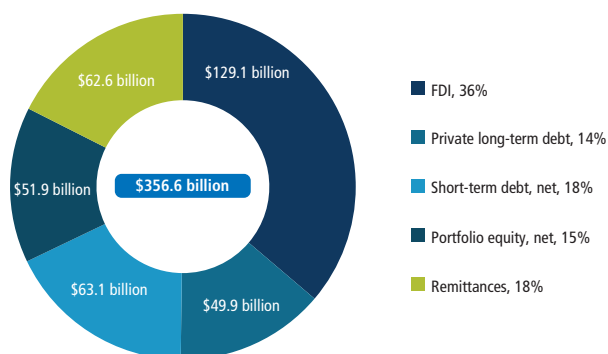
Public long-term debt accounts for two-thirds of international public flows available

6. International public flows trends in East Asian developing countries



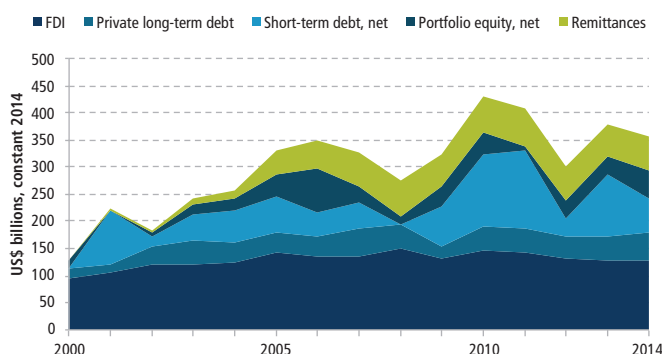
ODA to East Asian developing countries has more than halved since 2000; long-term public debt has fluctuated significantly

7. International private flows in East Asian developing countries, 2014



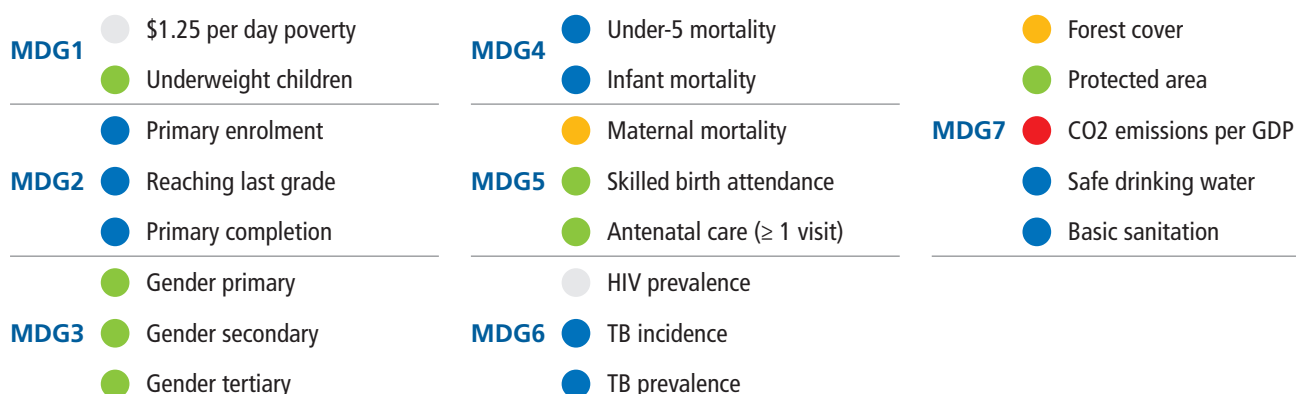
Foreign direct investment (FDI) accounts for more than a third (36%) of total international private flows

8. International private flows trends in East Asian developing countries



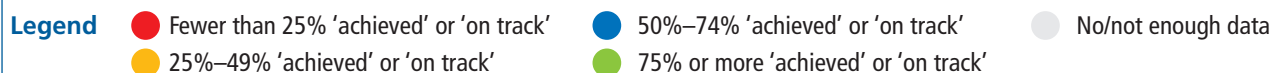
While FDI continues to account for the largest share of private inflows, remittances have grown the fastest since 2000

9. Millennium Development Goal (MDG) progress in East Asian developing countries



Progress across most MDGs was strong, with only three goals indicating limited progress

Note: GDP: gross domestic product; TB: tuberculosis.

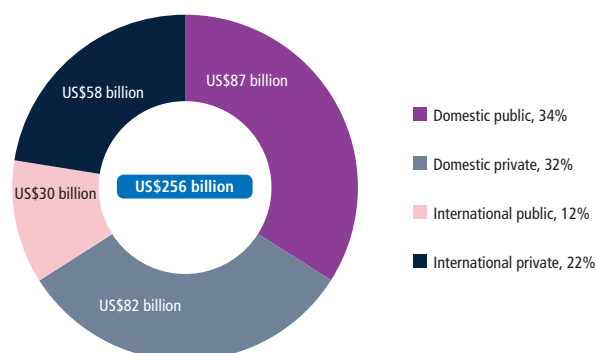


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: East Asia includes three developing countries: People's Republic of China, Democratic People's Republic of Korea, Mongolia. No domestic finance data are available for Democratic People's Republic of Korea. Comprehensive data on domestic resources pre-2005 are not available. All government revenue data excludes grants.

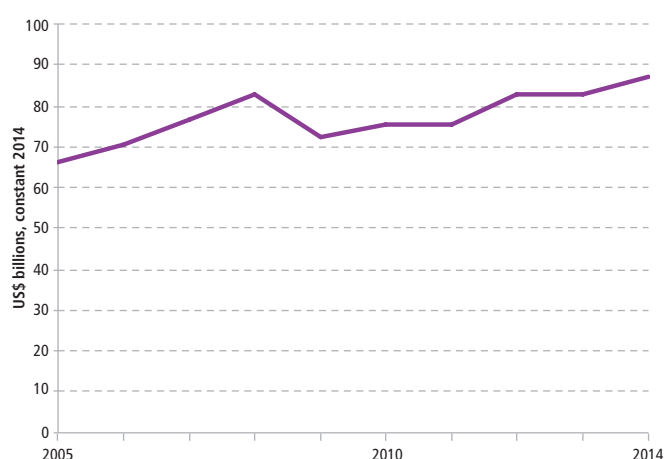
Profile: Asia-Pacific fragile states

1. Aggregate mix of resources in Asia-Pacific fragile states, 2014



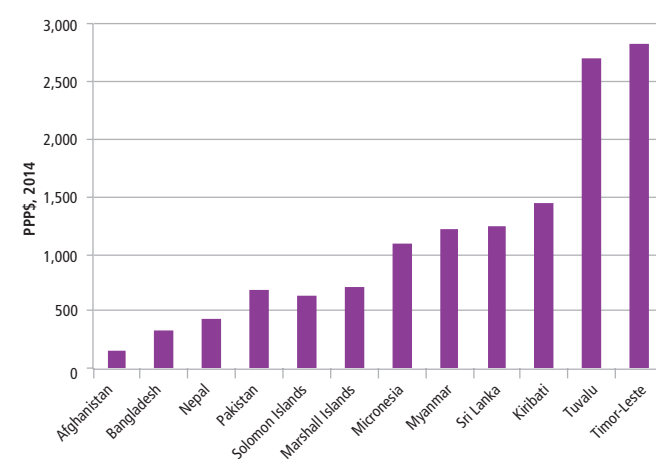
Domestic private and domestic public resources are the largest resources in fragile states, at 34% and 32% respectively

2. Domestic public finance trends in Asia-Pacific fragile states



Domestic public finance has grown an average 3% per year since 2005

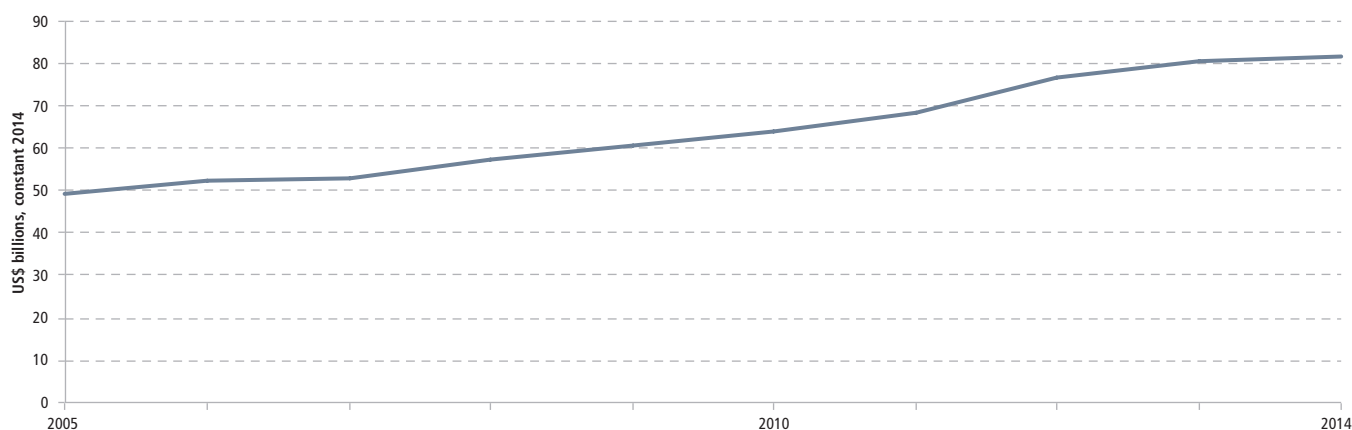
3. Domestic public finance per capita in Asia-Pacific fragile states, 2014



In half of all Asia-Pacific fragile states, government revenues are less than PPP\$800 per person

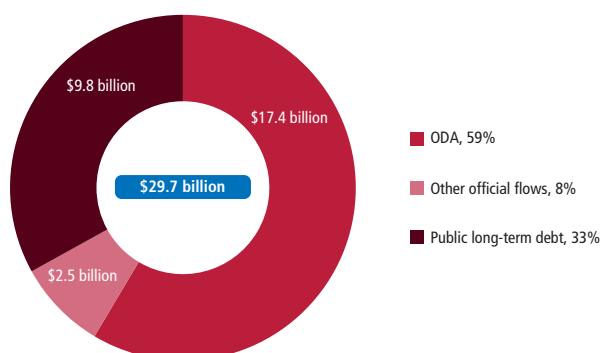
Note: PPP\$: purchasing power parity dollars

4. Domestic private finance trends in Asia-Pacific fragile states



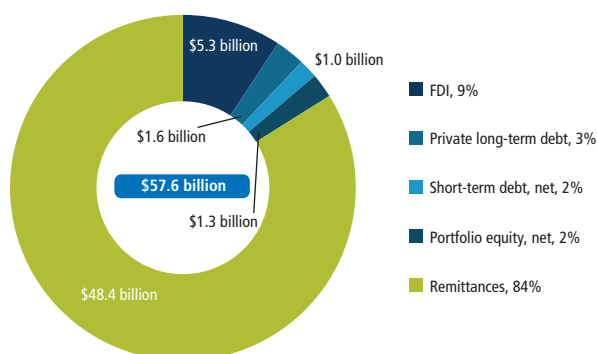
Domestic private investment has grown 5.8% per year on average since 2005

5. International public flows in Asia-Pacific fragile states, 2014



Official development assistance (ODA) accounts for almost 60% of all international public finance

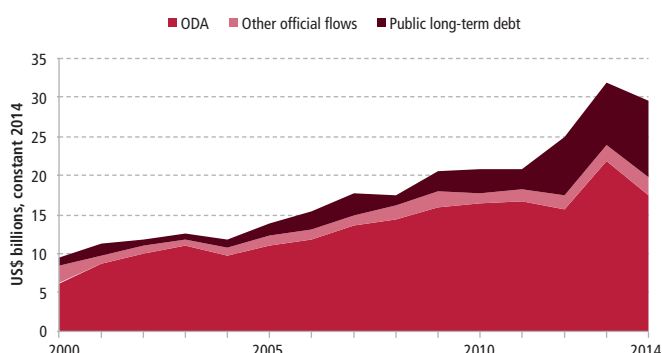
7. International private flows in Asia-Pacific fragile states, 2014



Remittances account for the vast majority (84%) of international private finance

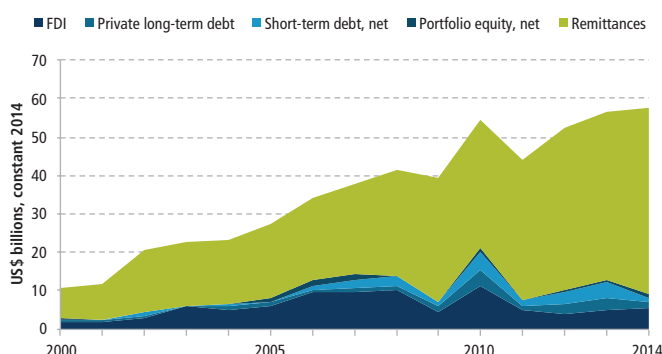
Note: FDI: foreign direct investment

6. International public flows trends in Asia-Pacific fragile states



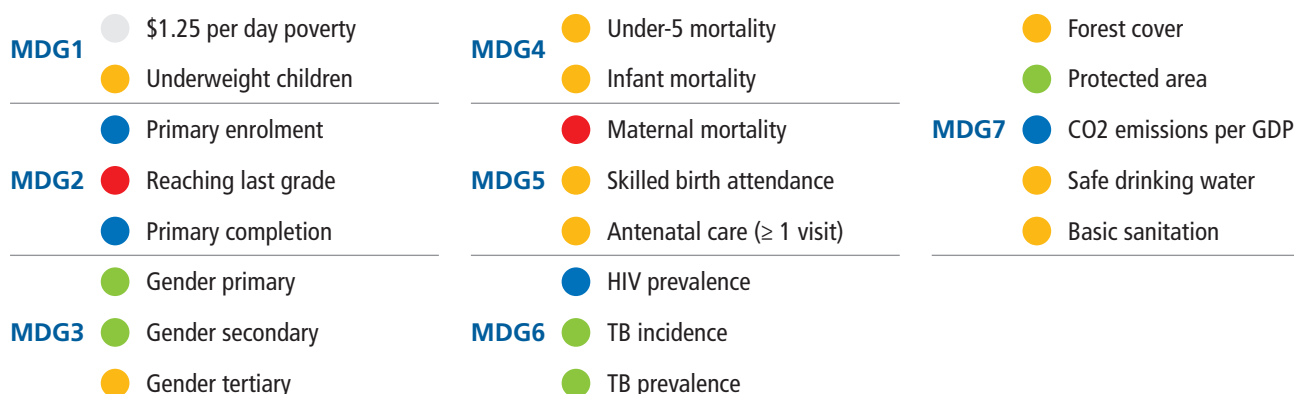
ODA has grown almost three fold since 2000, while long-term public debt has tripled since 2011

8. International private flows trends in Asia-Pacific fragile states



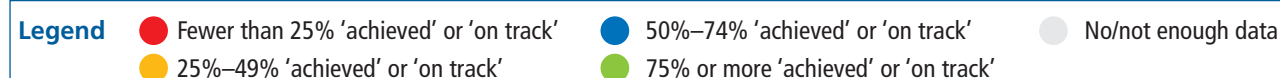
Since 2000, remittances have increased six-fold, while all other private flows together have tripled

9. Millennium Development Goal (MDG) progress in Asia-Pacific fragile states



Progress on the MDGs in Asia-Pacific fragile states was mixed, especially on health-related targets

Note: GDP: gross domestic product; TB: tuberculosis.

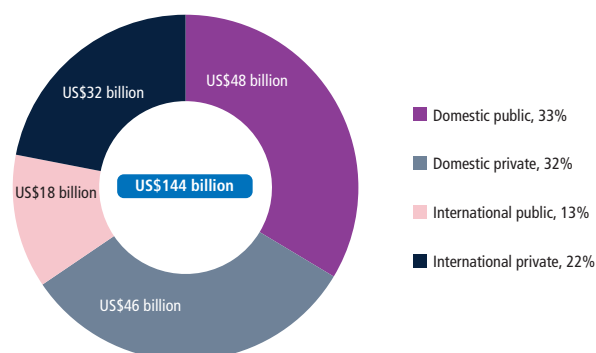


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: Fragile states were identified using the OECD 'List of fragile states and economies used for preparing the 2015 OECD report of states of fragility'. Asia-Pacific fragile states include 12 developing countries: Afghanistan, Bangladesh, Kiribati, Marshall Islands, Micronesia, Myanmar, Nepal, Pakistan, Solomon Islands, Sri Lanka, Timor-Leste, Tuvalu. Comprehensive data on domestic resources pre-2005 are not available. Data on private domestic resources are not available for Kiribati, Marshall Islands, Myanmar, Solomon Islands, Tuvalu and is limited to 2005–2007 for Timor-Leste. Data on FDI are not available for Tuvalu. Data on remittances are not available for Kiribati and Timor-Leste pre-2006, and for Marshall Islands and Tuvalu pre-2005. All government revenue data excludes grants.

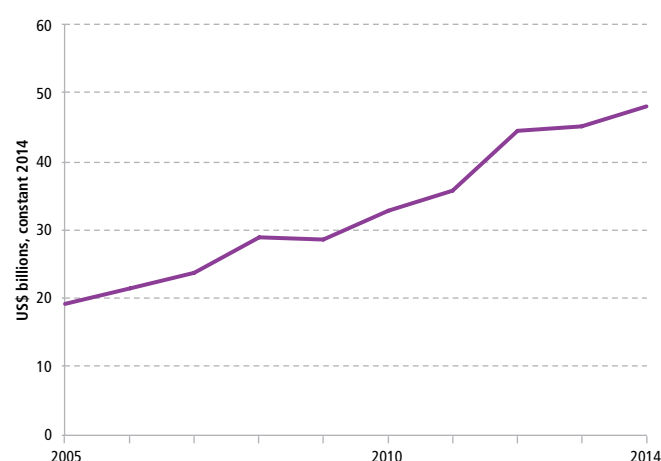
Profile: Asia-Pacific least developed countries (LDCs)

1. Aggregate mix of resources in Asia-Pacific LDCs, 2014



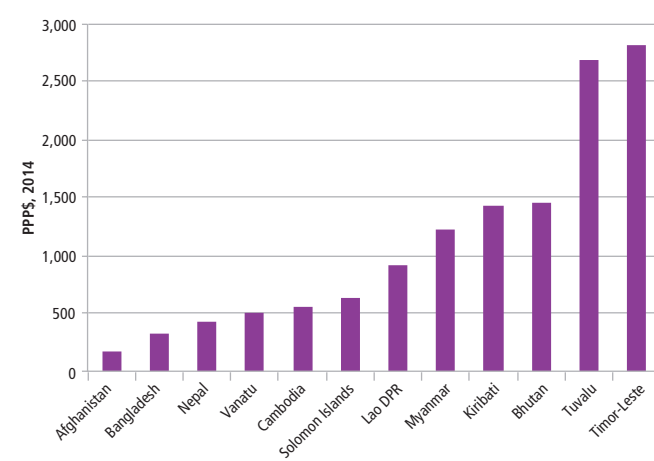
Domestic public finance accounts for 34% of resources in LDCs, followed by domestic private finance at 32%

2. Domestic public finance trends in Asia-Pacific LDCs



Since 2005 domestic public finance has grown an average 11% per year

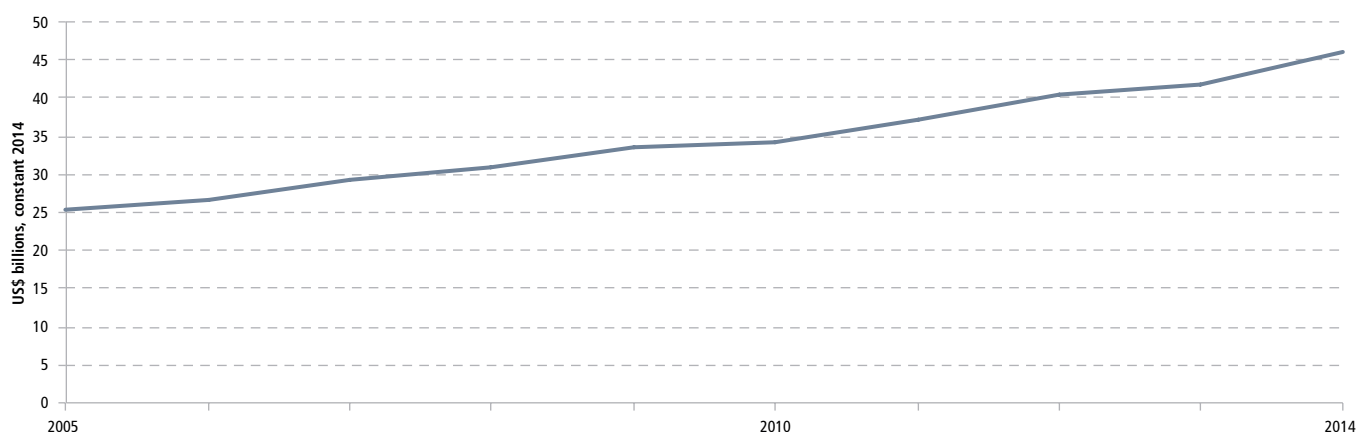
3. Domestic public finance per capita in Asia-Pacific LDCs, 2014



In seven Asia-Pacific LDCs, government revenues are less than PPP\$1,000 per person each year

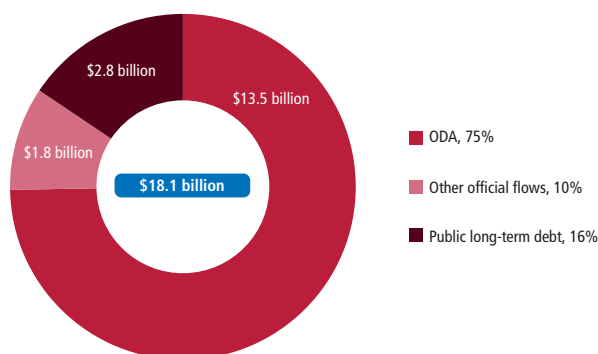
Notes: PPP\$: purchasing power parity dollars; Lao DPR: Lao People's Democratic Republic

4. Domestic private finance trends in Asia-Pacific LDCs



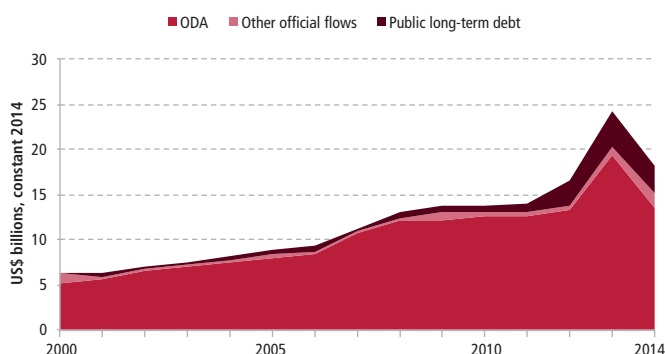
Domestic private investment in Asia-Pacific LDCs has increased steadily since 2005 at an average 7% per year

5. International public flows in Asia-Pacific LDCs, 2014



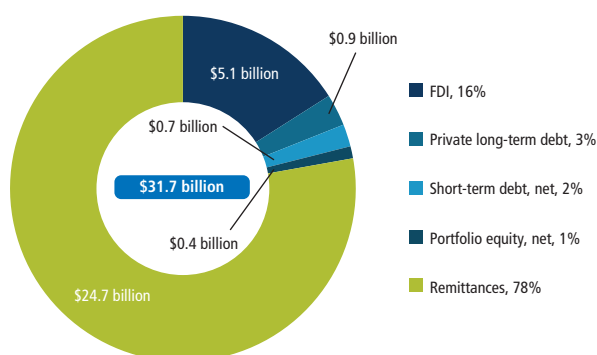
Official development assistance (ODA) accounts for 75% of total international public finance

6. International public flows trends in Asia-Pacific LDCs



ODA has grown more than 2.5 fold since 2000

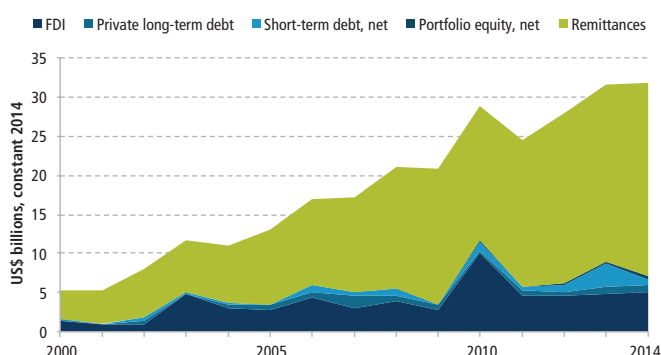
7. International private flows in Asia-Pacific LDCs, 2014



Remittances account for three-quarters of international private flows to LDCs in the Asia-Pacific region

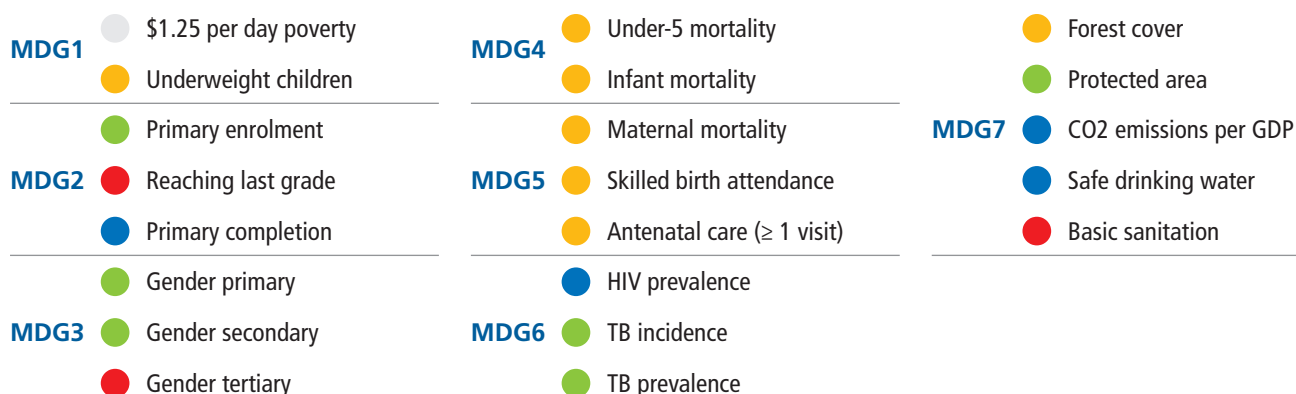
Note: FDI: foreign direct investment

8. International private flows trends in Asia-Pacific LDCs



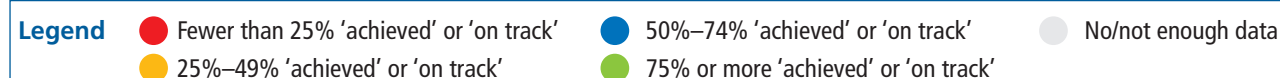
While remittances dominate, other international private flows have quadrupled in aggregate since 2000

9. Millennium Development Goal (MDG) progress in Asia-Pacific LDCs



MDG progress in LDCs has been very mixed

Note: GDP: gross domestic product; TB: tuberculosis.

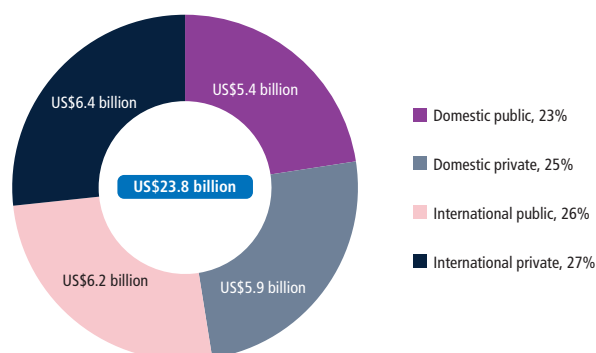


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: LDCs include 12 Asia-Pacific countries: Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic private resources are not available for Kiribati, Myanmar, Solomon Islands, Tuvalu and is limited to 2005–2007 for Timor-Leste. Data on FDI are not available for Tuvalu. Data on remittances are not available for Bhutan, Kiribati and Timor-Leste pre-2006, and for Tuvalu pre-2005. All government revenue data excludes grants.

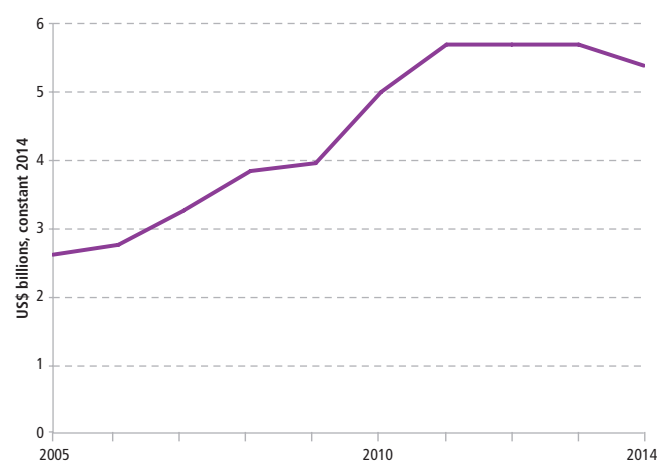
Profile: Asia-Pacific low income countries (LICs)

1. Aggregate mix of resources in Asia-Pacific LICs, 2014



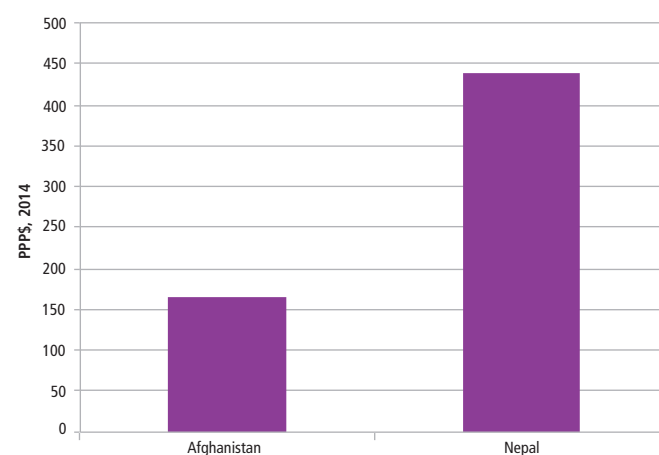
LICs have an evenly balanced mix of financing sources, though international flows exceed domestic finance

2. Domestic public finance trends in Asia-Pacific LICs



Government revenues in the group more than doubled between 2005 and 2011, though revenues have since fallen by almost 25% in Afghanistan

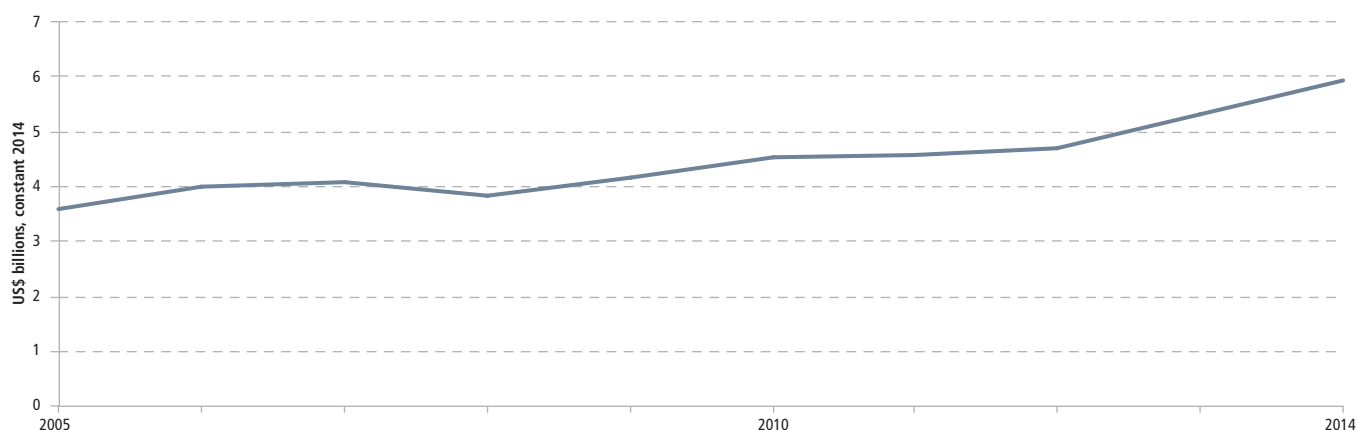
3. Domestic public finance per capita in Asia-Pacific LICs, 2014



Government revenues per person in both Afghanistan and Nepal are among the lowest in the world

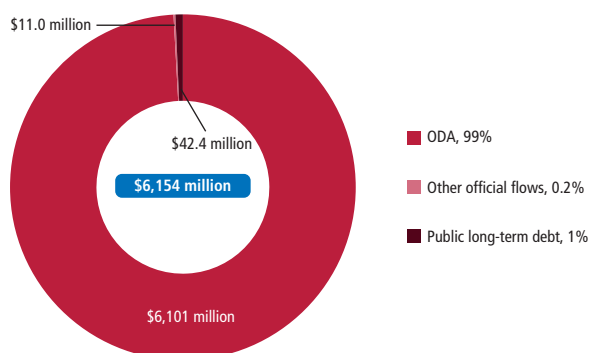
Note: PPP\$: purchasing power parity dollars

4. Domestic private finance trends



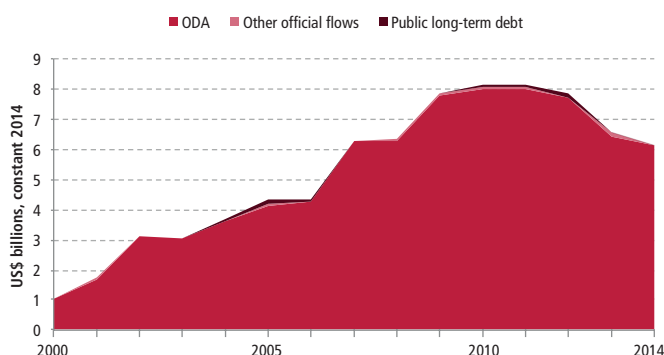
Domestic private finance has grown an average 8% per year since 2008

5. International public flows in Asia-Pacific LICs, 2014



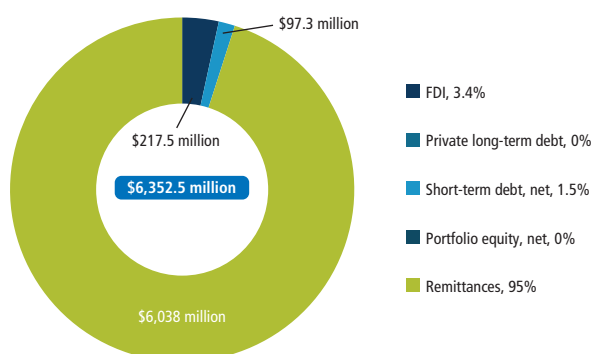
Official development assistance (ODA) accounts for 99% of international public finance

6. International public flows trends in Asia-Pacific LICs



ODA grew an average 23% per year between 2000 and 2010, though has since fallen by almost a quarter

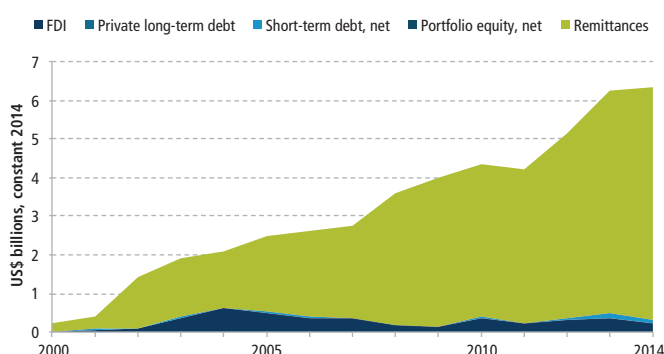
7. International private flows in Asia-Pacific LICs, 2014



Remittances dominate international private finance

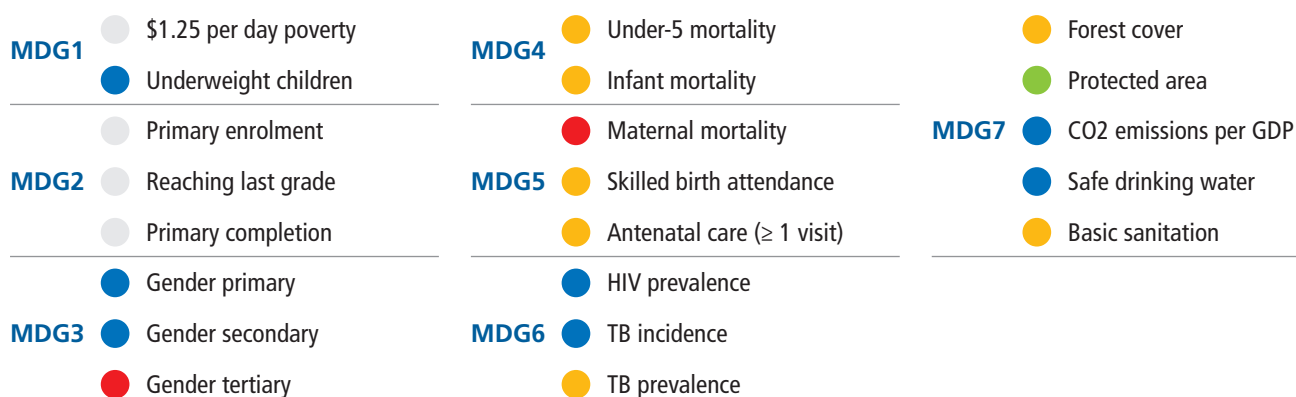
Note: FDI: foreign direct investment

8. International private flows trends in Asia-Pacific LICs



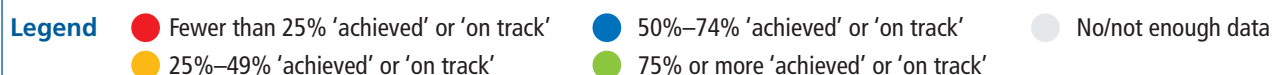
Remittances have grown at over 25% a year on average since 2000

9. Millennium Development Goal (MDG) progress in Asia-Pacific LICs



Progress toward the MDGs was mixed with health MDGs lagging behind the most, though data are unavailable for some goals

Note: GDP: gross domestic product; TB: tuberculosis.

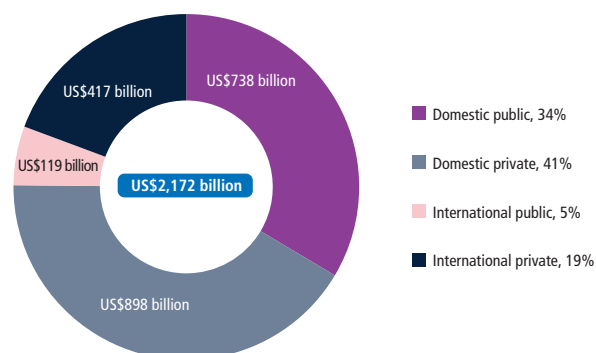


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: Asia-Pacific LICs include 3 countries: Afghanistan, Democratic People's Republic of Korea (Korea DPR), Nepal. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic resources and on remittances are not available for Korea DPR. All government revenue data excludes grants.

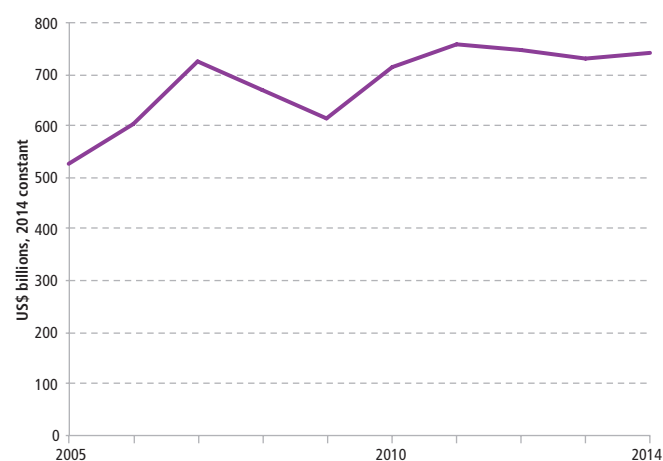
Profile: Asia-Pacific lower middle income countries (LMICs)

1. Aggregate mix of resources in Asia-Pacific LMICs, 2014



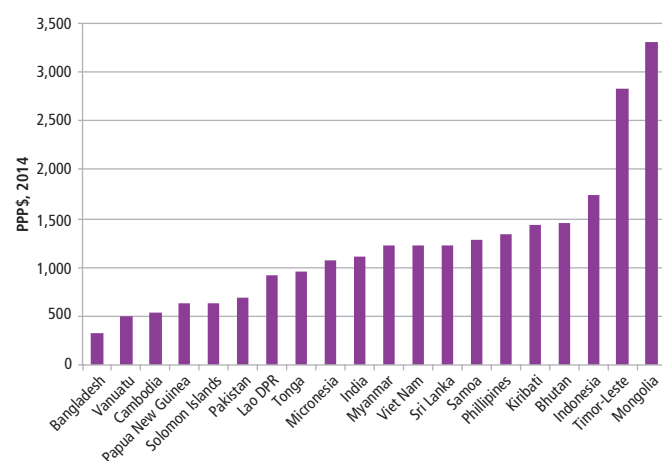
At 42%, domestic private finance is the largest source of financing in Asia-Pacific LMICs

2. Domestic public finance trends in Asia-Pacific LMICs



Domestic public finance has grown slowly since 2009

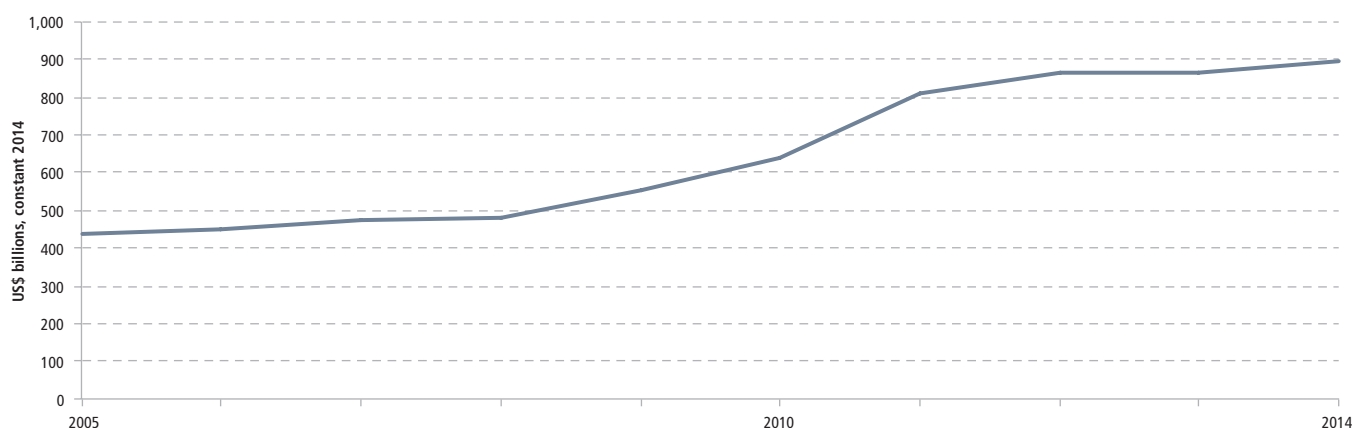
3. Domestic public finance per capita in Asia-Pacific LMICs, 2014



In 17 of 20 Asia-Pacific LMICs, government revenues are less than PPP\$1,500 per person; in resource-rich Timor-Leste they exceed PPP\$2,800 per person

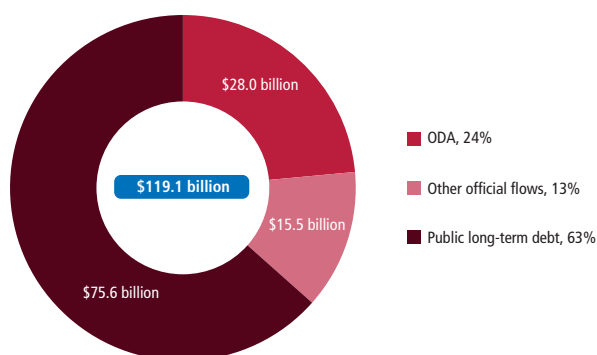
Notes: PPP\$: purchasing power parity dollars; Lao DPR: Lao People's Democratic Republic

4. Domestic private finance trends in Asia-Pacific LMICs



Since 2005, domestic private investment has grown an average 8% per year

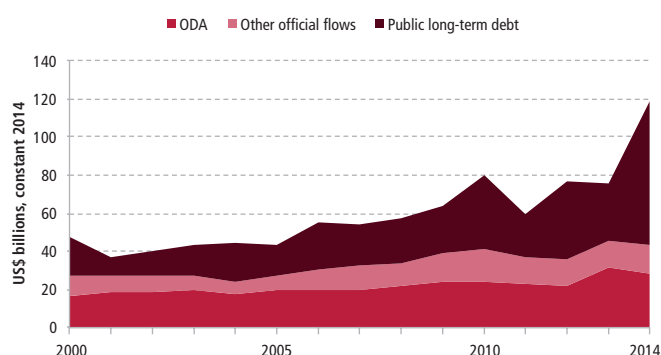
5. International public flows in Asia-Pacific LMICs, 2014



Almost two-thirds of international public finance is in the form of public long-term debt

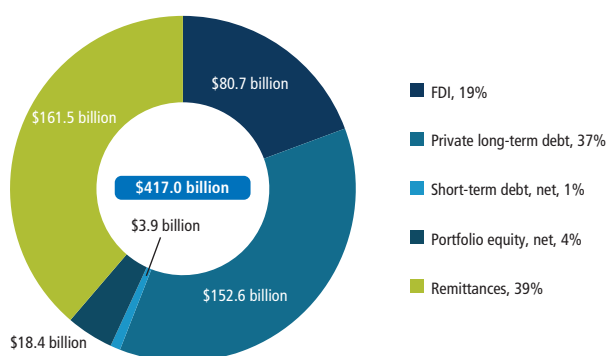
Note: ODA: official development assistance

6. International public flows trends in Asia-Pacific LMICs



ODA has almost doubled since 2000, with a peak in 2013; long-term debt has fluctuated and grew more than 2.5 fold in 2014

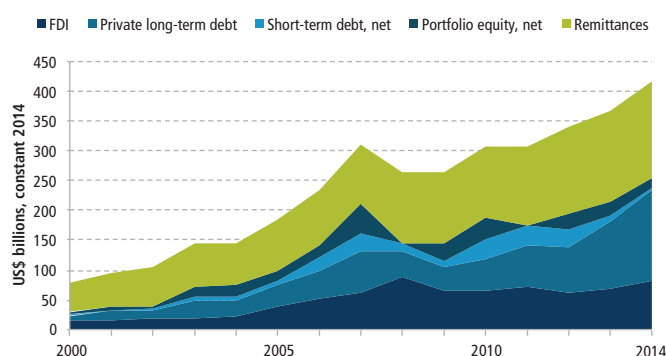
7. International private flows in Asia-Pacific LMICs, 2014



Remittances and long-term debt make up three-quarters of international private finance

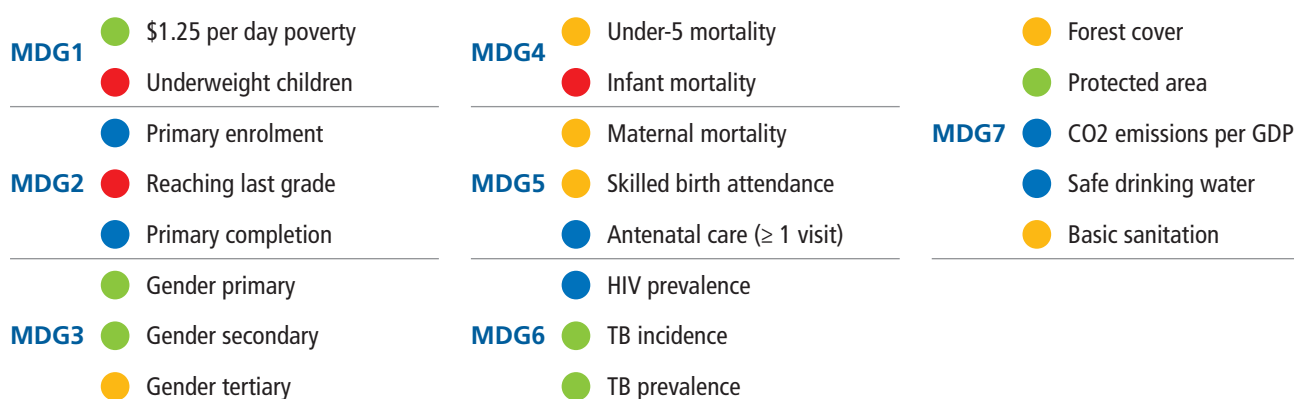
Note: FDI: foreign direct investment

8. International private flows trends in Asia-Pacific LMICs



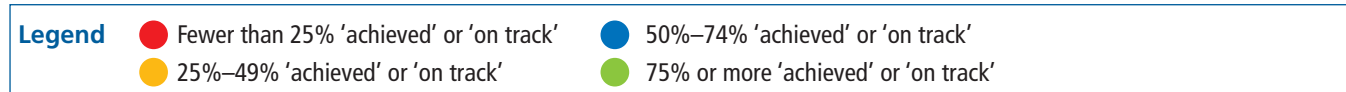
While FDI growth has slowed since 2009, private long-term debt levels have more than tripled

9. Millennium Development Goal (MDG) progress in Asia-Pacific LMICs



MDG progress in Asia-Pacific LMICs has been mixed, with MDGs 1, 2 and 4 lagging the most behind overall

Note: GDP: gross domestic product; TB: tuberculosis.

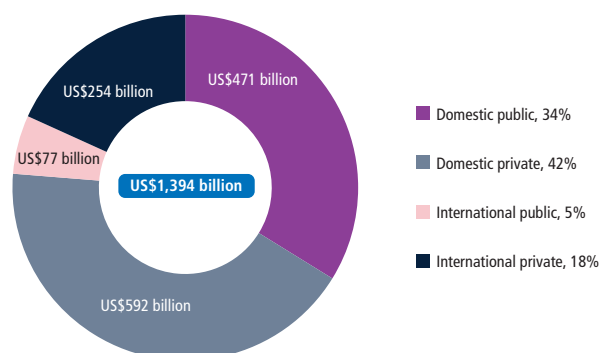


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: LMICs include 20 Asia-Pacific countries: Bangladesh, Bhutan, Cambodia, India, Indonesia, Kiribati, Lao People's Democratic Republic, Micronesia, Mongolia, Myanmar, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Vanuatu, Viet Nam. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic private resources are not available for Kiribati, Myanmar, Papua New Guinea, Samoa, Solomon Islands and limited to 2005–2007 for Timor-Leste. Data on remittances are not available for Bhutan, Kiribati and Timor-Leste pre-2006. All government revenue data excludes grants.

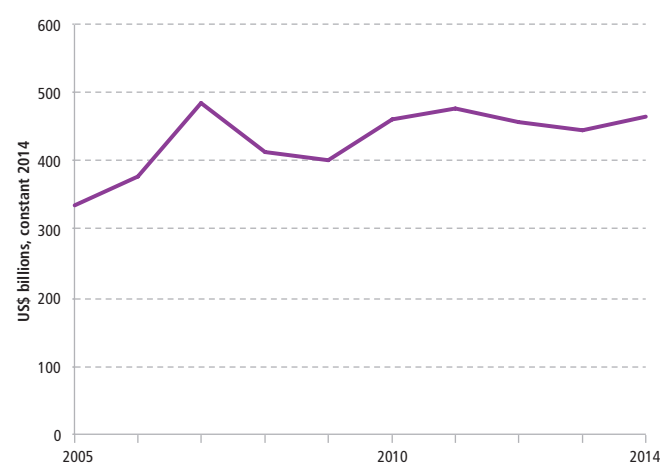
Profile: South Asian Association for Regional Cooperation (SAARC)

1. Aggregate mix of resources in SAARC countries, 2014



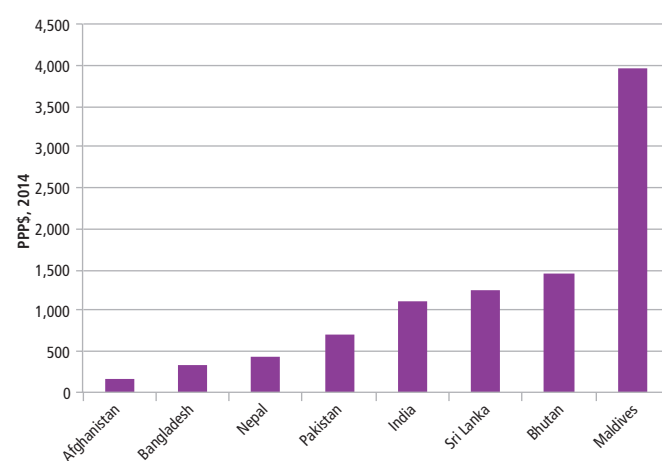
Domestic private resources account for 42% of total resources

2. Domestic public finance trends in SAARC countries



Domestic public resources have grown an average 4% per year since 2005

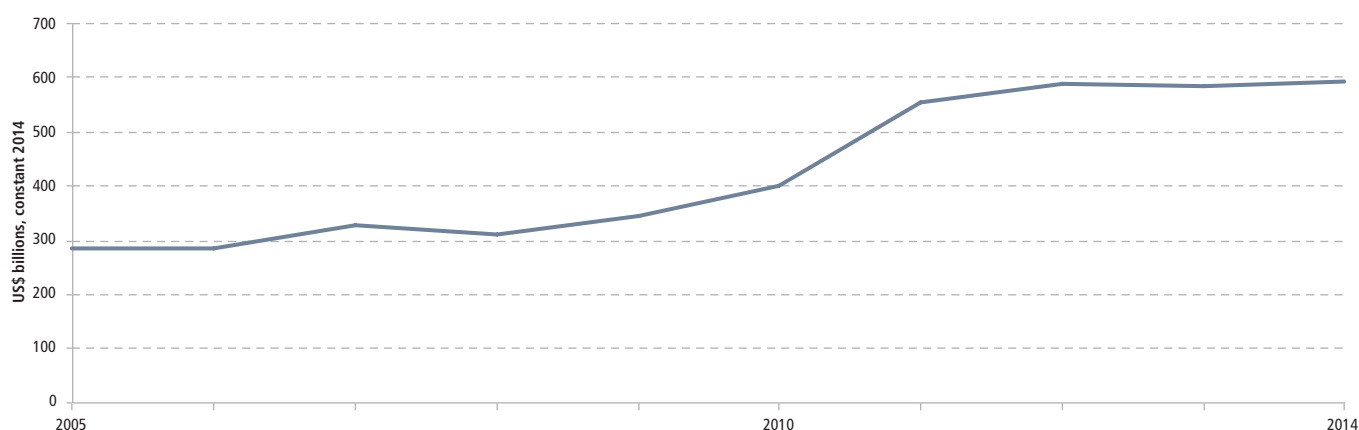
3. Domestic public finance per capita in SAARC countries, 2014



Except in the Maldives, government revenues are less than PPP\$1,500 per person in all SAARC countries

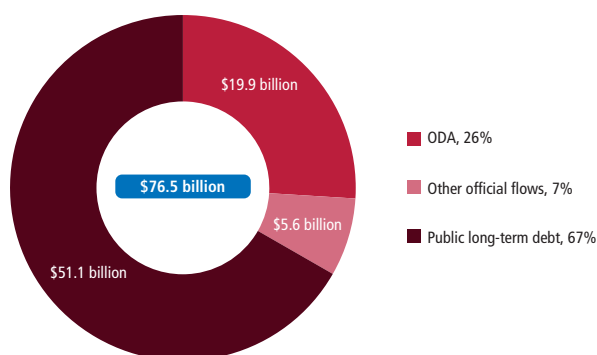
Note: PPP\$: purchasing power parity dollars

4. Domestic private finance trends in SAARC countries



Following a period of growth to 2012, domestic private investment has plateaued

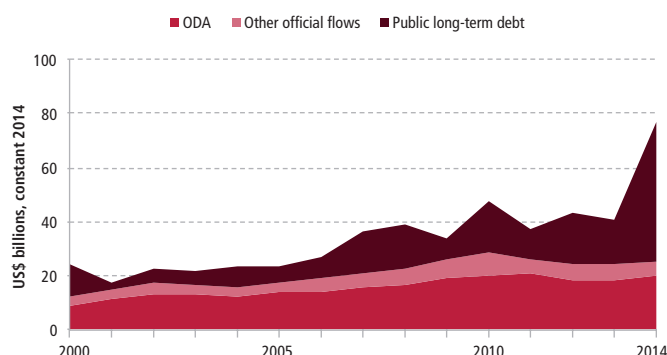
5. International public flows in SAARC countries, 2014



Public long-term debt accounts for two-thirds of public international inflows

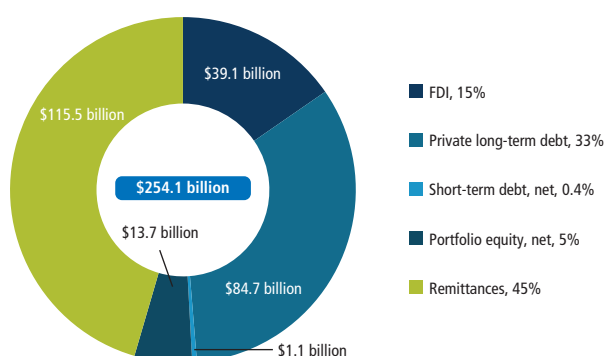
Note: ODA: official development assistance

6. International public flows trends in SAARC countries



Public long-term debt more than tripled between 2013 and 2014; ODA has remained relatively stable since 2009

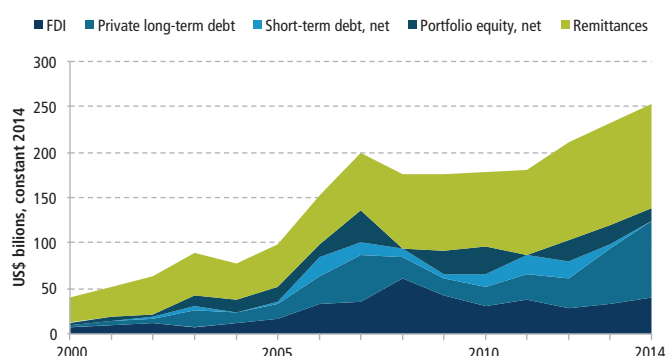
7. International private flows in SAARC countries, 2014



Remittances accounts for 45% of international private finance

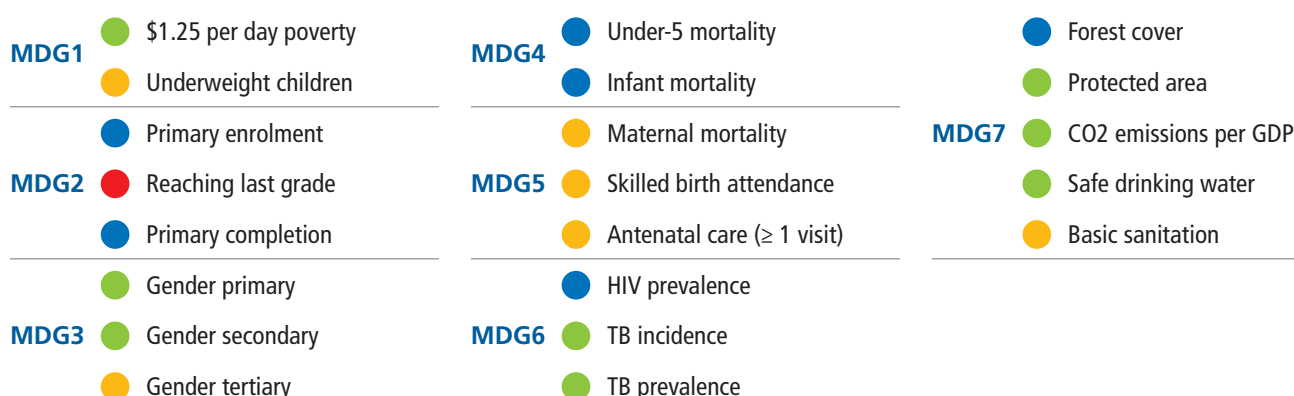
Note: FDI: foreign direct investment

8. International private flows trends in SAARC countries



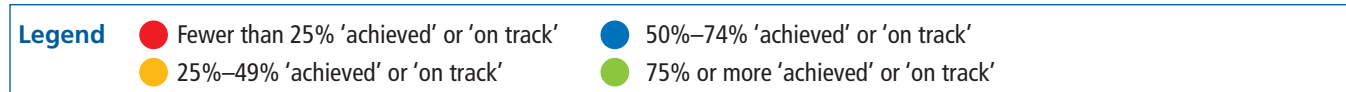
While remittances continue to be the largest source of private inflows, private long-term debt has increased most rapidly since 2000

9. Millennium Development Goal (MDG) progress in SAARC countries



MDG progress was mixed with some goal areas seeing more progress than others

Note: GDP: gross domestic product; TB: tuberculosis.

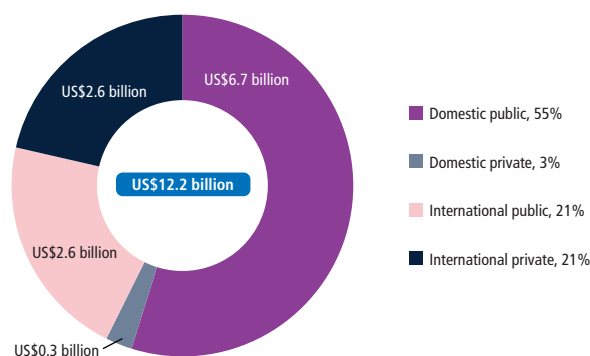


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: SAARC includes 8 countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic public resources are not available for the Maldives pre-2011. Data on domestic private resources are only available for a single year (2005) for the Maldives. Data on remittances are not available for Bhutan pre-2006. All government revenue data excludes grants.

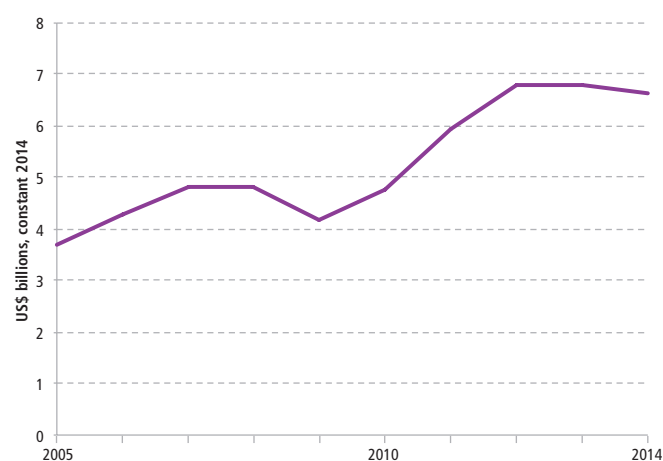
Profile: The Pacific

1. Aggregate mix of resources in the Pacific, 2014



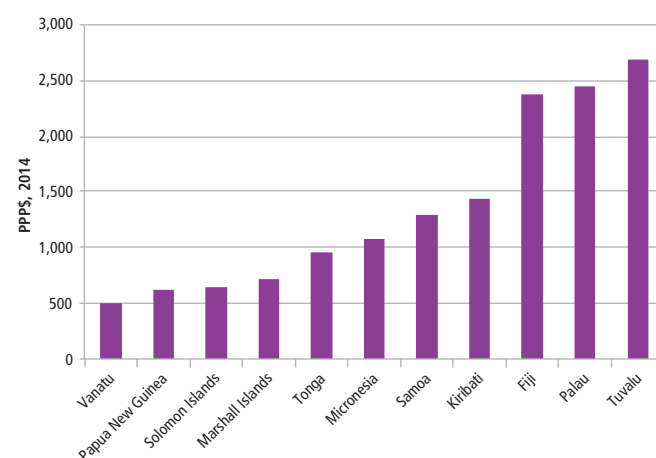
Domestic public resources account for over half of all resources; international public and private each account for 21%

2. Domestic public finance trends in the Pacific



Domestic public resources grew an average 10% per year between 2005 and 2012, but have since fallen by 2%

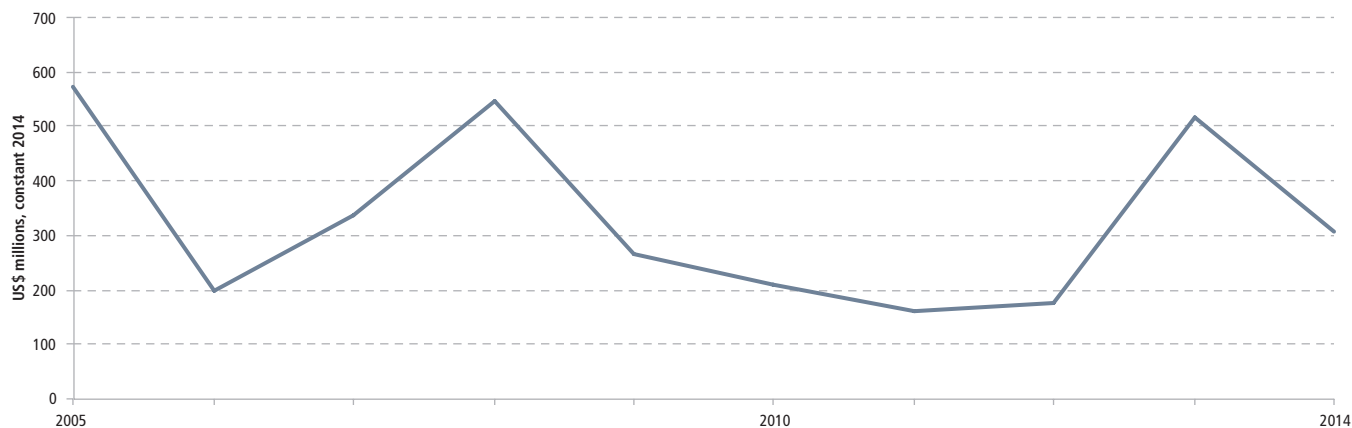
3. Domestic public finance per capita in the Pacific, 2014



Government revenue per capita in Pacific countries differs significantly, from just above PPP\$500 in Vanuatu to over PPP\$2,600 in Tuvalu

Note: PPP\$: purchasing power parity dollars

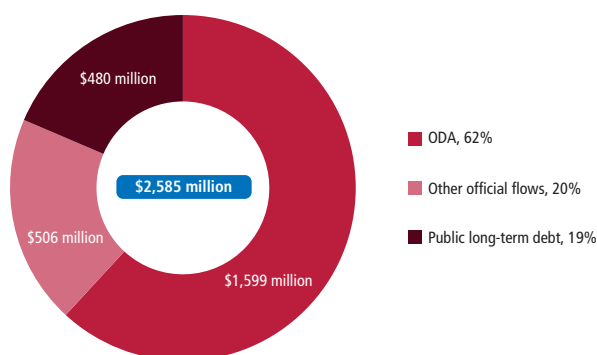
4. Domestic private finance trends in the Pacific



Domestic private investment has fluctuated significantly year-on-year since 2000

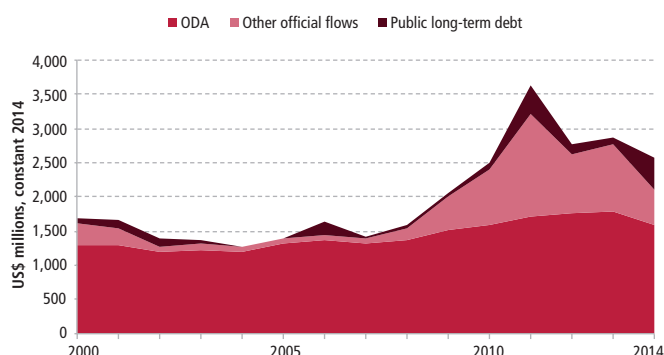
Note: Data on domestic private finance are not available for Papua New Guinea (PNG) from 2005 onwards. The average level of private domestic investment in PNG between 2000 and 2004 was US\$682 million, ranging from \$800 million in 2000 to \$520 million in 2003.

5. International public flows in the Pacific, 2014

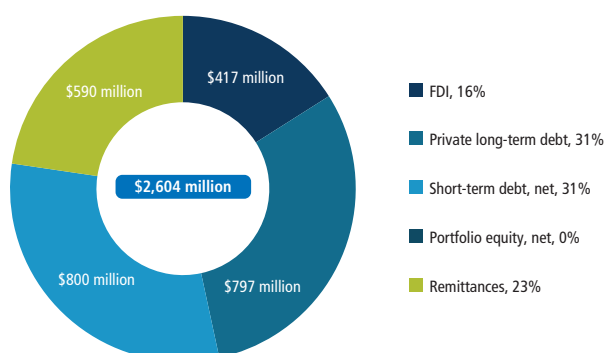


Official development assistance (ODA) accounts for 60% of all international public flows

6. International public flows trends in the Pacific



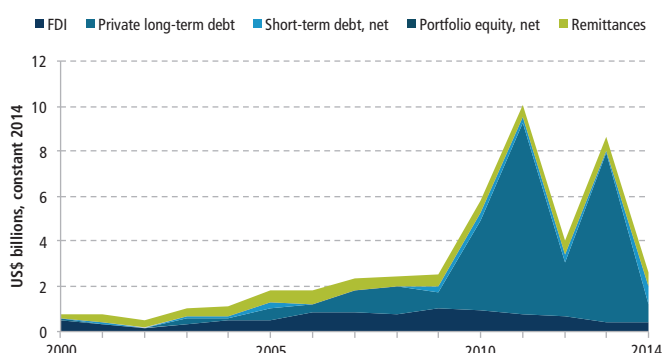
7. International private flows in the Pacific, 2014



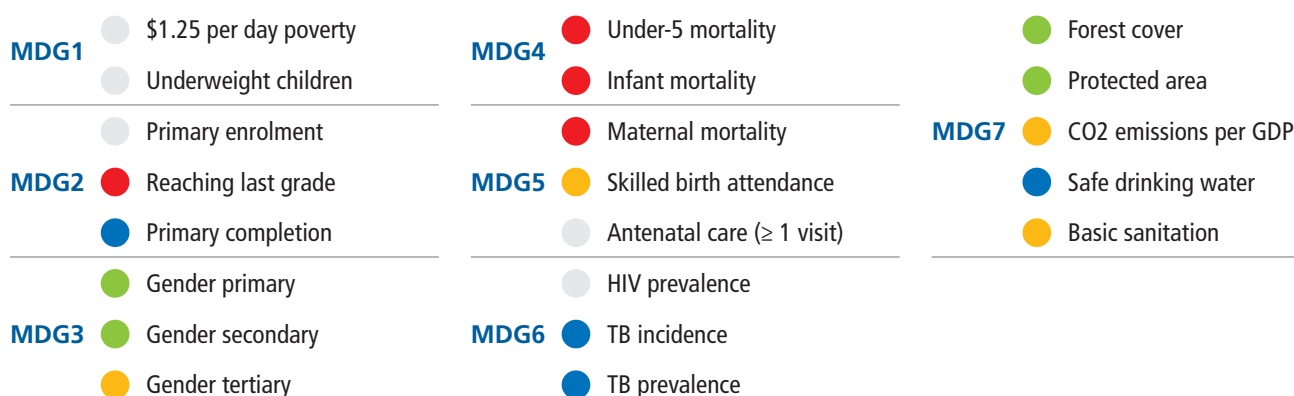
Debt financing, both long and short term, accounts for nearly two-thirds of private international flows to the Pacific

Note: FDI: foreign direct investment

8. International private flows trends in the Pacific

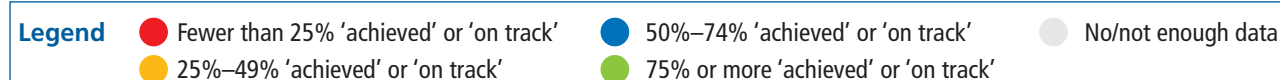


9. Millennium Development Goal (MDG) progress in the Pacific



Pacific countries showed mixed progress against MDG targets

Note: GDP: gross domestic product; TB: tuberculosis.

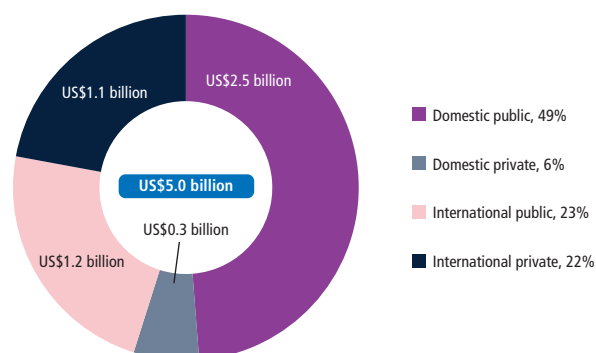


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: The Pacific includes 15 countries: Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, PNG, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic public resources are not available for Cook Islands, Nauru, Niue, Tokelau. Data on domestic private resources are not available for Cook Islands, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tuvalu. Data on other official flows are not available for Niue and Tokelau. Data on FDI are not available for Tokelau and Tuvalu. Data on short-term debt and portfolio equity are not available for Cook Islands, Niue, Tokelau. Data on remittances are not available for Cook Islands, Nauru, Niue, Tokelau; or for Kiribati pre-2006; for Marshall Islands, Palau, Tuvalu data are it not available pre-2005. All government revenue data excludes grants.

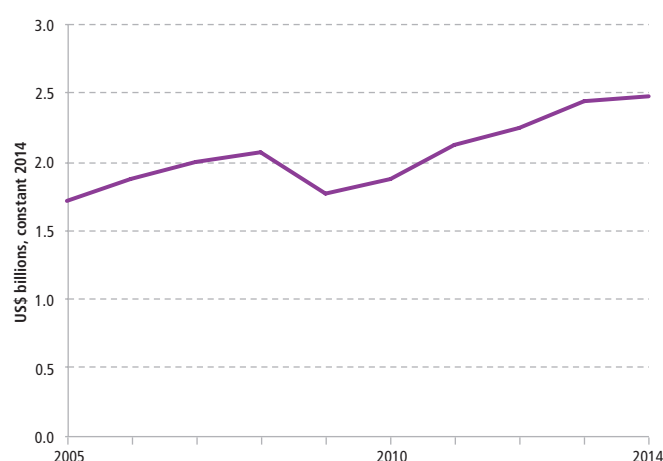
Profile: The Pacific excluding Papua New Guinea (PNG)

1. Aggregate mix of resources in the Pacific (excluding PNG), 2014



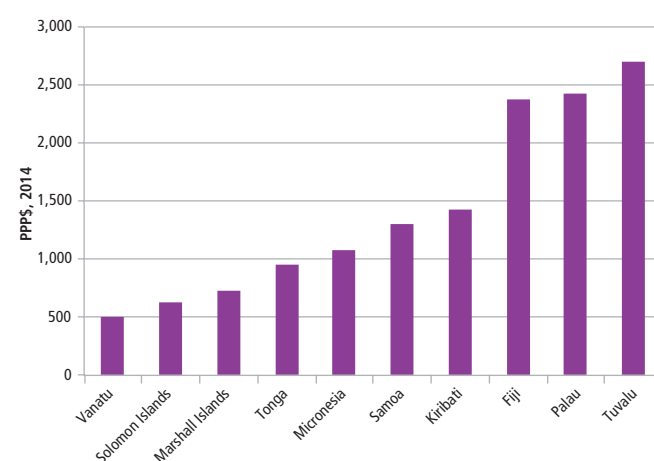
Domestic public finance accounts for 49% of total finance; international public finance accounts for 23%

2. Domestic public finance trends in the Pacific (excluding PNG)



Since 2005, domestic public resources have grown by 44% overall

3. Domestic public finance per capita in the Pacific (excluding PNG), 2014



Government revenues are less than \$1,500 per person in seven Pacific Islands

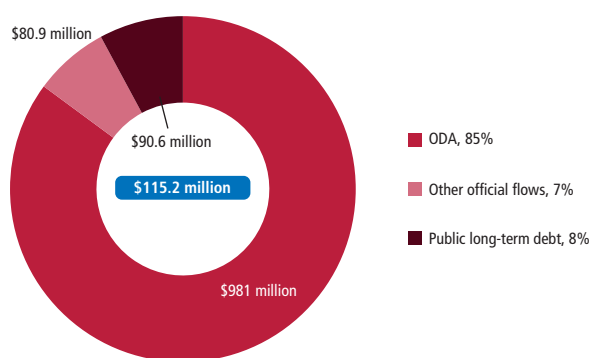
Note: PPP\$: purchasing power parity dollars

4. Domestic private finance trends in the Pacific (excluding PNG)



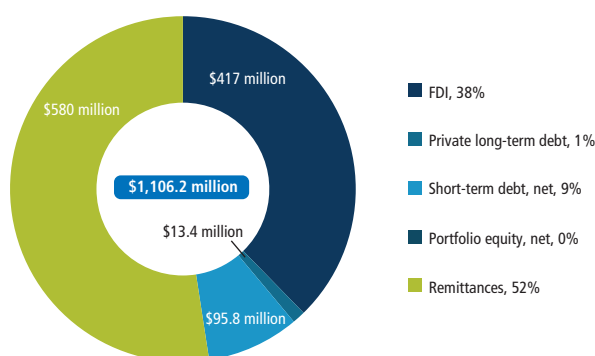
Domestic private investment has fluctuated significantly year-on-year since 2005

5. International public flows in the Pacific (excluding PNG), 2014



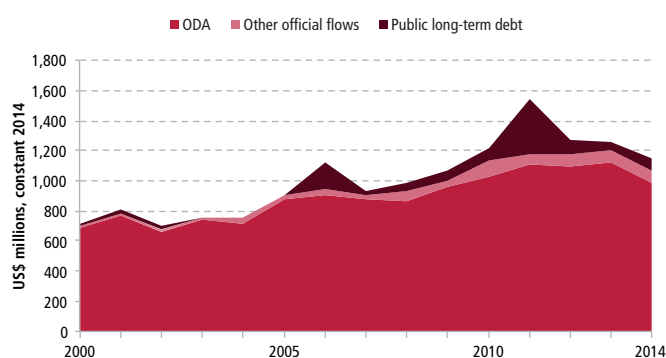
Official development assistance (ODA) accounts for 85% of all international public flows

7. International private flows in the Pacific (excluding PNG), 2014



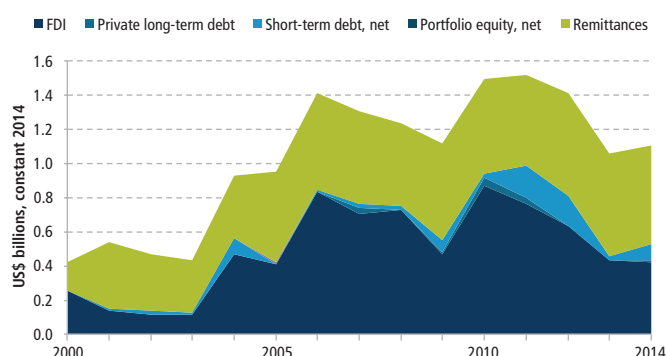
Together, remittances and foreign direct investment (FDI) make up 90% of private international flows to Pacific countries other than PNG

6. International public flows trends in the Pacific (excluding PNG)



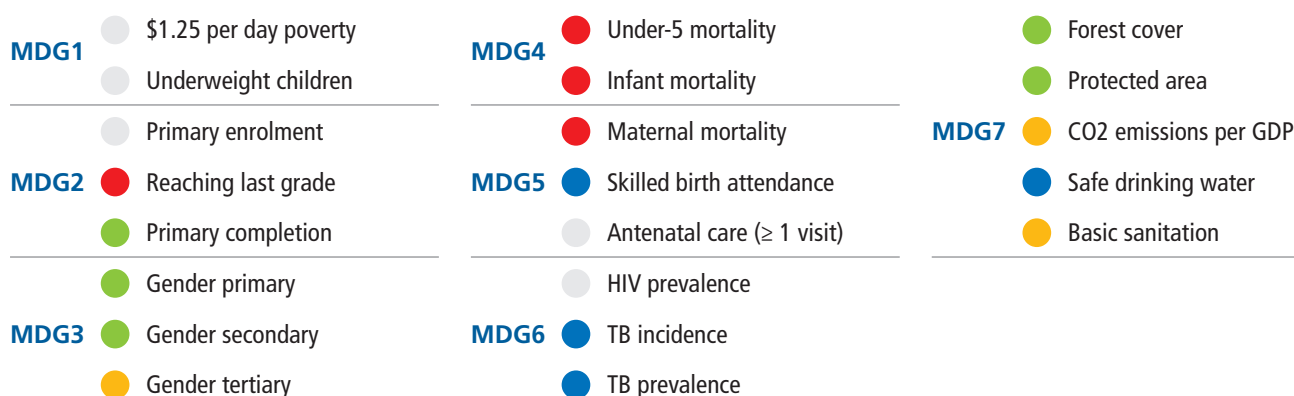
ODA has grown by US\$300 million between 2000 and 2014, a 44% rise over the period.

8. International private flows trends in the Pacific (excluding PNG)



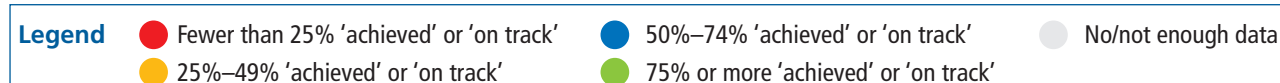
Remittances have more than tripled since 2000; while FDI has decreased by over 50% since its peak in 2010

9. Millennium Development Goal (MDG) progress in the Pacific (excluding PNG)



Pacific countries showed mixed progress against MDG targets

Note: GDP: gross domestic product; TB: tuberculosis.

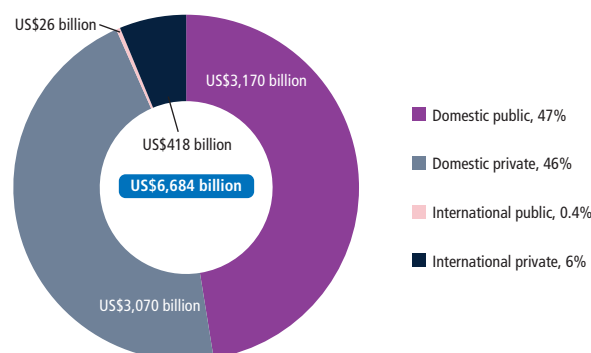


Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: This grouping includes 14 countries: Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic public resources are not available for Cook Islands, Nauru, Niue, Tokelau. Data on domestic private resources are not available for Cook Islands, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tuvalu. Data on other official flows are not available for Niue and Tokelau. Data on FDI are not available for Tokelau and Tuvalu. Data on short-term debt and portfolio equity are not available for Cook Islands, Niue, Tokelau. Data on remittances are not available for Cook Islands, Nauru, Niue, Tokelau; or for Kiribati pre-2006; for Marshall Islands, Palau, Tuvalu data are not available pre-2005. All government revenue data excludes grants.

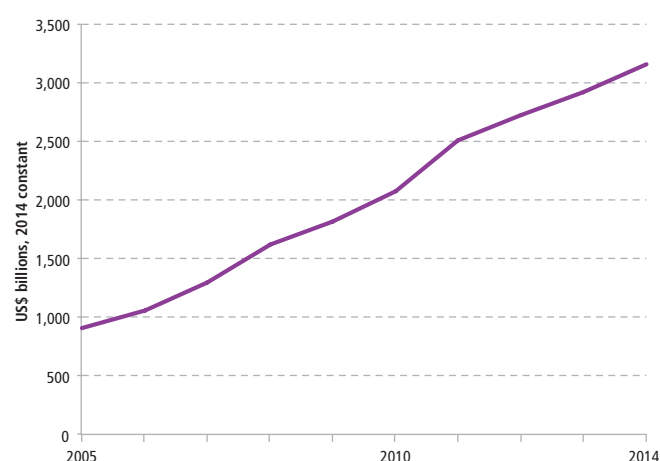
Profile: Asia-Pacific upper middle income countries (UMICs)

1. Aggregate mix of resources in Asia-Pacific UMICs, 2014



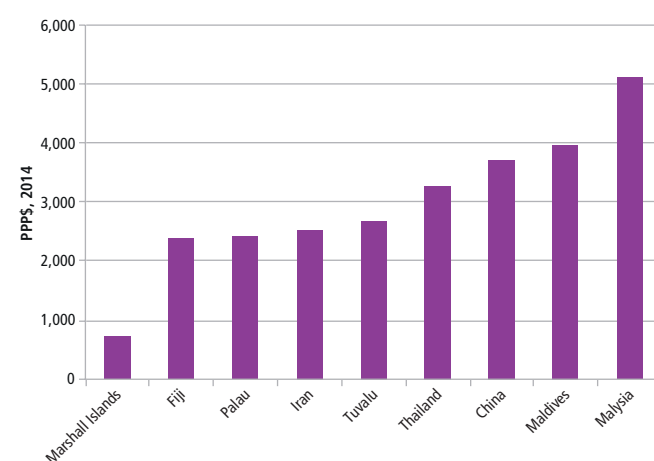
At 47% of the total, domestic public finance is the largest resource in UMICs, followed by domestic private finance at 46%

2. Domestic public finance trends in Asia-Pacific UMICs



Domestic public resources have grown 3.5 fold since 2005

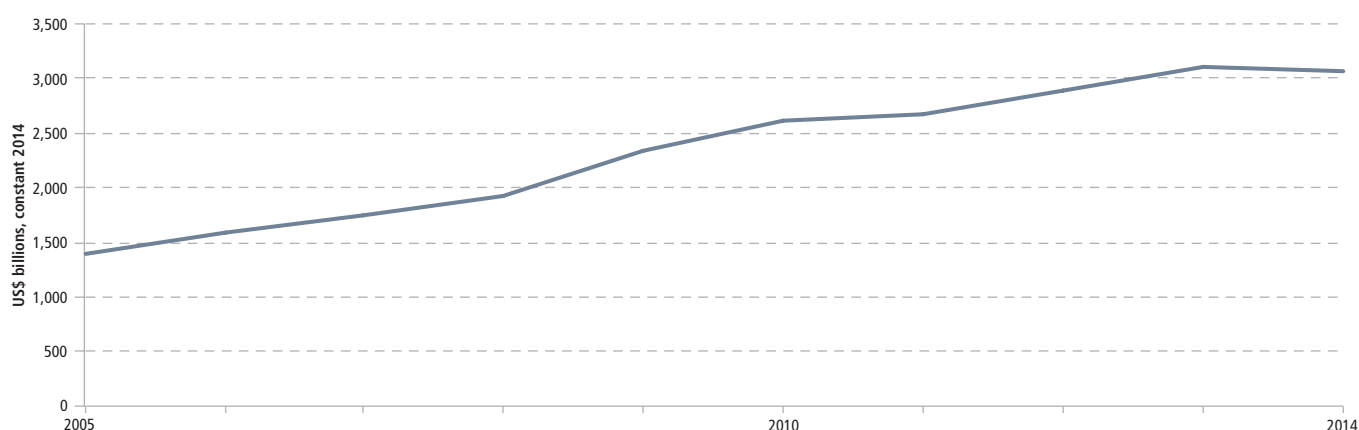
3. Domestic public finance per capita in Asia-Pacific UMICs, 2014



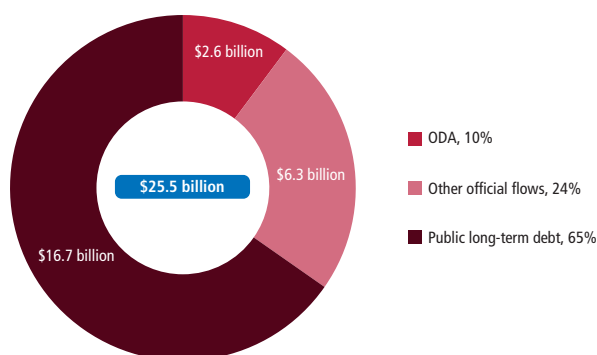
Government revenues are lower than \$3,000 per person in five of the nine UMICs

Note: PPP\$: purchasing power parity dollars

4. Domestic private finance trends in Asia-Pacific UMICs

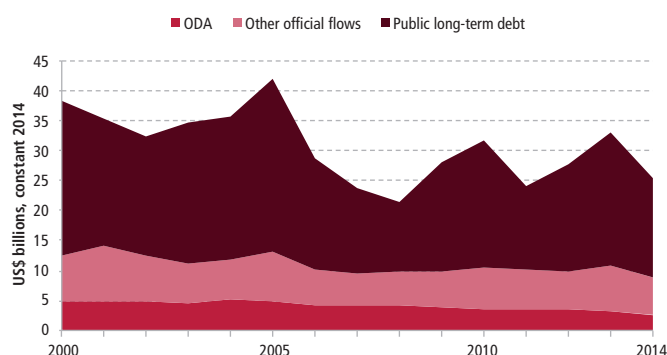


5. International public flows in Asia-Pacific UMICs, 2014



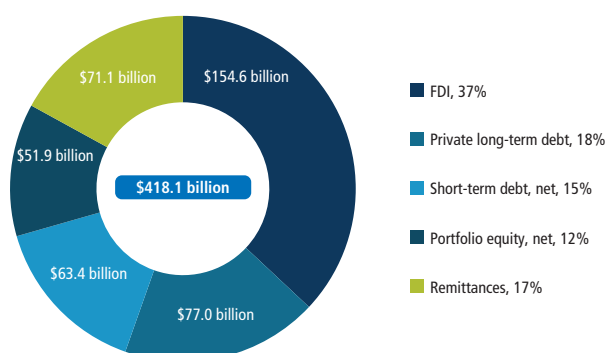
Public lending dominates among international public inflows, while official development assistance (ODA) accounts for 10% of international public finance

6. International public flows trends in Asia-Pacific UMICs



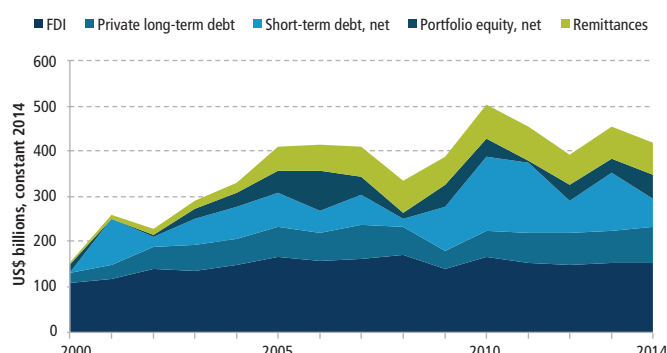
Long-term debt has been fluctuating but continues to account for the majority of international public resources, while ODA has fallen almost 45% since 2000

7. International private flows in Asia-Pacific UMICs, 2014



Foreign direct investment (FDI) accounts for over a third of international private flows; private long-term debt and remittances account for 18% and 17% each

8. International private flows trends in Asia-Pacific UMICs



FDI has grown fairly steadily since 2000, at 2.6% per year on average, while remittances have increased 12-fold

9. Millennium Development Goal (MDG) progress in Asia-Pacific UMICs

MDG1 <ul style="list-style-type: none"> \$1.25 per day poverty Underweight children Primary enrolment 	MDG4 <ul style="list-style-type: none"> Under-5 mortality Infant mortality Maternal mortality 	MDG7 <ul style="list-style-type: none"> Forest cover Protected area CO2 emissions per GDP
MDG2 <ul style="list-style-type: none"> Reaching last grade Primary completion Gender primary 	MDG5 <ul style="list-style-type: none"> Skilled birth attendance Antenatal care (≥ 1 visit) HIV prevalence 	<ul style="list-style-type: none"> Safe drinking water Basic sanitation
MDG3 <ul style="list-style-type: none"> Gender secondary Gender tertiary 	MDG6 <ul style="list-style-type: none"> TB incidence TB prevalence 	

Progress on the MDGs has been very strong across Asia-Pacific UMICs

Note: GDP: gross domestic product; TB: tuberculosis.

Legend	<ul style="list-style-type: none"> Fewer than 25% 'achieved' or 'on track' 25%–49% 'achieved' or 'on track' 50%–74% 'achieved' or 'on track' 75% or more 'achieved' or 'on track'
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Sources for all figures: Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, World Bank World Development Indicators, World Bank International Debt Statistics, World Bank Migration and Remittances data, UN Conference on Trade and Development, International Monetary Fund Article IV publications, United Nations Statistics Division (Millennium Indicators). See Methodology for calculations.

Notes for all figures: UMICs include 9 Asia-Pacific countries: People's Republic of China, Fiji, Iran, Malaysia, Maldives, Marshall Islands, Palau, Thailand, Tuvalu. Comprehensive data on domestic resources pre-2005 are not available. Data on domestic private investments are not available for Marshall Islands, Palau, Tuvalu and is limited to one year (2005) for the Maldives. Data on domestic public resources for the Maldives are not available pre-2011. Data on remittances for Marshall Islands, Palau, Tuvalu are not available pre-2005. All government revenue data excludes grants.

