

UNITED NATIONS DEVELOPMENT PROGRAMME

Project of the Governments of the Association
of South-East Asian Nations (ASEAN)

Brunei Darussalam, Indonesia, Malaysia, Philippines,
Singapore and Thailand

Title: Seminars on Mobilization of ASEAN
Domestic Resources

Number: RAS/85/014/A/01/40

Sector: General Development Issues, Policy and
Planning (02)

Sub-Sector: Development Strategies, Policy and
Planning (0210)

Government
Implementing Agency: Ministry of Finance of the Governments of
ASEAN countries

Implementing Agency: ASEAN Committee on Finance and
Banking

Executing Agency: United Nations Conference on Trade and
Development (UNCTAD)

Estimated starting date: May 1987

Government Inputs: None.

UNDP inputs: US\$ 196,500

Signed:

On behalf of the Governments of
ASEAN Countries

Date:

28/1/87

Signed:

On behalf of the Regional
Implementing Agency

Date:

28/1/87

On behalf of the Executing Agency
Per Mr. Morten's telex UNCTAD 8559
dated 24 December 1986

Date:

28 JAN 1987

Signed:

On behalf of the United Nations
Development Programme
Per Mr. Morey's telex DP157
dated 21 March 1986

Date:

28 JAN 1987

PART I: LEGAL CONTEXT

This Project Document shall be the instrument referred to in Article I, paragraph one of the assistance agreement between the Governments of the Philippines and Singapore and the United Nations Development Programme signed by the parties on 21 July 1977 and 11 March 1975, respectively.

This Project Document shall be the instrument (therein referred to as a Plan of Operation) envisaged in Article I, paragraph two, of the agreement among the Governments of Indonesia, Malaysia and Thailand and the United Nations Development Programme concerning assistance under the special fund sector of the United Nations Development Programme, signed by the parties on 7 October 1960, 25 July 1961 and 4 June 1960, respectively.

PART II : The Project

A. Development Objective

The Development Objective is to assist the ASEAN countries in their mobilization of domestic resources in the region to finance development projects and to lessen ASEAN's dependence of external resources.

B. Immediate objective

1. For ASEAN finance and tax officials to acquire a better understanding and knowledge of the financial systems of the industrialized countries, potential domestic sources of funds, tax administration systems of the industrialized countries, measures to stimulate inter-ASEAN investments.

2. To enable government officials to explore possible areas of co-operation in this field.

3. To create new sources of domestic funds through the introduction of new financial instruments and to promote the role of existing financial institutions.

4. The seminars are expected to provide an authoritative basis for policy directions on mobilization of ASEAN resources consistent with the growth in the demand for funds to finance public and private development projects.

C. Special Considerations

There are no special considerations pertinent to this project.

D. Background and Justification

External borrowing has, in the past, played an important role in ASEAN's development progress. However, in recent years, while ASEAN's financing needs have increased, external resources have

become scarce and costly as the result of unfavourable world economic situation. Therefore, it is felt that the governments of ASEAN will have to mobilize their domestic resources and will need to promote inter-ASEAN borrowings and investments if ASEAN is to maintain its development momentum.

At present, there is a large scope of mobilizing existing funds in ASEAN, as well as generating higher saving propensities. The ASEAN governments wish to mobilize these funds and to strengthen the role of the financial institutions in the region through the reduction of the role of the unorganized money markets.

Taxation represents an important source of the governments' revenue. However, in most ASEAN countries, the effectiveness of the tax collection system has fallen short of expectation. It is therefore felt that ASEAN governments should attempt to close the tax loopholes and to rationalize tax administration.

In recognition of the need for co-operation among ASEAN countries and the need to upgrade the personnel in this field, the ASEAN Committee on Finance and Banking (COFAB), at its Thirteenth Meeting held in Bangkok 22-24 January 1985, decided that seminars on domestic resources be held.

E. Outputs

1. Direct Output

An upgrading of the knowledge, skills and competence of sixty ASEAN finance and monetary officials.

2. Indirect Output

2.1 Employment of new financial instruments for the purpose of mobilizing ASEAN domestic resources.

2.2 Transfer of resources among ASEAN countries by way of investments and loans.

2.3 An improved tax collection system leading to an increase in the revenues of the governments.

F. Activities

It is envisaged that three seminars will be held in Bangkok on the issues of the mobilization of domestic resources. The first Seminar/Workshop will deal with national capital markets and it is scheduled for May 1987. The second seminar, which is concerned with regional capital markets and intra-Asian flows of investments, will take place in October 1987, while the third seminar which will deal with the roles and functions of financial institutions in the pursuit of resource mobilization for growth and development is scheduled for April 1988.

1. Seminar on Domestic Capital Markets (May 1987) (ten days)

- (a) Segmentation of domestic capital markets in the organized and unorganized sectors.

(b) Integration of the two sectors through:

- interest rate reforms
- institutional reforms

These reforms would encourage mobilization of financial savings and ensure viability of financial institutions by providing real positive interest payments on deposits and other financial assets.

Institutional reforms would include inter-alia, decentralization of decision-making and enlarged access of small entrepreneurs.

- (c) The development and promotion of domestic security markets.
- (d) Supervision and regulation of capital markets.
- (e) Appropriate fiscal policies toward capital markets.

2. Seminar on Regional Capital Markets and intra-ASEAN flows of Investments (October 1987)
(ten days)

- (a) Mobilization of regional funds through capital markets.
- (b) Mounting of financial packages for specific development projects through equity participation, joint ventures and co-financing by commercial and development banks.
- (c) Mutual assistance in the identification and preparation of viable projects including project rehabilitation.
- (d) Mobilization of resources for the financing and refinancing of non-traditional trade within the ASEAN region.
- (e) Floating of government bonds either in national currencies or where possible in regional currencies.
- (f) Negotiations with Regional Investors/Partners
- (g) Insurance aspects of inter-country investments
- (h) The conclusion of inter-country investment contracts

3. Seminar on Resource Mobilization through Financial Institutions (April 1988) (ten days)

- (a) Efficiency of intermediary roles of financial institutions
- (b) Savings mobilization strategy and financial infrastructure
- (c) Fiscal incentives and appropriate policies.

- (d) Special roles of savings institutions, mutual funds, investment trusts, remit trust, national equity funds, and others
- (e) Resource mobilization in support of export promotion
- (f) Insurance aspects of credit allocation

G. Inputs

1) Host Government Input

The ASEAN Committee on Finance and Banking will provide the necessary facilities for the seminars which shall include:

- (a) seminar hall
- (b) public address system
- (c) overhead projector
- (d) slide projector
- (e) production/printing aid for printed documents
- (f) stationery
- (g) secretariat support

2) UNDP Input

(a) Expert Personnel

Travel, per diem and honorarium for six outside (third country) experts per seminar.

(b) ASEAN Participants

Travel for 45 participants (excluding Thailand) and per diem for a maximum of sixty (60) participants (including Thailand); three participants from each ASEAN country per seminar.

(c) Other Costs

Provisions are made for UNCTAD and ASEAN-COFAB specialists to provide direct technical inputs at three scheduled seminars.

- (d) Preparation and reproduction of seminar reports
- (e) Miscellaneous

H. Preparation of Work Plan

A detailed Work Plan for the implementation of the project will be prepared by the Implementing Agencies in consultation with the Executing Agency, UNCTAD, and will be revised periodically.

I. Preparation of the Framework for the Effective Participation of National and International Staff in the Project

The activities necessary to produce the indicated outputs and achieve the project's immediate objectives will be carried out jointly by the national and international staff as indicated above. The respective roles of the national and international staff will be determined by their regional implementing agency and set out in a Framework for Effective Participation of National and International Staff in the Project. The Framework, which will be attached to the project Document as Annex II, will be reviewed as necessary. The respective roles of the national and international staff shall be in accordance with the established concept and specific purposes of technical co-operation.

J. Development Support Communication

No development support communication is envisaged.

K. Institutional Framework

Three seminars will be jointly implemented by UNCTAD and ASEAN Committee on Finance and Banking and invitation letters will be dispatched accordingly. ASEAN participants to the seminars shall be from personnel of full time employment in the agency(ies) related to areas under the purview of ASEAN-COFAB and shall be for the seminars selected by ASEAN-COFAB.

L. Prior Obligations and Prerequisites

Qualifications and experience of consultants brought into the seminars should be acceptable to ASEAN-COFAB. UNCTAD will clear the above with ASEAN-COFAB before recruitment.

M. Future UNDP Assistance

No future UNDP assistance to this project is envisaged at the time of project formulation.

PART III. SCHEDULE OF MONITORING, EVALUATION AND REPORTS

A. Tripartite Monitoring Reviews, Technical Reviews

The project will be subject to periodic review in accordance with the policies and procedures established by UNDP for monitoring project and programme implementation.

A Tripartite Review will be conducted after the conclusion of the third Seminar/Workshop, scheduled for the Second Quarter of 1988.

B. Evaluation

The project will be subject to evaluation, in accordance with the policies and procedures established for this purpose by UNDP. The organization, terms of reference and timing of the evaluation will be decided by consultation between the participating Governments, the UNDP and UNCTAD.

C. Progress and Terminal Reports

Standard progress reports, in accordance with the UNDP Policies and Procedures Manual, will be prepared jointly by the ASEAN Coordinator and the Author/Technical Resource Persons. These reports will serve as the basis for the periodic tripartite reviews.

Reports on the Seminar will be jointly prepared by UNCTAD and the ASEAN Coordinator. A consolidated final report will be jointly prepared by UNCTAD secretariat and ASEAN-COFAB prior to the Tripartite Review tentatively scheduled during the Second Quarter of 1988.

PART IV. BUDGETS

The project budget covering the contribution of UNDP follows. The cost plan is shown in Annex I.

PROJECT BUDGET COVERING UNDP CONTRIBUTION

(in US Dollars)

Country : Brunei Darussalam, Indonesia,
Malaysia, Philippines, Singapore and Thailand.

Project Number : RAS/85/014/A/01/40

Project Title : Seminars on Mobilization of ASEAN Domestic Resources

		TOTAL		1987		1988	
		p/m	\$	p/m	\$	p/m	\$
10.	PROJECT PERSONNEL						
11	Experts						
11-01	Consultants	0.0	93,600		62,400		31,200
11-99	Sub-Total	0.0	93,600	0.0	62,400	0.0	31,200
16	Mission costs		15,000		10,000		5,000
19	Component Total		108,600		72,400		36,200
30.	TRAINING						
32	Group Training		78,900		52,600		26,300
39	Component Total		78,900		52,600		26,300
50.	MISCELLANEOUS						
52	Reporting Costs		5,500		4,000		1,500
53	Sundries		3,500		2,500		1,000
59	Component Total		9,000		6,500		2,500
99.	Project Total		196,500		131,500		65,000
999.	UNDP Total Contribution		196,500		131,500		65,000

ANNEX ICost Plan for 3 Seminars of Mobilization of ASEAN Domestic Resources
(expressed in US dollars)

Six Consultants x 10 days = 180

Salary = 180 x 150 = 27,000

Per diem = 180 x 70 = 12,600

Travel = 6 x 3000 x 3 = 54,000

Three participants from:

Indonesia travel 18 x 400 = 7,200

Malaysia travel 18 x 220 = 3,960

Philippines travel 18 x 310 = 5,580

Singapore travel 18 x 240 = 4,320

Brunei travel 18 x 280 = 5,040

Sixty participants x 10 days = 600

per diem = 600 x 88 = 52,800

UNCTAD and ASEAN-COFAB substantive inputs

2500 x 6 = 15,000

Preparation and production of report = 5,500

Miscellaneous = 3,500

Total 196,500

Project elements matrix

<u>Project elements</u>	<u>Success criteria</u>	<u>Verifiers</u>	<u>External factors</u>
<p><u>Immediate objective(s)</u></p> <p>1. For ASEAN finance and tax officials to acquire a better understanding and knowledge of the financial systems of the industrialized countries, potential domestic sources of funds, tax administration systems of the industrialized countries, measures to stimulate inter-ASEAN investments.</p> <p>2. To enable government officials to explore possible areas of co-operation in this field.</p> <p>3. To create new sources of domestic funds through the introduction of new financial instruments and to promote the role of existing financial institutions.</p> <p>4. The seminars are expected to provide an authoritative basis for policy directions on mobilization of ASEAN resources consistent with the growth in the demand for funds to finance public and private development projects.</p> <p><u>Outputs</u></p> <p>1. <u>Direct outputs</u></p> <p>An upgrading of the knowledge, skills and competence of 60 ASEAN finance and monetary officials.</p> <p>2. <u>Indirect output</u></p> <p>2.1 Employment of new financial instruments for the purpose of mobilizing ASEAN domestic resources.</p>	<p>At present, there is a large scope for mobilizing existing funds in ASEAN as well as generating higher saving propensities. The ASEAN governments wish to mobilize these funds and to strengthen the role of organized financial markets. In addition, taxation represents an important source of government revenue. However, in most ASEAN countries the effectiveness of the tax collection system has fallen short of expectation. It is expected that the seminars will assist governments in closing tax loopholes and rationalizing tax administration.</p> <p>1. Introduction of new financial instruments for the mobilization of domestic resources.</p> <p>2. Improved tax collection system.</p> <p>3. Increased financial flows among ASEAN countries.</p>	<p>It is envisaged that three seminars will be held in Bangkok. These are (i) seminar on domestic capital markets; (ii) regional capital markets and intra-ASEAN flows of investments; (iii) resource mobilization through financial institutions.</p> <p>The above seminars will allow the training and upgrading of skills of some 60 ASEAN finance and monetary officials.</p>	<p>External borrowings have in the past played an important role in ASEAN development. However, the recent worsening conditions in international financial markets have reduced their access to capital markets. It is hoped that ASEAN governments through this project can promote inter-ASEAN borrowing and investment to supplement domestic resources.</p> <p>None.</p>

2.3 An improved tax collection system leading to an increase in the revenues of the governments.

Inputs

Host government input

The ASEAN Committee on Finance and Banking will provide facilities for the seminars which will include:

- (a) seminar hall
- (b) public address system
- (c) overhead projector
- (d) slide projector
- (e) production/printing aid for printed documents
- (f) stationery
- (g) secretariat support

The Thai Ministry of Finance, which administers the ASEAN Committee on Banking and Finance, and UNCTAD have substantial experience in hosting and organizing similar seminars and workshops. The inputs which will be provided by the host governments and UNDP are sufficient to ensure that these inputs are adequate.

The ASEAN Standing Committee, the ASEAN COFAB and the UNCTAD secretariat have accomplished their tasks which have brought the project to the stage of approval and implementation.

Not applicable.

UNDP input

(a) Expert personnel

Travel, per diem and honorarium for six outside (third country) experts per seminar.

(b) ASEAN participants

Travel for 45 participants (excluding Thailand) and per diem for a maximum of 60 participants (including Thailand); three participants from each ASEAN country per seminar.

(c) Other costs

Provisions are made for UNCTAD and ASEAN-COFAB specialists to provide direct technical inputs at three scheduled seminars.

(d) Preparation and reproduction of seminar reports.

(e) Miscellaneous.