

Economic and Social Survey of Asia and the Pacific 2017

Governance and Fiscal Management

Colombo, Sri Lanka

9th May 2017



Main messages

- Economic growth is relatively modest but steady, and a mild economic expansion is expected ahead.
- Countries in the region should strengthen domestic and regional drivers of economic growth, given prolonged weakness in external demand and rising protectionist measures
- Effective fiscal management, backed by improved governance, can improve long-term economic prospects and help address social and environmental concerns.
- Given the increasing demands on fiscal policy, how governance affects the mobilization and allocation of fiscal resources warrants greater attention.
- Enhancing transparency and accountability in public fiscal administration is fundamental to improving the quality of governance and achieving better fiscal management.



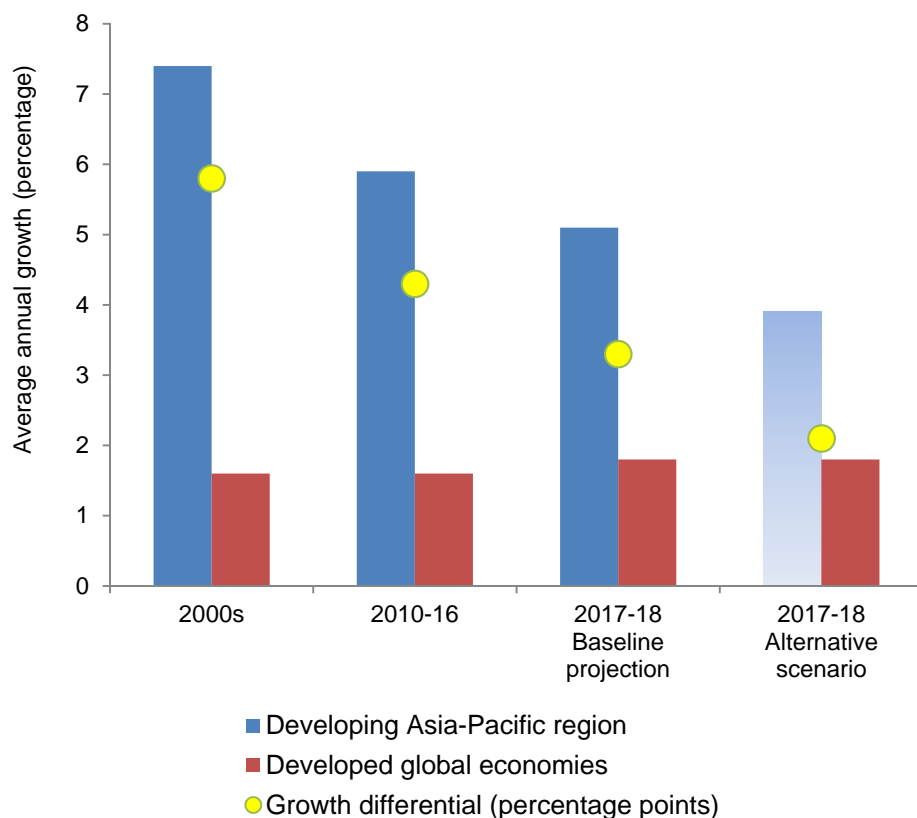
Economic Outlook and Quality of Growth

#CS73

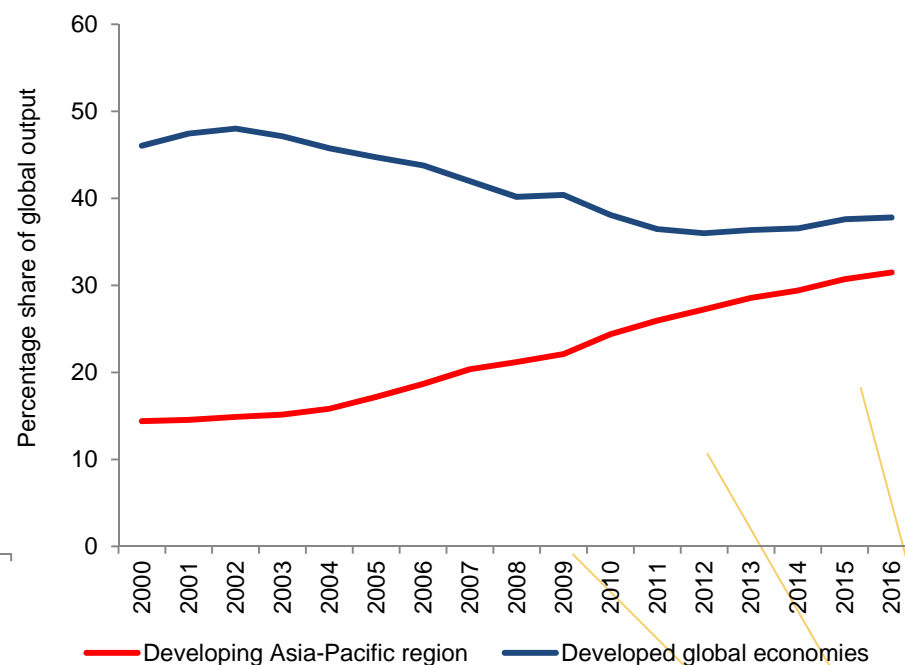
Asia-Pacific economies lead global economic growth...at a less rapid, though steady, pace



Growth differential vis-à-vis developed economies is narrowing

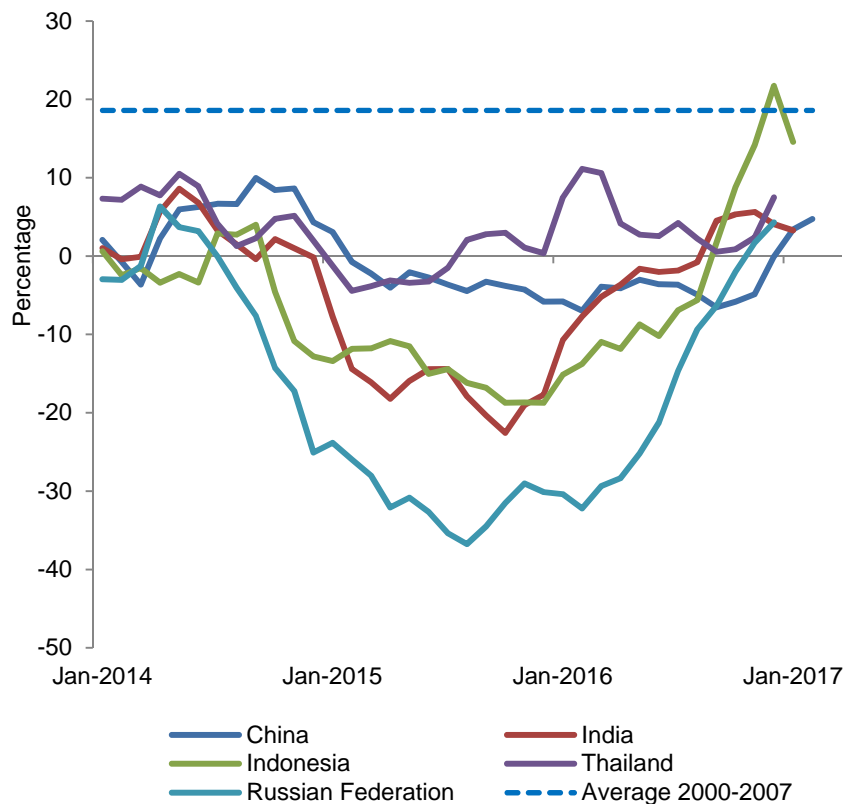


Share of developing Asia-Pacific economies is increasing

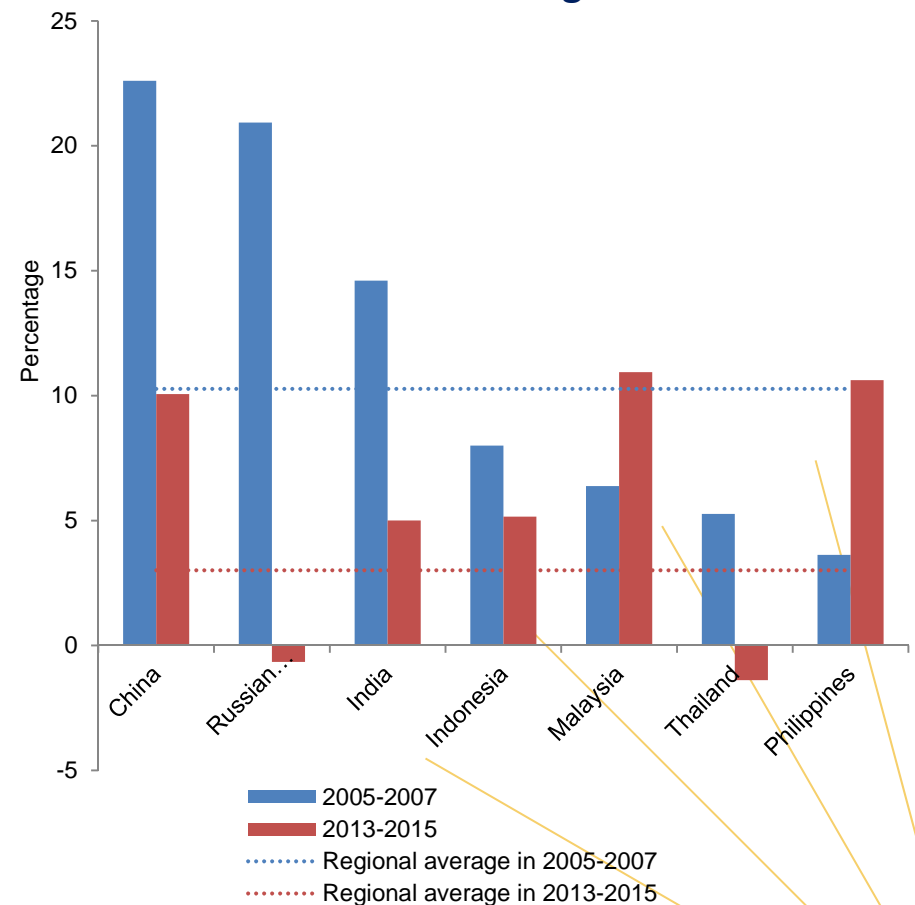


A firm rebound in exports seem unlikely and private investment needs to rise

Export growth has returned to positive territory but remains well below pre-crisis 2008 average



With few exceptions, private investment is not forthcoming

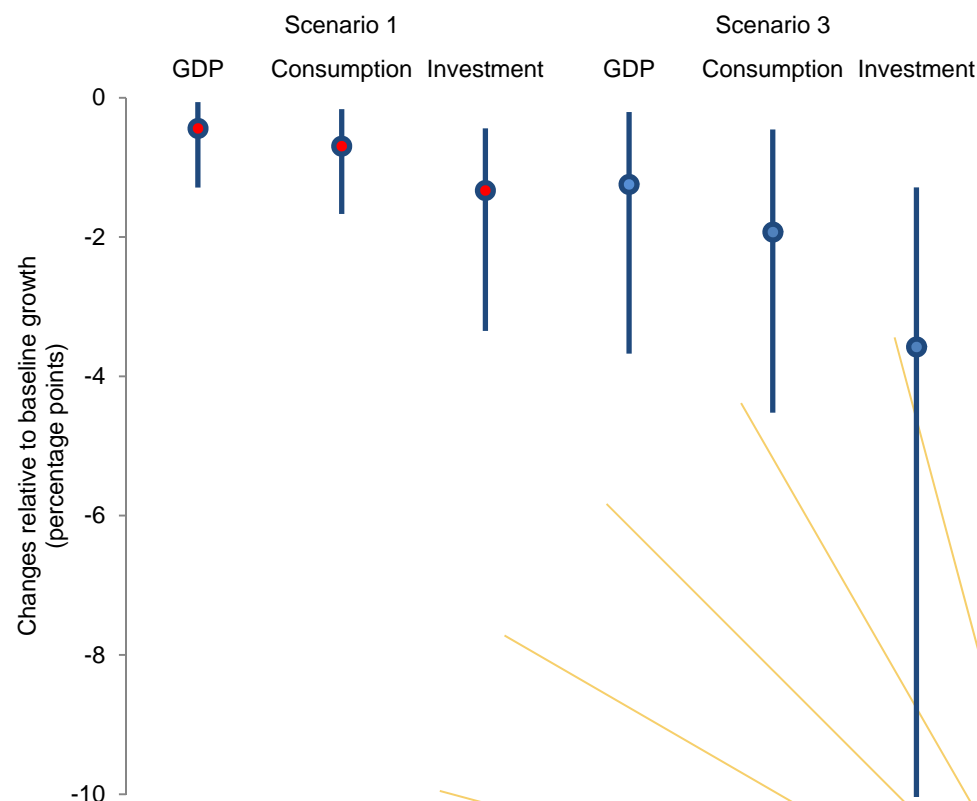


A modest economic expansion is expected in 2017 and 2018, with downside risks

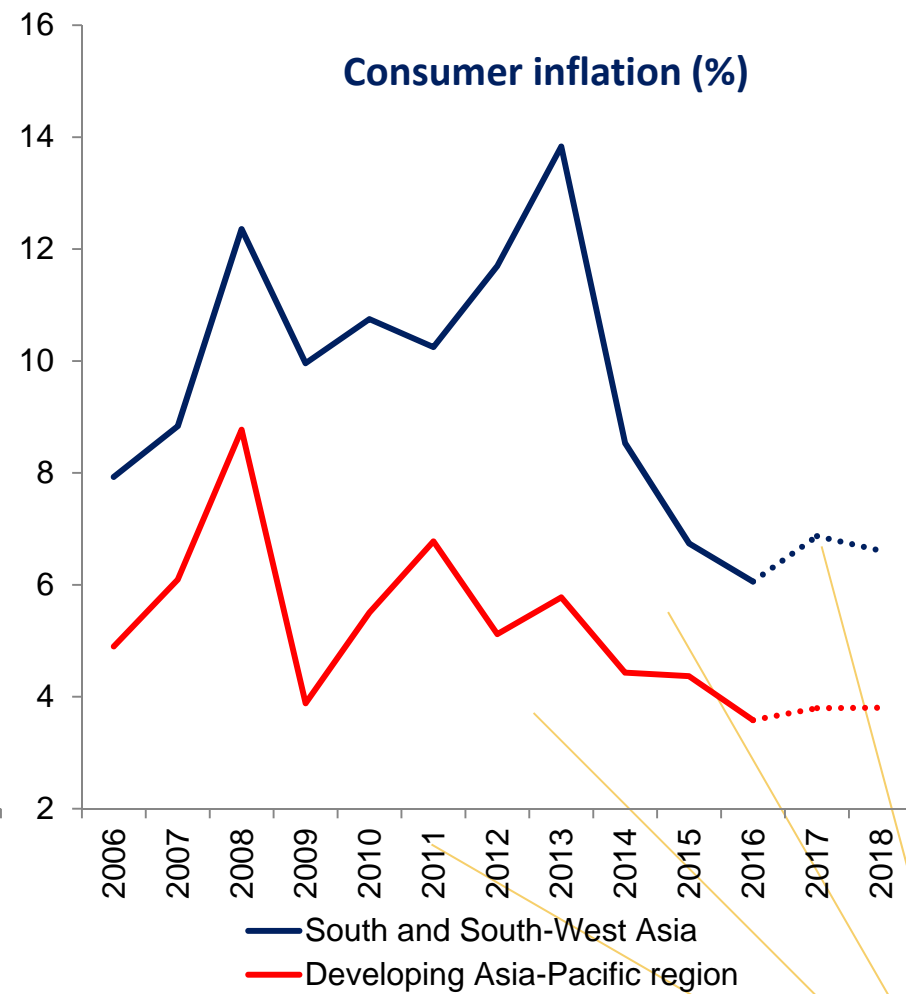
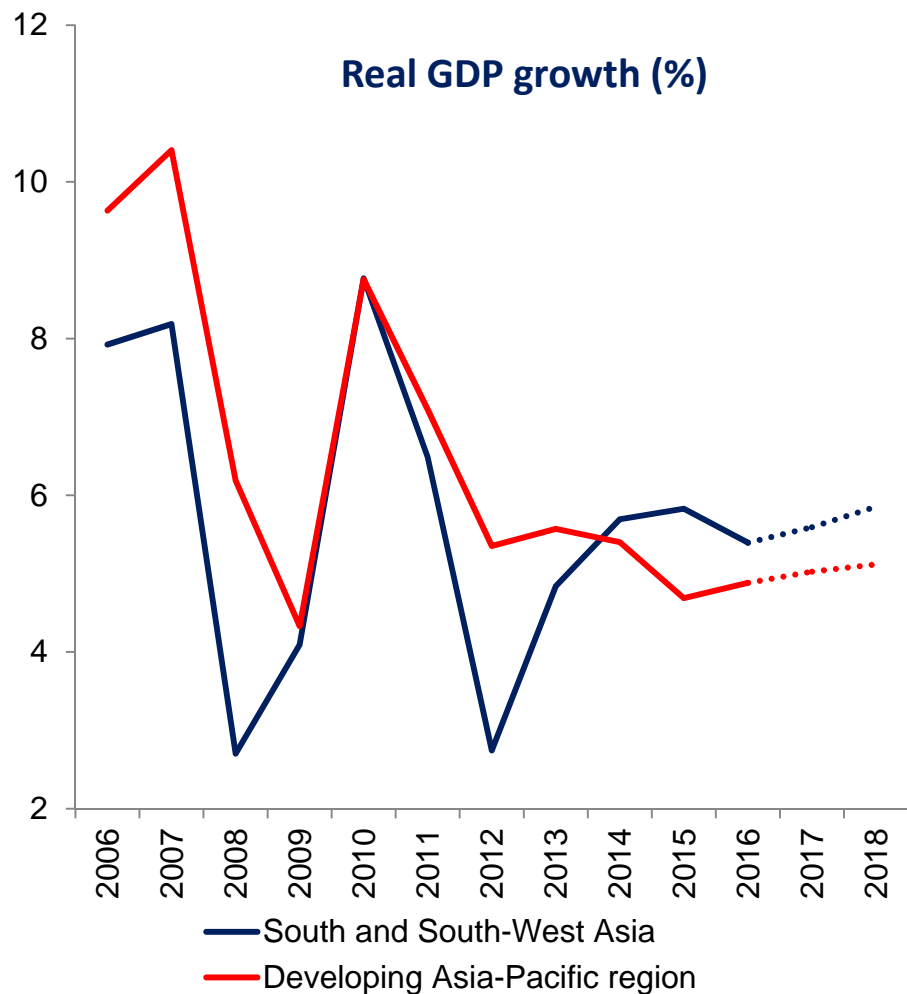


	Real GDP growth		
(Percentage)	2016	2017	2018
Developing Asia-Pacific region	4.9	5.0	5.1
East and North-East Asia	3.8	3.7	3.6
China	6.7	6.5	6.4
South-East Asia	4.5	4.7	4.8
Indonesia	5.0	5.2	5.3
Thailand	3.2	3.3	3.4
South and South-West Asia	5.4	5.6	5.9
India	7.1	7.1	7.5
North and Central Asia	0.1	1.4	1.7
Russian Federation	-0.2	1.1	1.4
Pacific island developing economies	2.6	3.1	2.6
Least developed countries	6.0	6.5	6.5
Landlocked developing countries	1.6	3.1	3.6
Small island developing States	2.9	3.4	3.0

Alternative growth scenario for developing Asia-Pacific economies in 2017



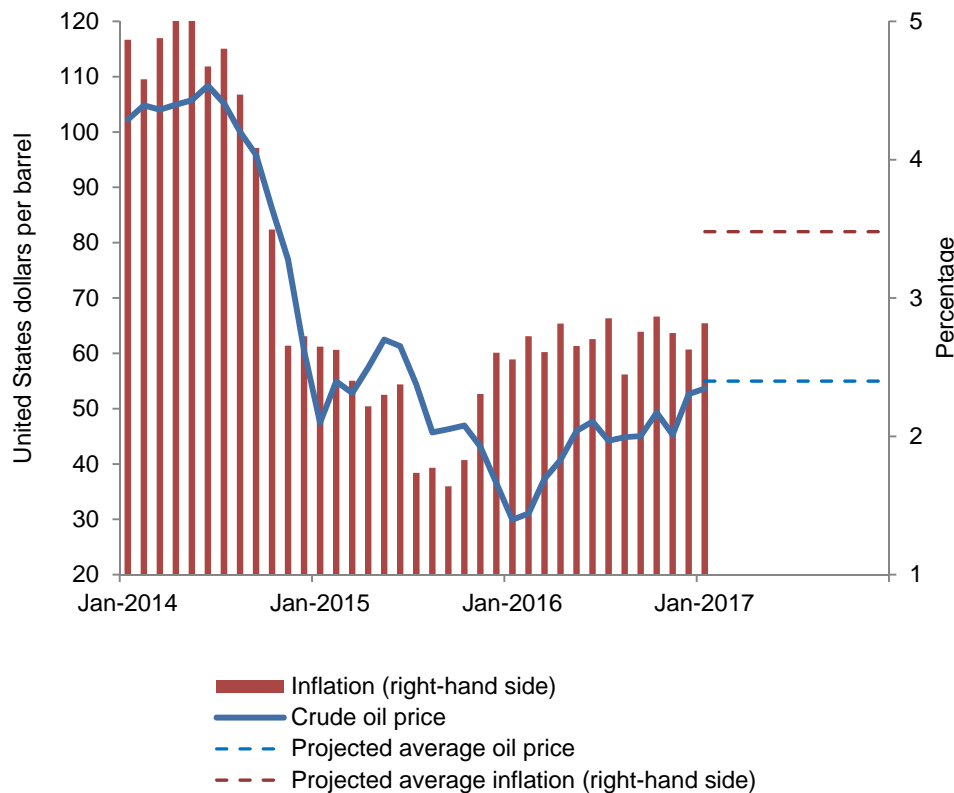
South and South-West Asia: Improved output growth outlook with modest inflation



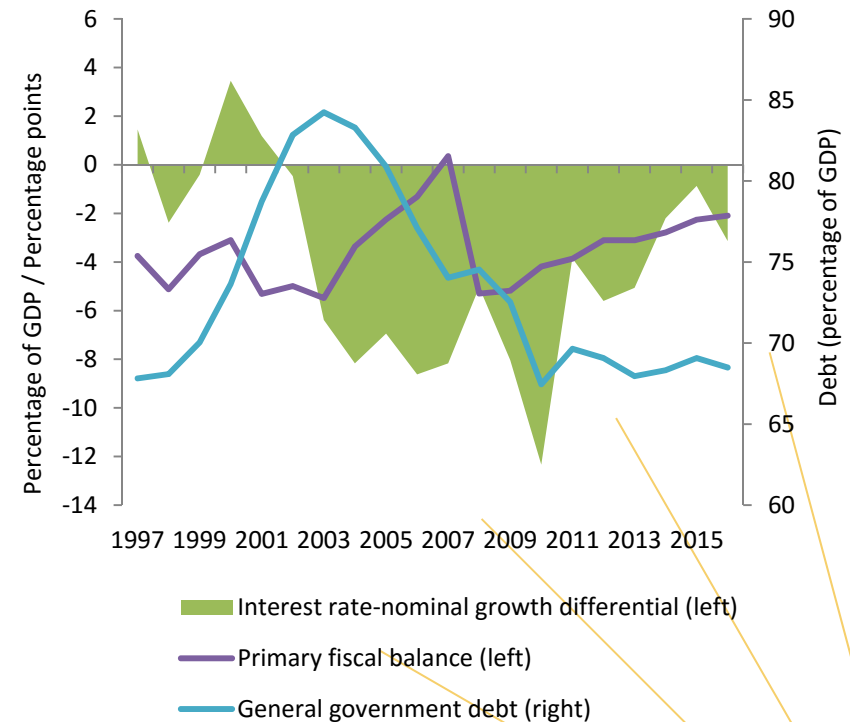
While monetary policy shifts to 'neutral', fiscal policy can be used more effectively



Crude oil price and average inflation in selected net commodity importers



Fiscal space depends on interest payment, nominal growth, and tax revenues – example of India

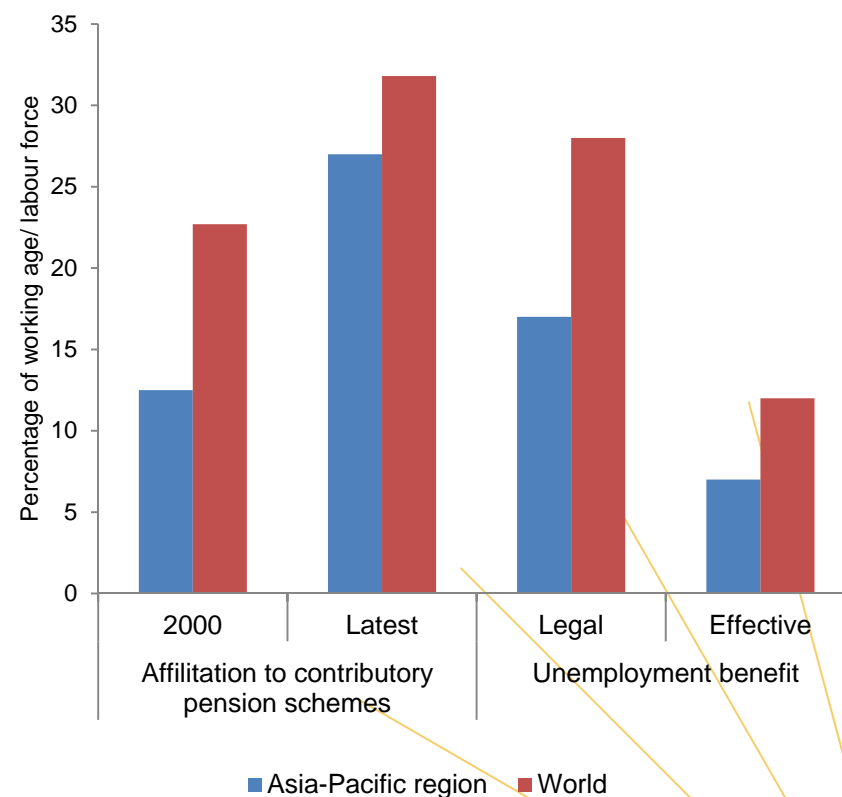
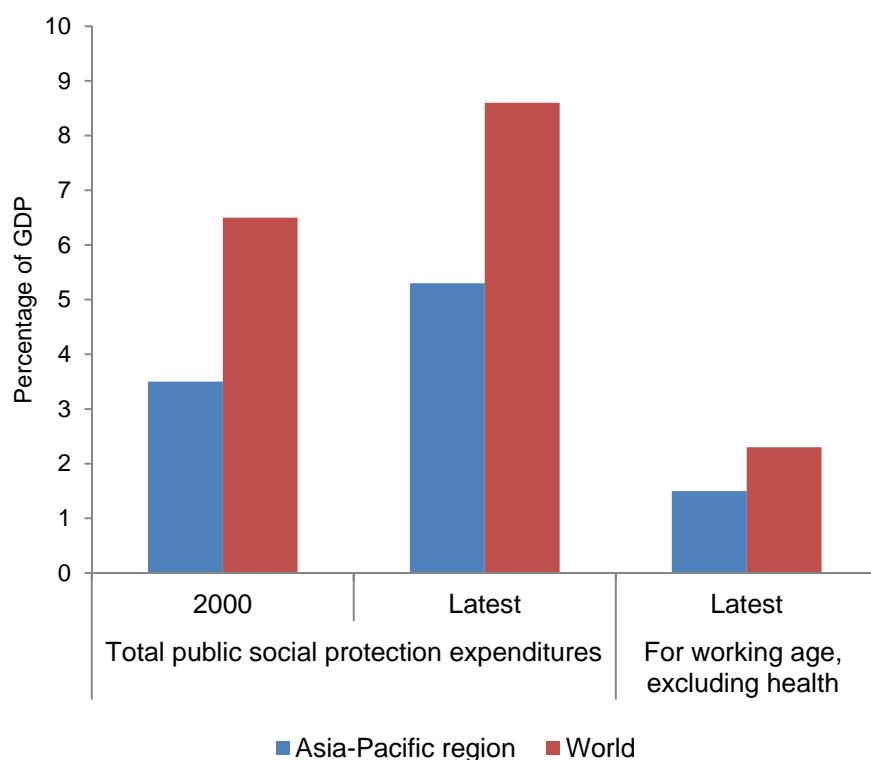


Widespread poverty and inequality call for enhanced social protection



Social protection financing has increased, but mostly on insurance rather than assistance side

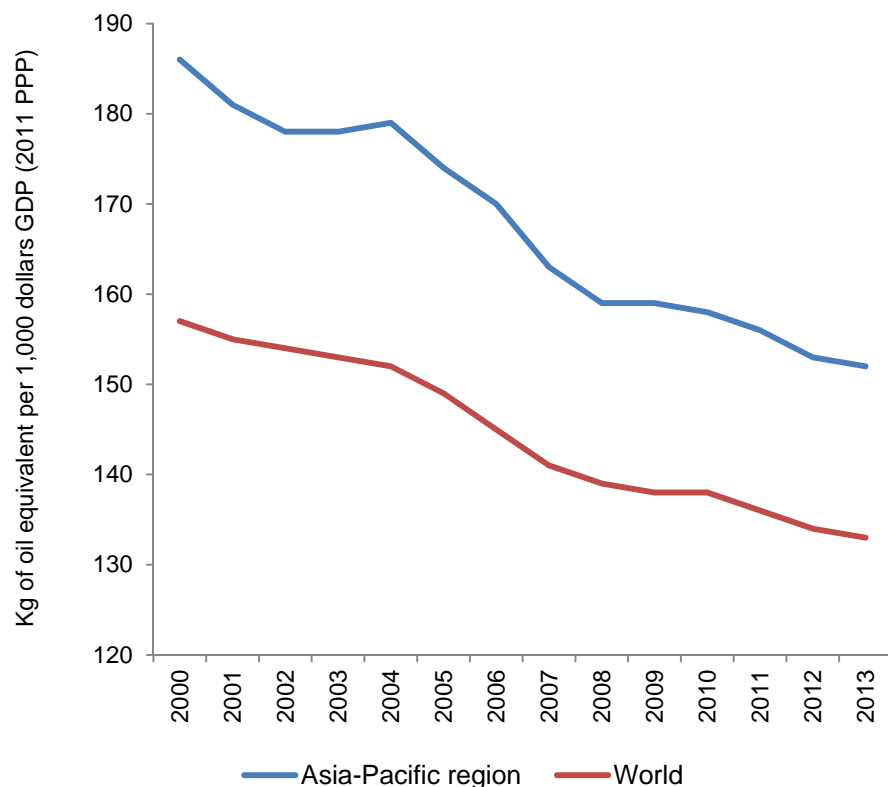
Social protection coverage has expanded, but with substantial variation across countries



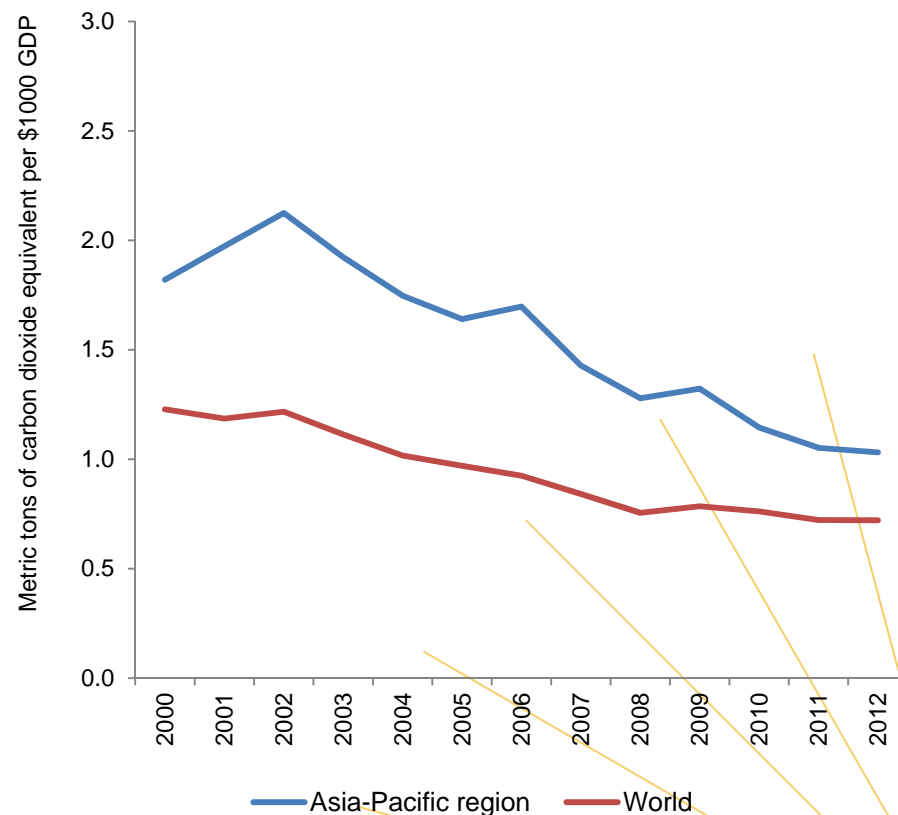
Environmental costs of production can be internalized through various policy instruments



Energy intensity remains high especially among oil producers and in China



Carbon emissions intensity has declined, but emissions per capita are rising





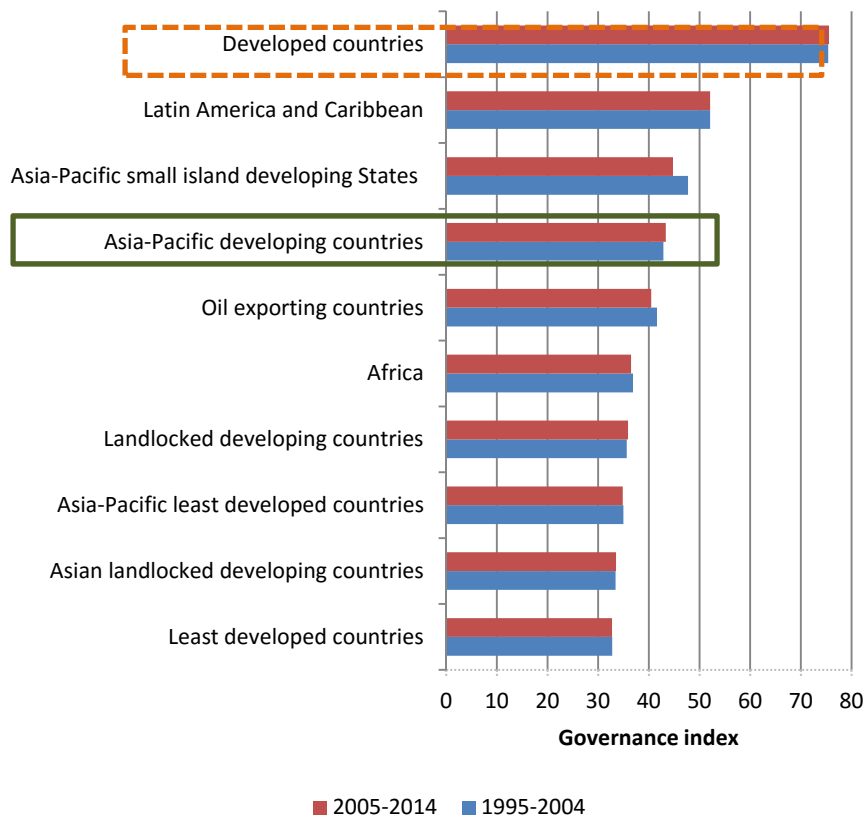
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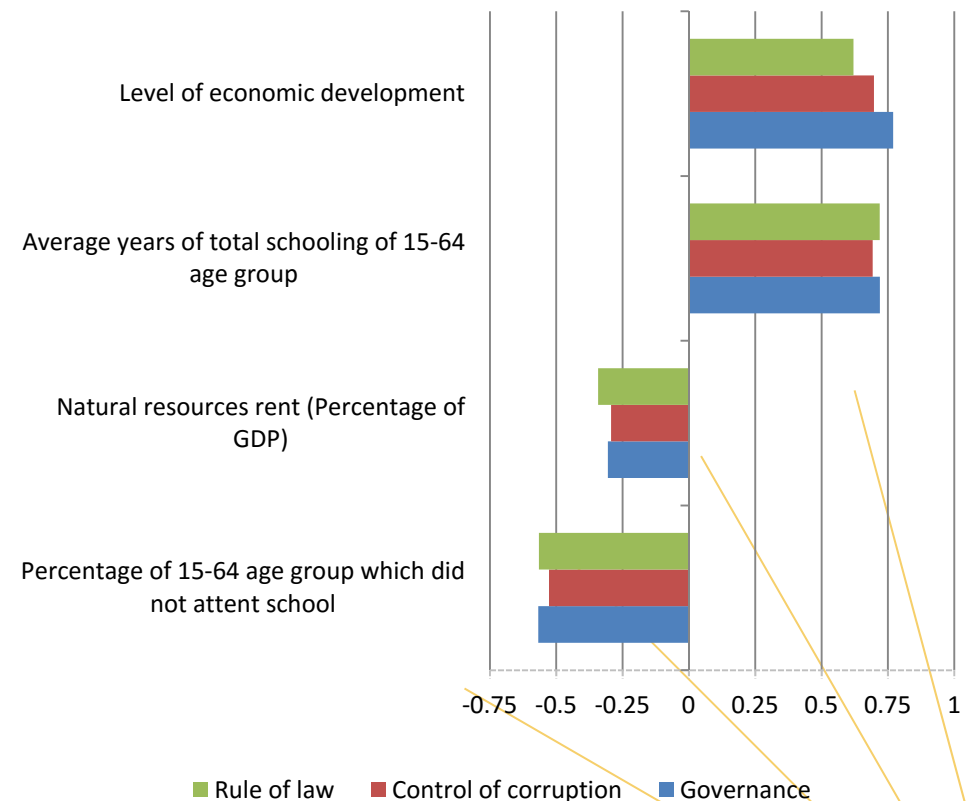
Governance and development is a two-way relationship



Governance in different regions of the world: perception based index

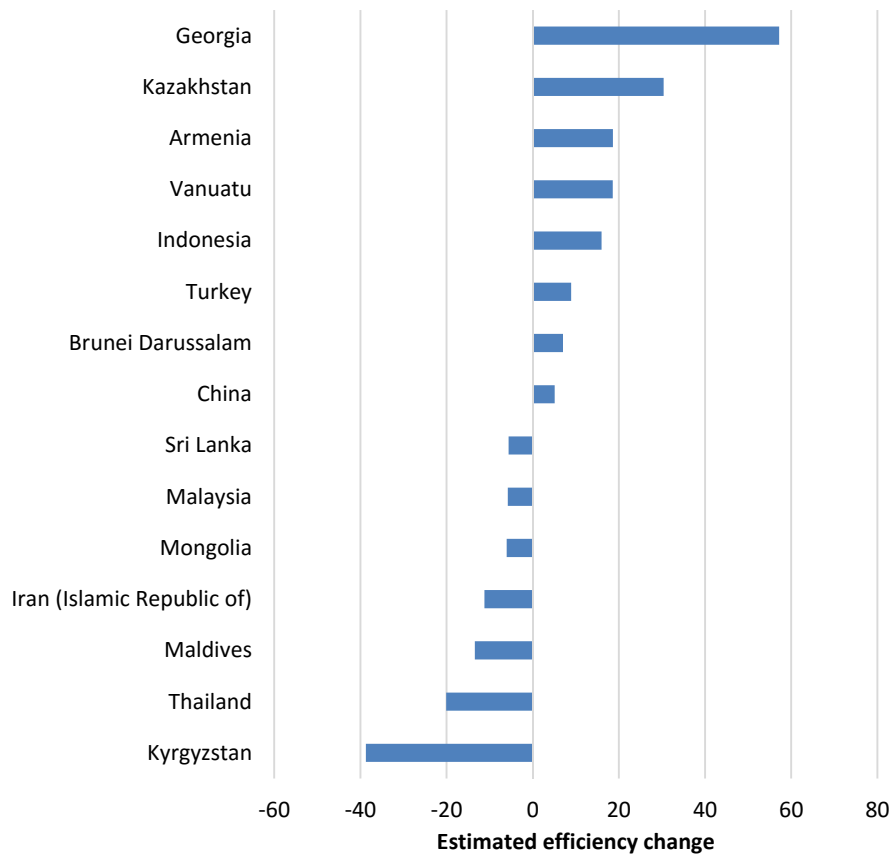


Correlation between governance and potential socioeconomic factors in Asia and the Pacific

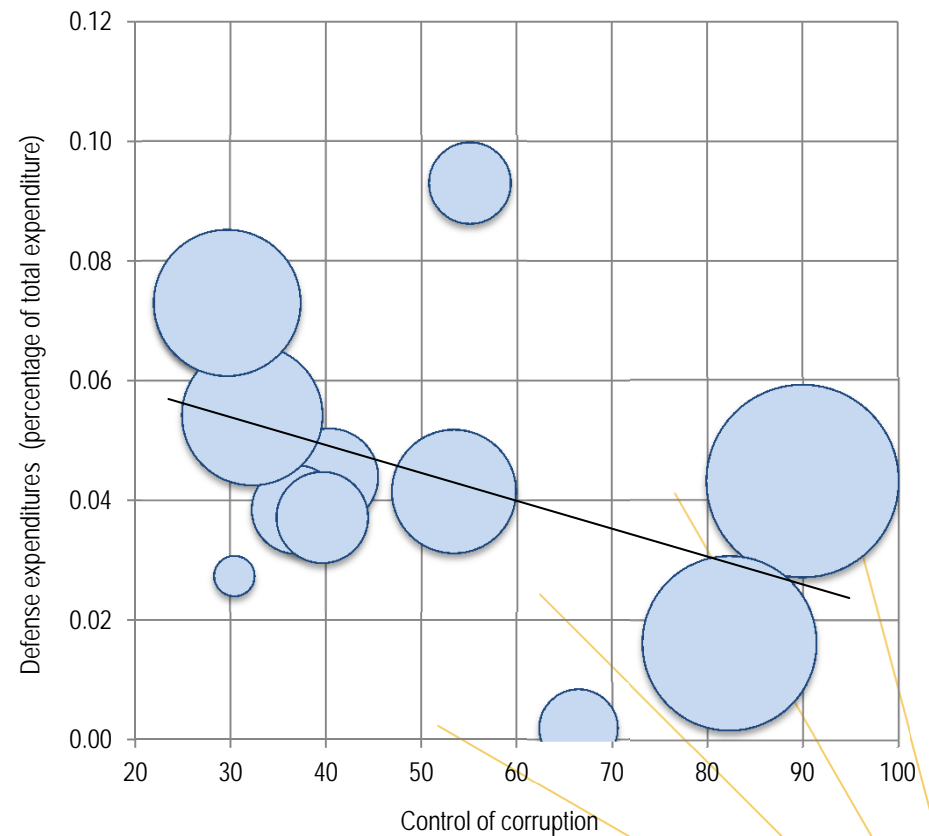


Governance affects both the allocation and efficiency of public expenditures

Estimated impact of governance on public sector efficiency in the health sector



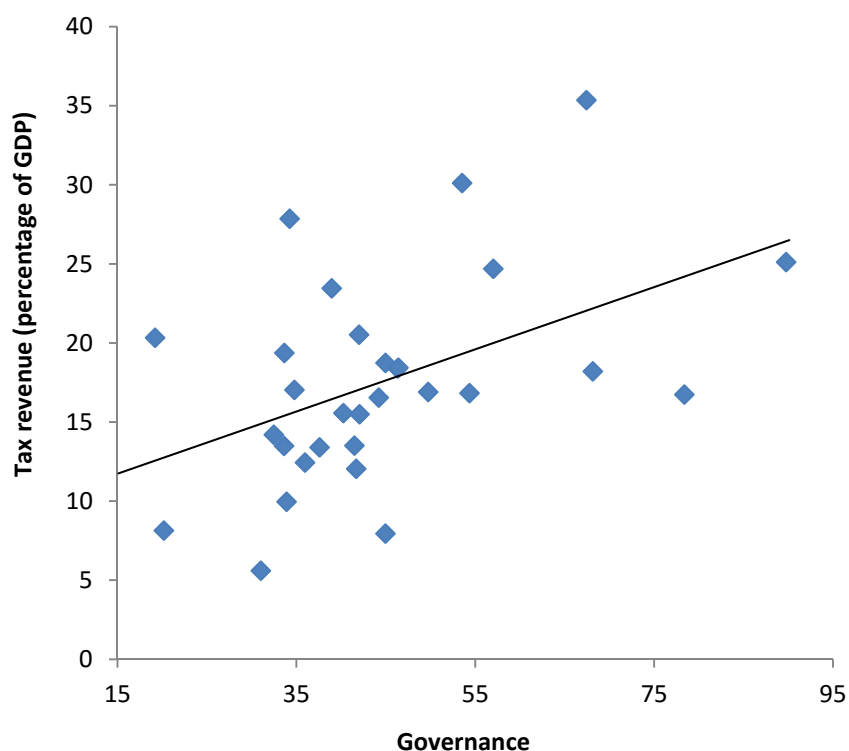
Level of governance and structure of public expenditures



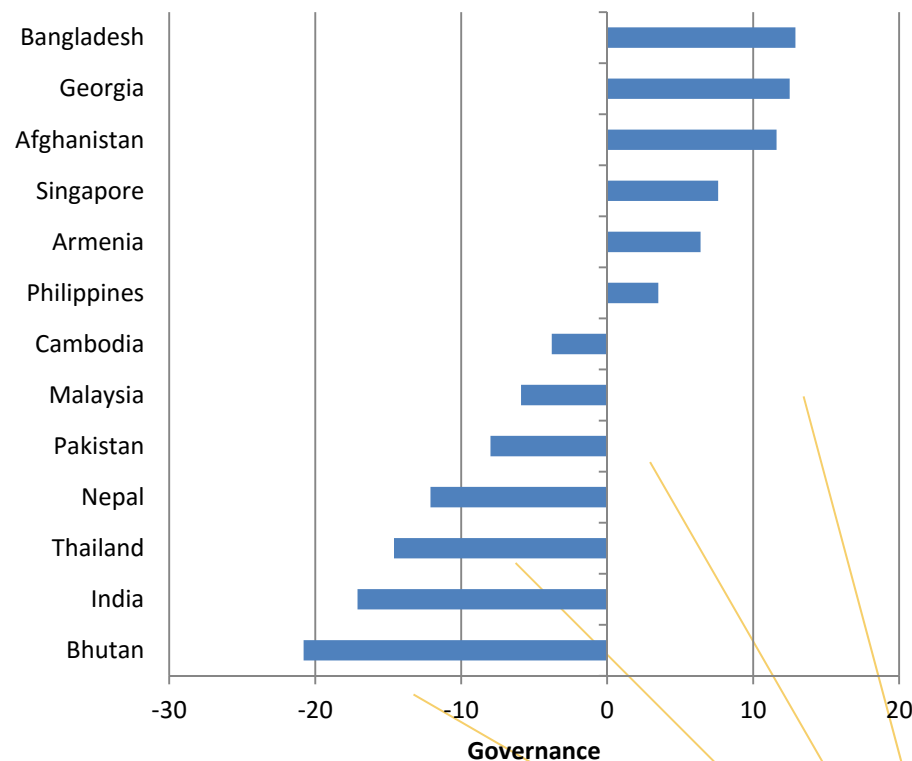
Better governance is associated with higher levels of tax revenues



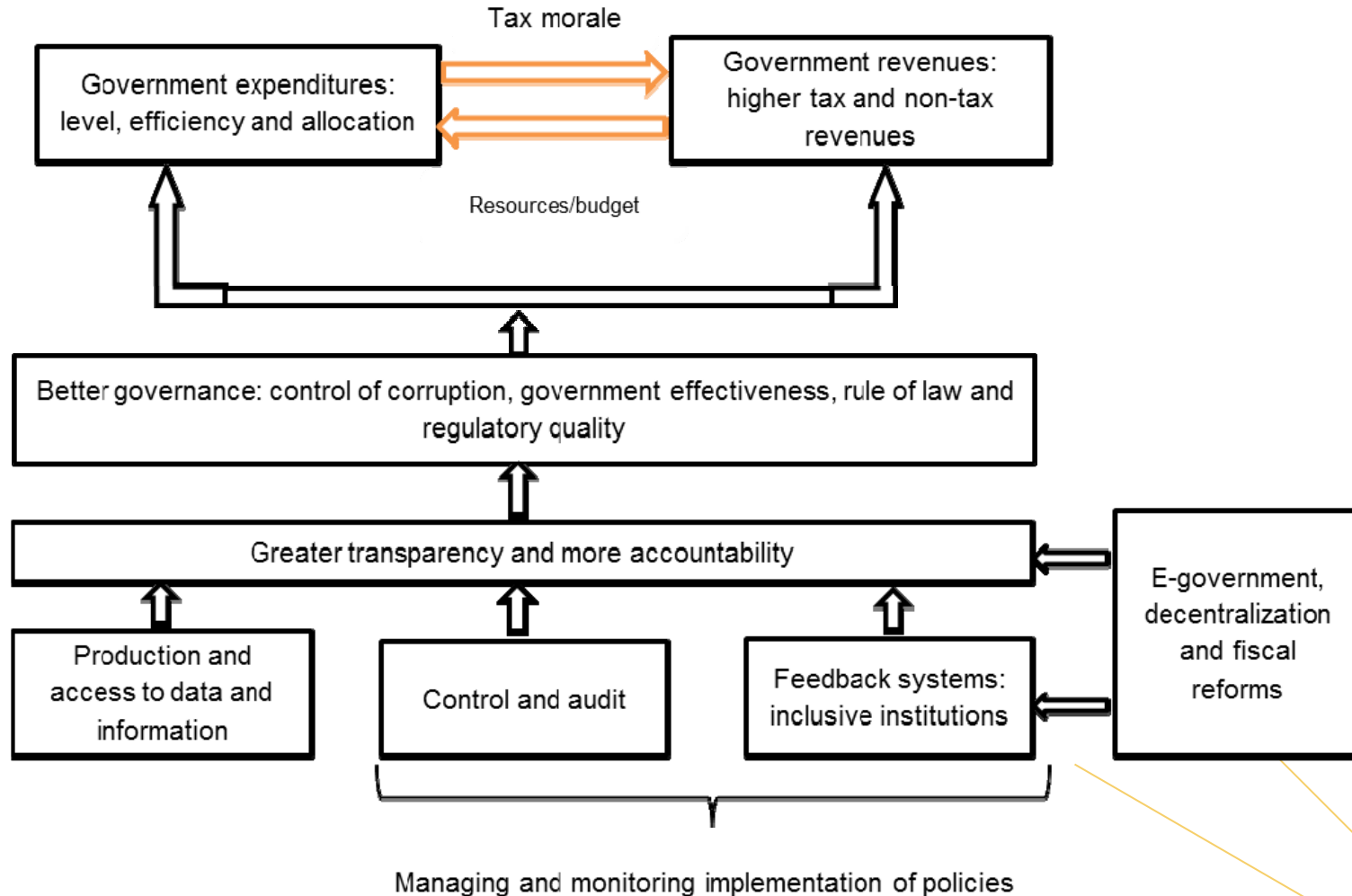
Tax revenues and governance in Asia and the Pacific, 2010-2014



Estimated impact of governance on tax revenue collection (2005-2014)

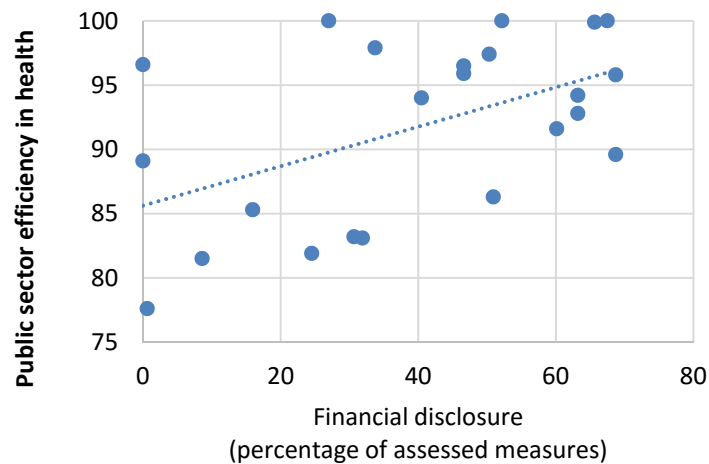


Enhanced transparency and accountability are key to better governance and fiscal management

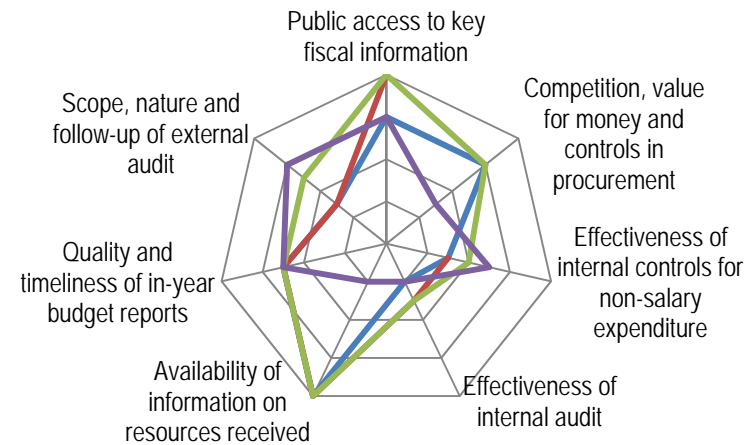


Examples of policies to improve transparency and accountability

Financial disclosure and public expenditure efficiency in selected Asia-Pacific countries

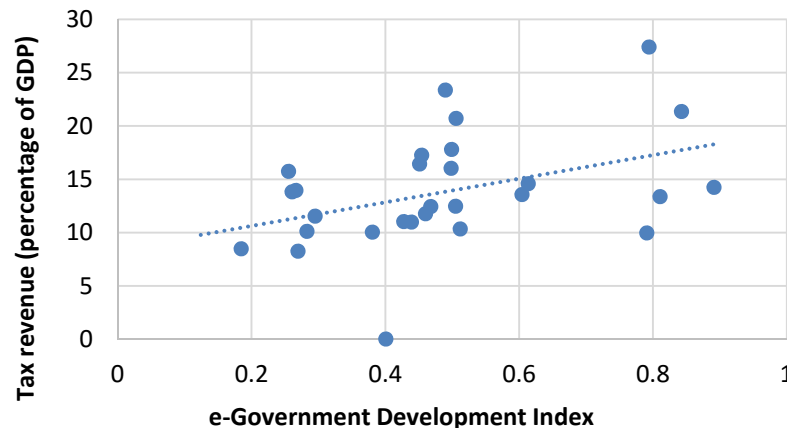


Assessment of specific areas of the public expenditure framework in selected Asia-Pacific countries



— Bangladesh — India — Nepal — Pakistan

E-government and tax revenues, 2005-2014



Sub-regional case study on the role of governance: Structural transformation for productive jobs



- Availability of decent, high-productivity jobs is key to tackling poverty in South and South-West Asia
- Structural change in the subregion has failed to create a sufficiently large number of productive jobs.
 - Stagnant in agriculture and low value-added manufacturing and services
 - Large informal sector, with poor quality of jobs
- Four components of policy strategies
 - Multifaceted industrial development policies
 - Investing in human resources development
 - Breaking the informal-formal segregation barriers
 - Expanding social protection beyond formal sector employment



Takeaway Points

- Supported by steady economic growth, Asia-Pacific region is poised to regain its historical position in the global economy and provide leadership to move towards inclusive and sustainable development
- Well-being of people depend on much more than just economic growth; there is a need in the region to pay more attention to social inclusiveness and environment sustainability
- There is room for fiscal policy to take a more prominent role in contributing to long-term economic potential, enhancing social protection and addressing environment degradation.
- Proactive fiscal policy highlights the vital role of governance: i) to mobilize resources effectively; and ii) use them efficiently.
- Enhanced transparency and accountability is key to improving quality of governance.

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