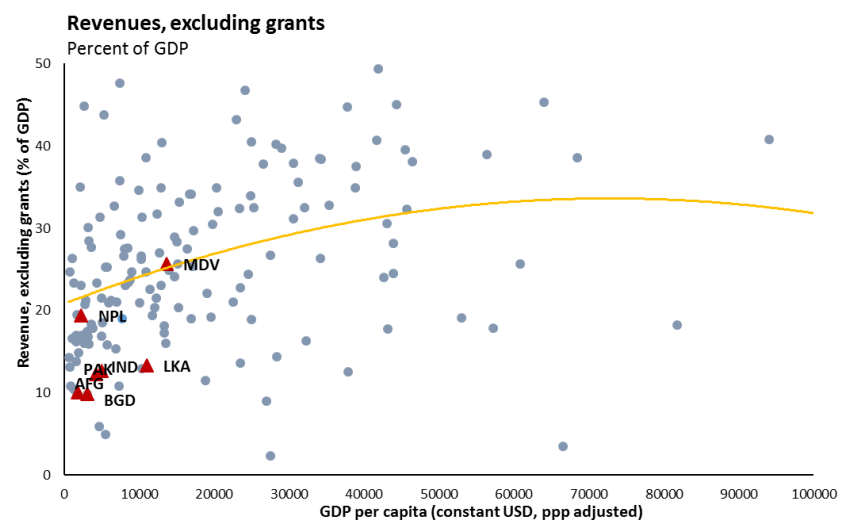


Panel: Fiscal Policies in South Asia: Why is Revenue Mobilisation so Challenging?

Fiscal deficits in South Asia have been traditionally large, especially when taking into account the deficits of sub-national levels of government. India, Pakistan and Sri Lanka all run general fiscal deficits in excess of 5 percent of Gross Domestic Product (GDP). Over the past three years, government revenue in South Asia has increased by a very modest 0.8 percent of GDP. Meanwhile, public expenditures grew by 2.6 percentage points, to reach 25 percent of GDP in 2017. With revenues and expenditures increasingly drifting apart, fiscal deficits are worsening and debt levels are rising. Public debt in South Asia is high by international comparison, and has recently surpassed 60 percent of GDP. Compared to international standards, revenue generation is also very low in South Asia (Figure 1):

Figure 1: Revenues of South Asia Countries by International Comparison



Source: World Development Indicators (PAK-Pakistan, AFG-Afghanistan, IND-India, BGD-Bangladesh, LKA-Sri Lanka, NPL-Nepal, MDV–Maldives).

The developments described above, and the low revenue generation raise the following important points:

1. Governments are struggling to expand their tax base through new tax instruments and greater reliance on information technology. However, tax exemptions continue to be granted, raising doubts on the ability to increase government revenue as economies expand.
2. Fiscal deficits are often tolerated under the assumption that they support greater economic activity, but evidence on the impact of government spending and revenue on short-term growth is scant.

This panel will:

- analyse revenue generation in South Asia
- discuss challenges to mobilise revenue
- explain why revenue generation is so low, and
- think about ways forward.

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