Towards post-CC ID-19 resilient economies

Economic and Social Survey of Asia and the Pacific 2021

Macroeconomic Policy and Financing for Development Division

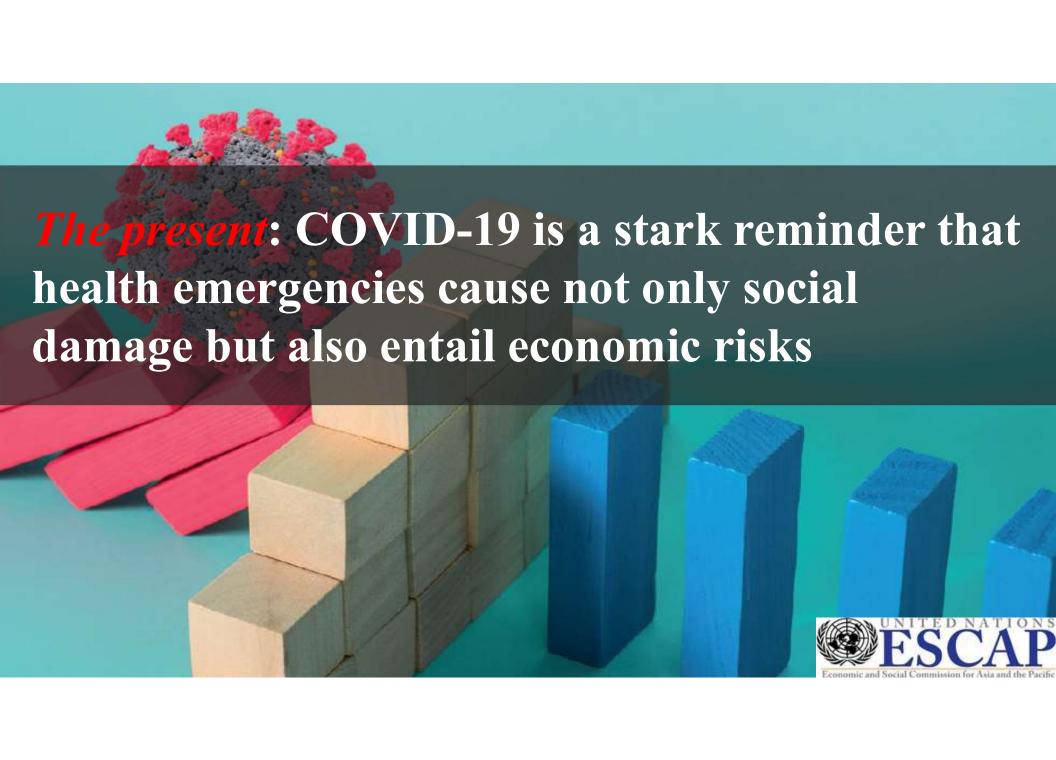
30 March 2021



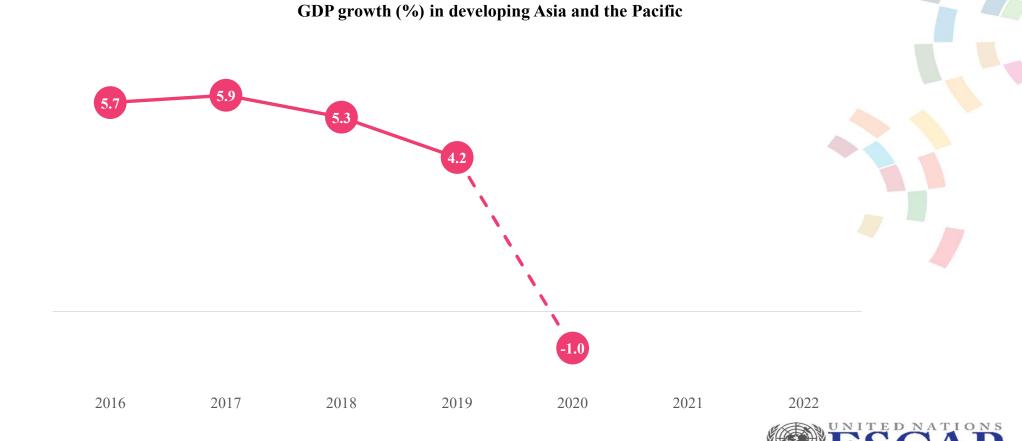
Main messages

- The socio-economic impact of the COVID-19 pandemic was amplified due to lack of resilience and investments in people and the planet.
- Continuity in policy support is a must and recovery policy packages should focus on building resilience and investing in the 2030 Agenda.
- To deal with various economic and non-economic shocks, a more integrated risk management approach to planning and policymaking is needed.
- We propose a "Building Forward Better" policy package that calls for investments in social services, digital access and green development.
- To implement such a policy package, countries would need to build fiscal space and explore a range of financing options.





Asia-Pacific region experienced its worst economic performance in recent history...



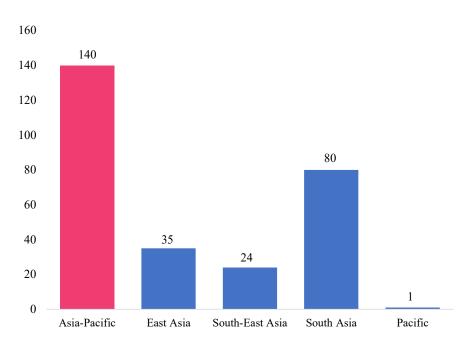
... with significant socio-economic costs.

Equivalent number of full-time jobs lost in 2020 (millions of jobs, 48 hours/week)



Post-Pandemic increase in poverty (Asia-Pacific, millions of persons)





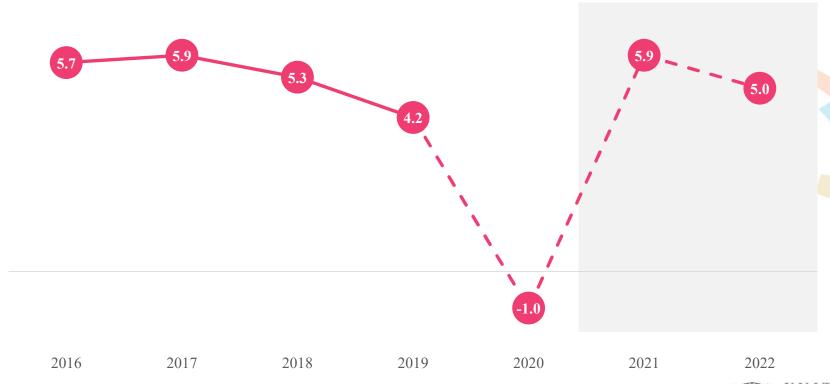


Source: ESCAP based on ILO (2021) and WB data



Given considerable uncertainty, economic outlook is cautiously optimistic for 2021-22

GDP growth (%) in developing Asia and the Pacific





Such optimism is supported by multiple factors...











 Fiscal and monetary policies are expected to remain accommodative



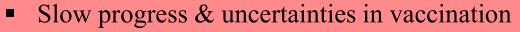
Strong export & regional value chains



Major economies worldwide are gradually recovering



...but risks are tilted to the downside...





Trade in services (international tourism)
 remains subdued



Debt distress is on the rise



Long-lasting impacts on productivity



Capital flow uncertainties & risk of stagflation

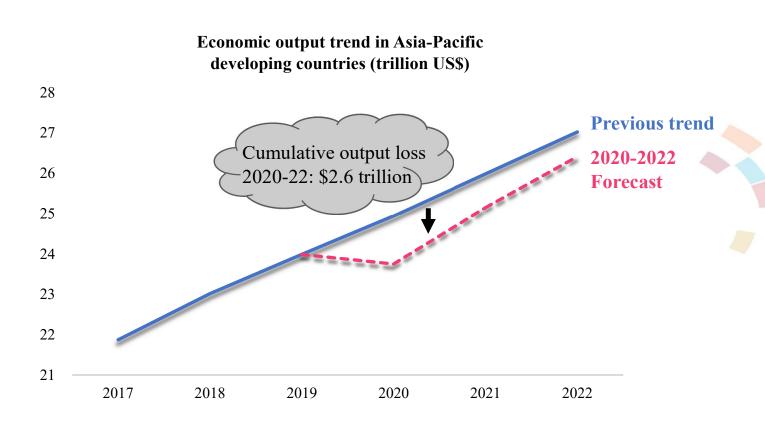


Lingering trade tensions





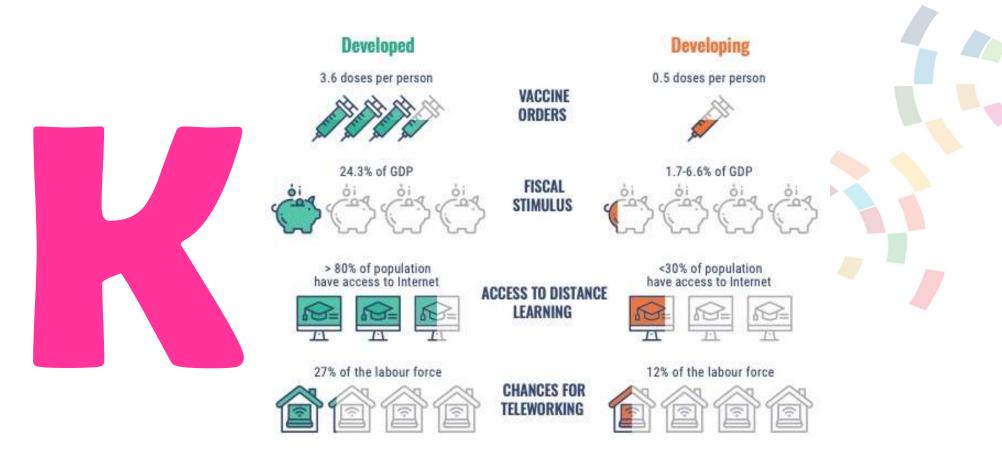
...with expected permanent losses in output...



Source: ESCAP estimation



...and a likely "K-shaped" recovery in the region





Near-term policy priorities

- Put pandemic control first
- Prioritize inclusiveness for a robust recovery



Ensure continuity in fiscal & monetary support







ASIAN FINANCIAL CRISIS 1995

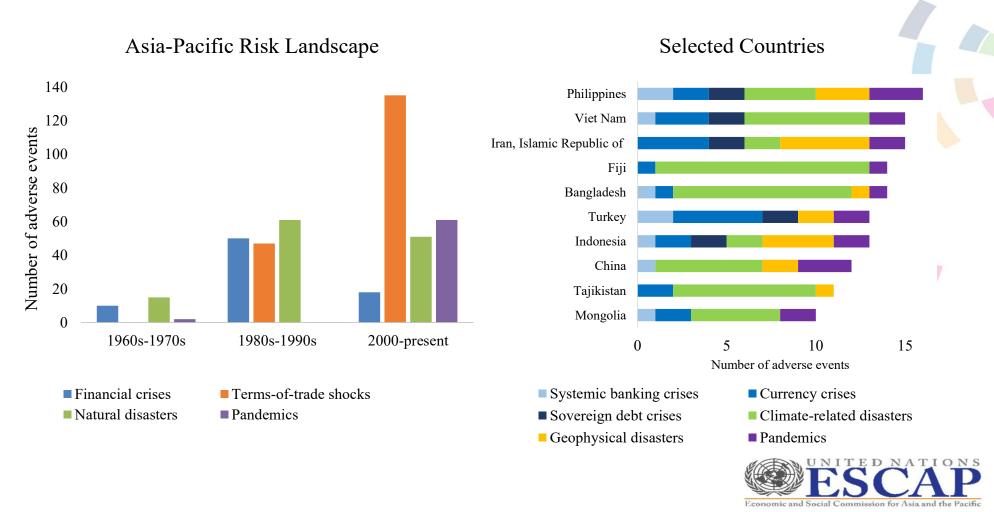




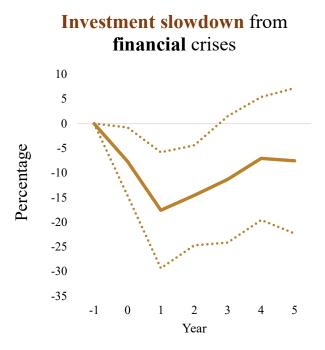
The past: Learning from Past Crises and Recoveries to Build Resilience

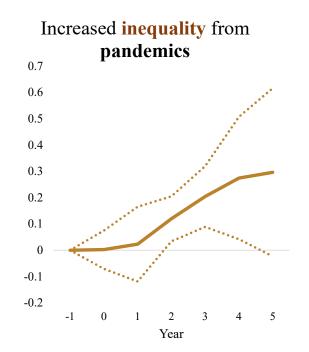


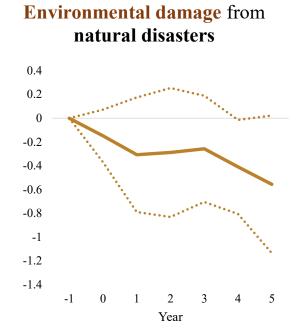
Asia-Pacific faces a wide risk landscape...



...where adverse shocks leave long-term scars.

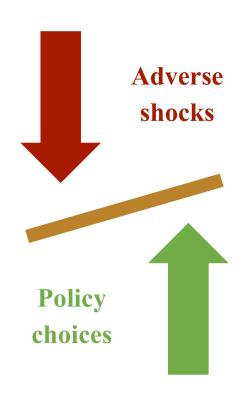








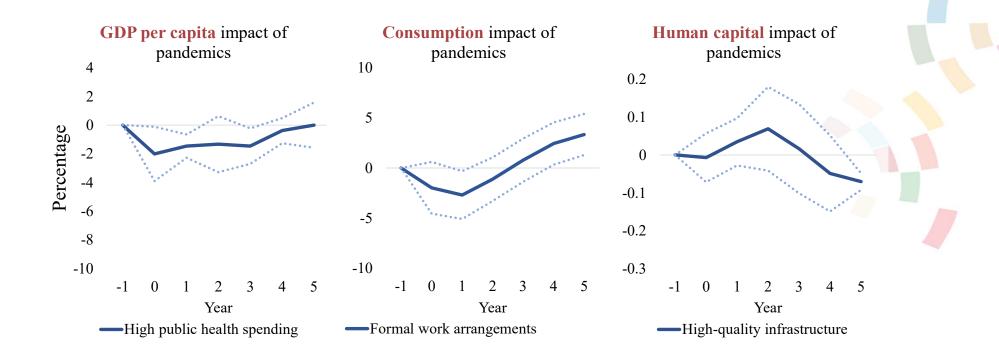
However, policy choices can reduce such setback!



Economic policies	Fiscal policy
	Monetary and financial measures
	Reserves and exchange rate regime
	External financing
Structural factors	Health and social protection system
	Infrastructure quality
	Infrastructure quality Economic diversification

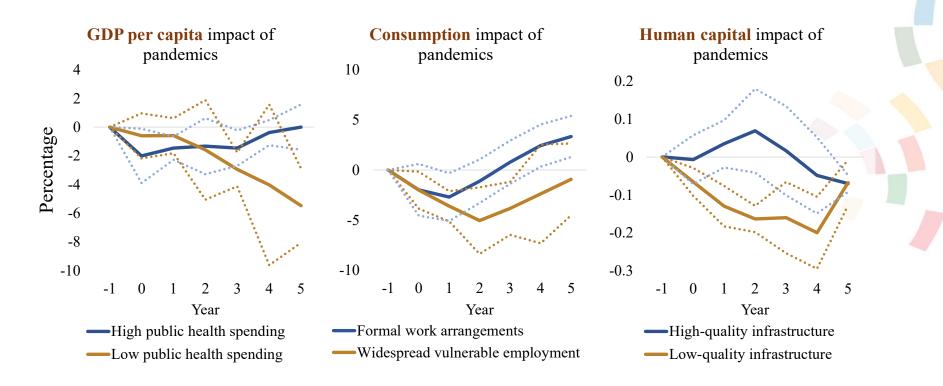


Pandemics have a more severe economic and social impact...





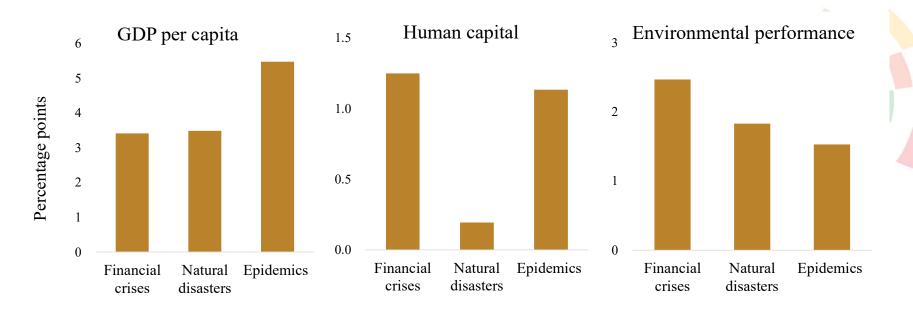
... in countries with pre-existing structural vulnerabilities





Lesson learned – 1: Respond strongly & swiftly to shocks to safeguard sustainable development

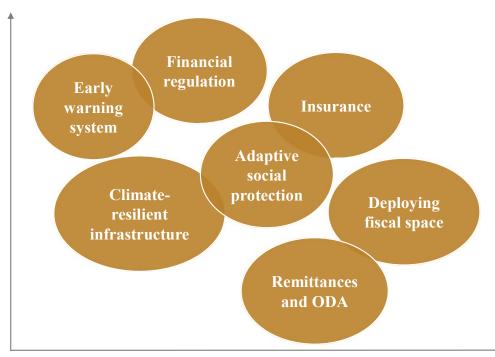
Potential boost to sustainable development from resilience-enhancing policies





Lesson learned – 2: Integrate risk management into national development planning and policymaking

Crisis preparation and coping strategies

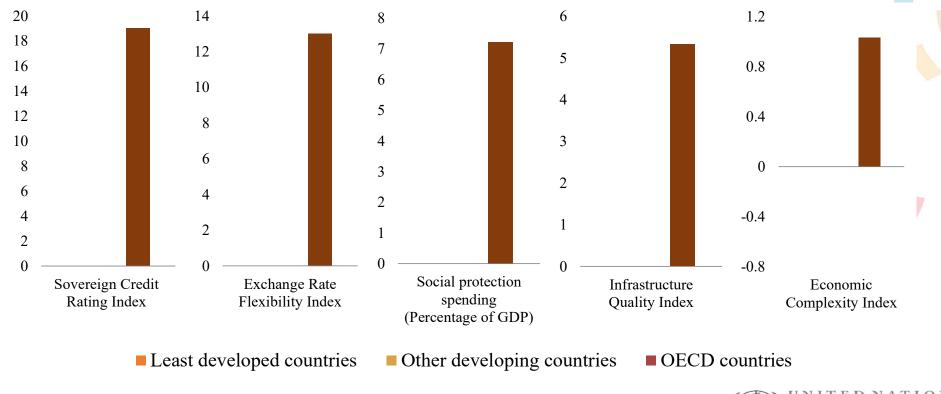


Preparing for crisis

Coping with crisis

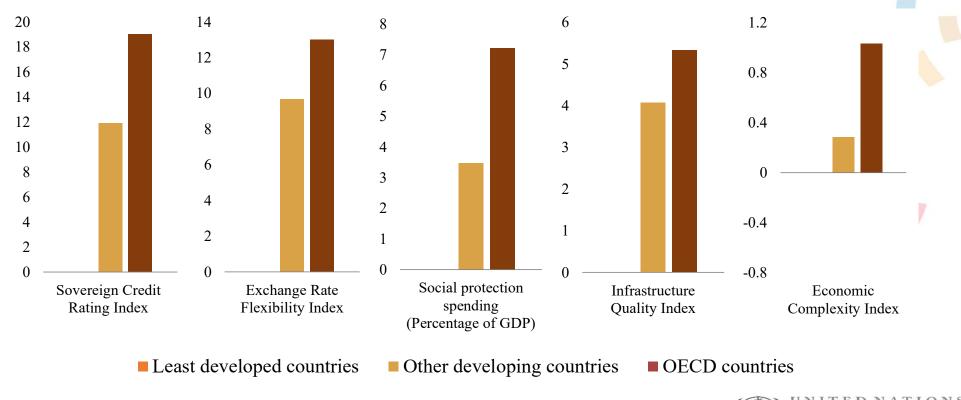


Lesson learned – 3: Strengthen the resilience of least developed and other vulnerable countries



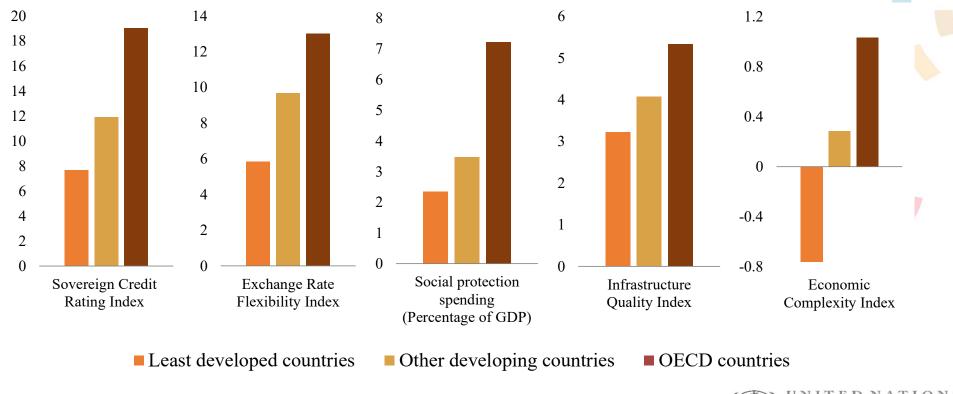


Lesson learned – 3: Strengthen the resilience of least developed and other vulnerable countries





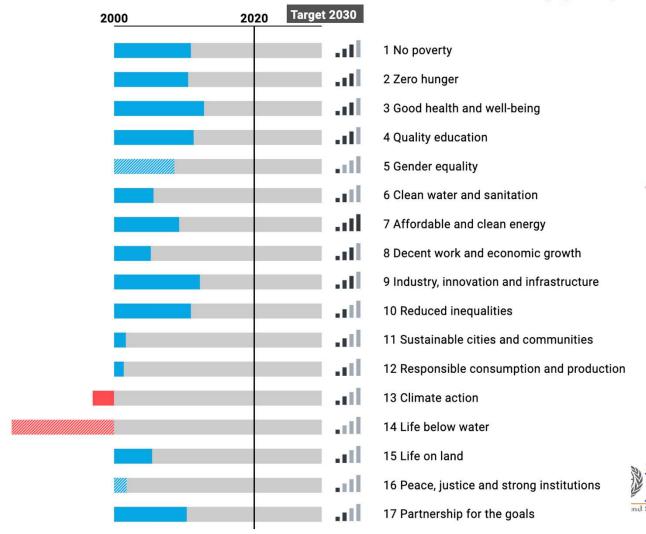
Lesson learned – 3: Strengthen the resilience of least developed and other vulnerable countries







SDG Progress in Asia and the Pacific has been lagging...

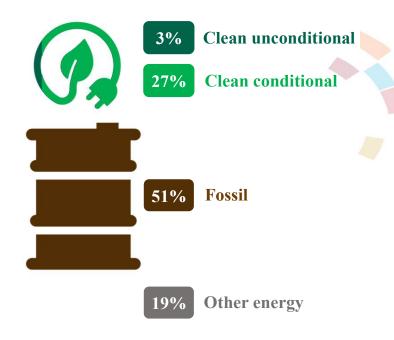


... and the recovery packages leave room to integrate social

and environmental issues

Most recovery policies are not gender-sensitive:

Most public fund commitments neglect green energies



Note: Data shows shares of 10 countries covered by the *energypolicytracker*

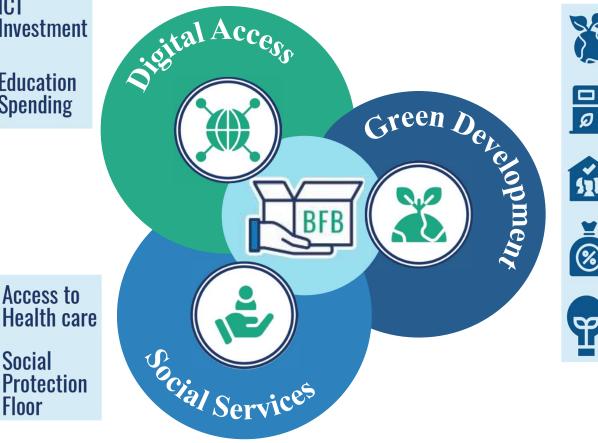


We propose a "Building Forward Better" policy package...



Access to

Social





Biodiversity



Fuel Subsidies



Climate-Resilient Infrastructure



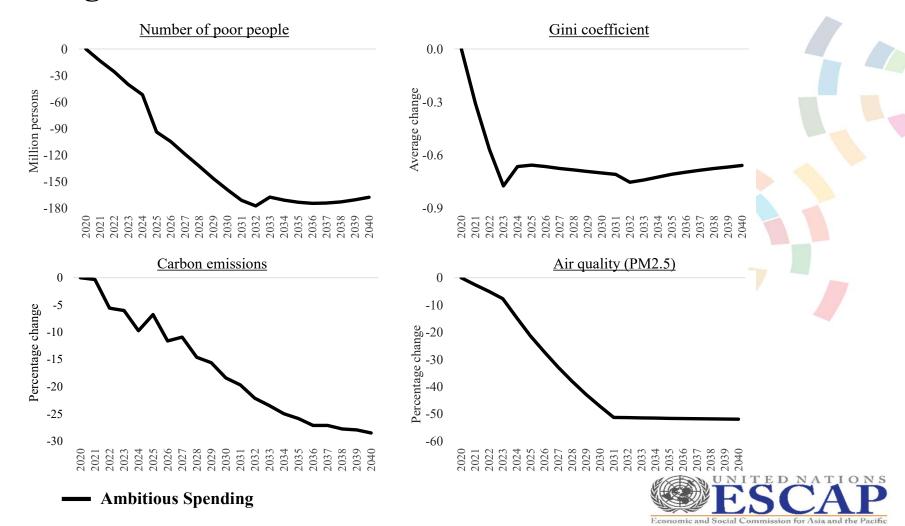
Carbon Tax



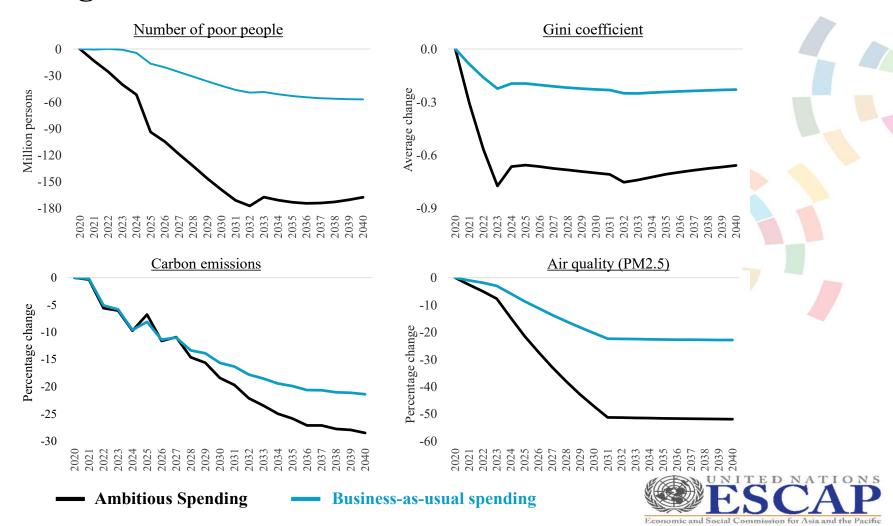
Clean Energy & Energy Efficiency



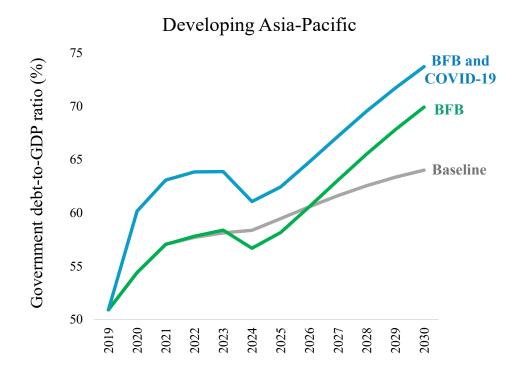
...which brings social & environmental benefits...



...which brings social & environmental benefits...



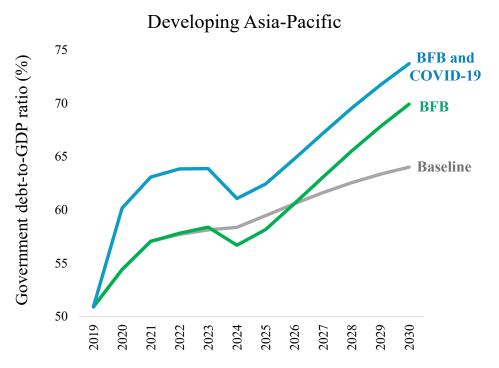
... but with more pressure on public debt

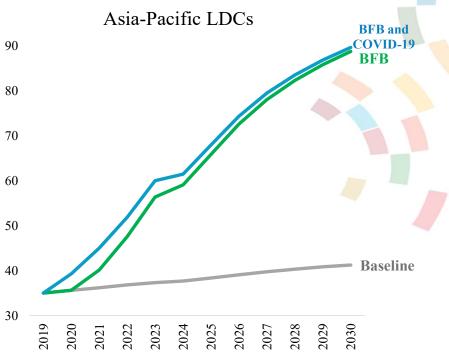






...but with more pressure on public debt, especially in Asia-Pacific LDCs









Policy options to address fiscal and financing challenges in less developed countries



Actively engage in debt relief initiatives



Make debt swaps for development meaningful



Explore diaspora bonds, offshore public bonds



Incorporate catastrophic risks into fiscal planning



Policy options to address fiscal and financing challenges in emerging economies



Grant debt restructuring



Ensure medium-term debt management strategies



Explore more catastrophe insurances + bonds



Ease investment rules for pension + sovereign wealth funds



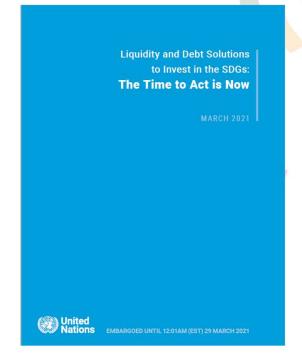
UN System's support to member States to deal with debt & financing challenges

• UN SG is leading global efforts to help address fiscal challenges emerging in

the aftermath of COVID-19.

• The recent policy brief outlines policy recommendation around three areas, addressing:

- (1) immediate liquidity constraints;
- (2) debt overhangs and creating space for investment in crisis response, the SDGs, and climate action;
- (3) the reform of the international debt architecture.

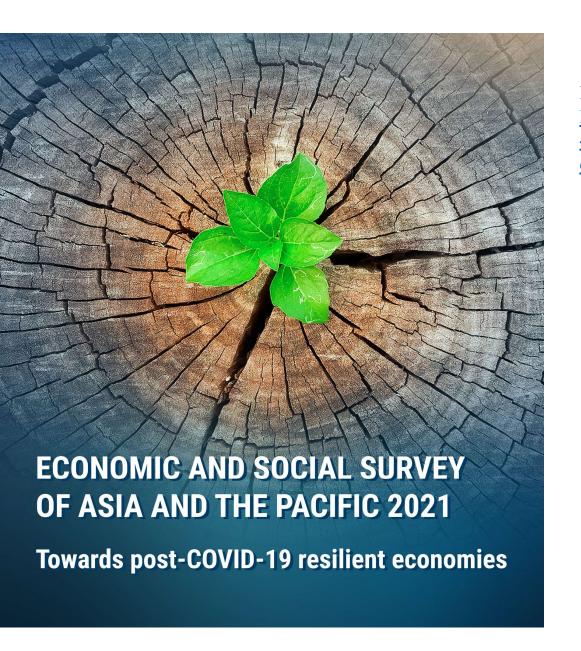




Key takeaways

- Despite a cautiously optimistic outlook, there is a risk of a K-shaped recovery – policymakers should prioritize inclusiveness for a robust recovery.
- Policymakers should assess the wider risk landscape and focus on "reducing setbacks" as well as "accelerating progress" on sustainable development.
- COVID-19 presents an opportunity to *build forward better* recovery policy packages should adequately focus on social services, digital access, and climate action.





Please visit

https://www.unescap.org/kp/2021/economic-and-social-survey-asia-and-pacific-2021-towards-post-covid-19-resilient-economies



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