# **Economic and Social Survey of Asia and the Pacific 2021**

Towards post-COVID-19 resilient economies

**Policy Dialogue with UNRCO Economists** 

Vatcharin Sirimaneetham
1 July 2021

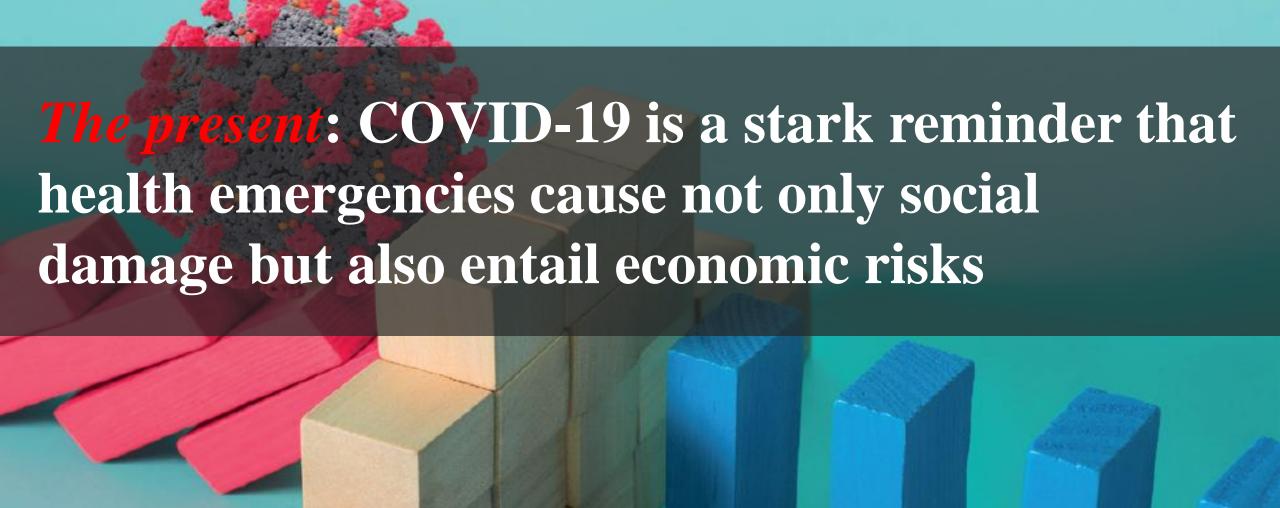




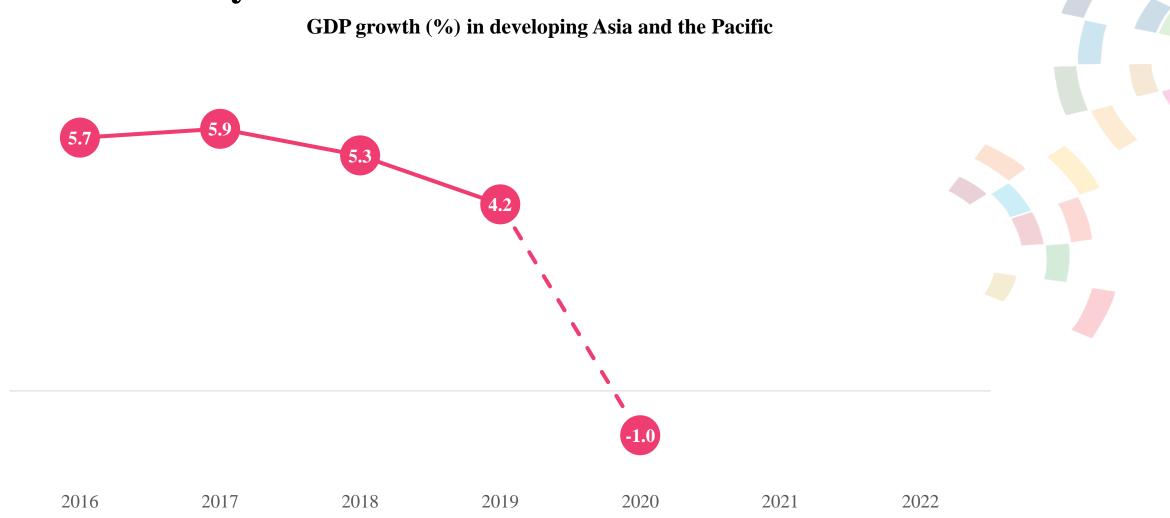
## Main messages

- The socio-economic impact of the COVID-19 pandemic was amplified by lack of resilience and investments in people and the planet.
- Continuity in policy support is a must, and recovery 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 the BFB 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...





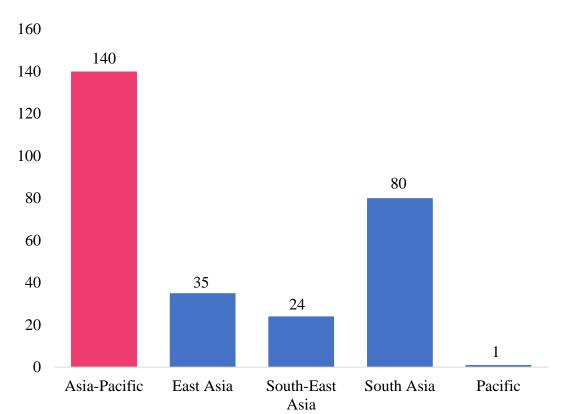
### ... with significant socio-economic costs.

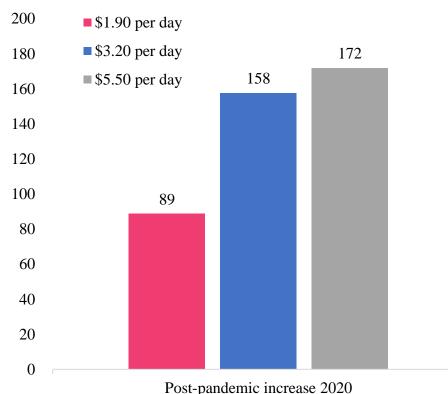
Equivalent number of full-time jobs lost in 2020 (millions of jobs, 48 hours/week)



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

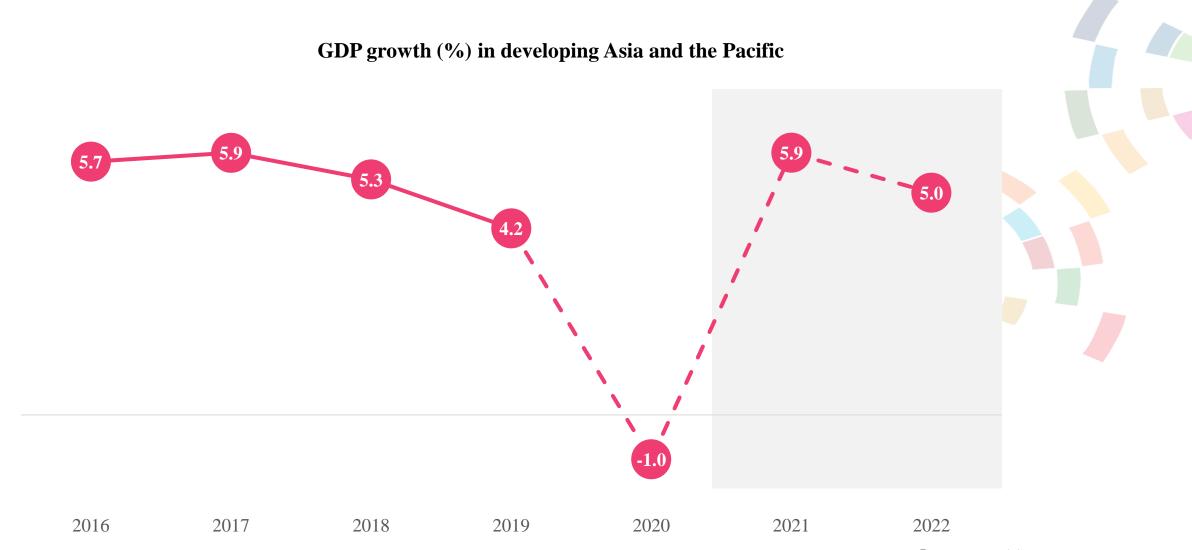








### Economic outlook is cautiously optimistic for 2021-22...





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

- Slow progress & uncertainties in vaccination
- International tourism remains subdued
- Debt distress is on the rise
- Long-lasting impacts on productivity
- Capital flow uncertainties & risk of stagflation
- Lingering trade tensions







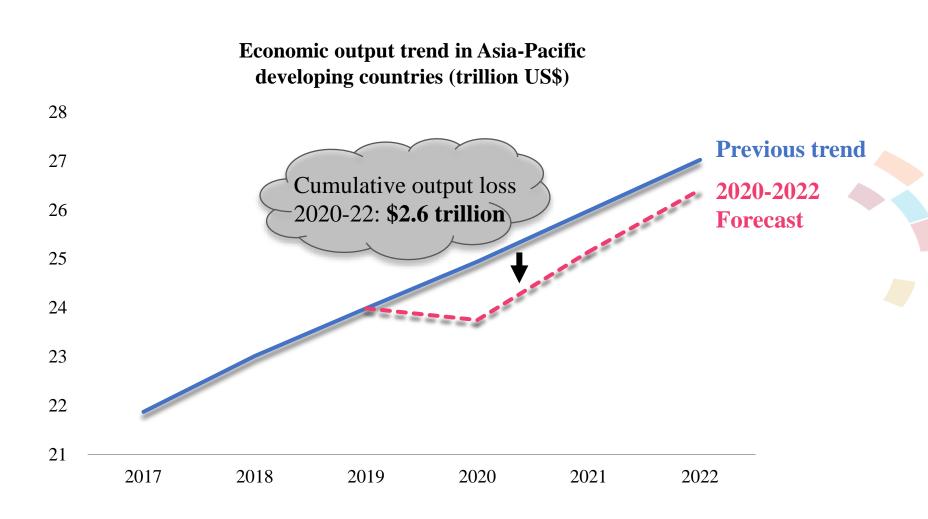








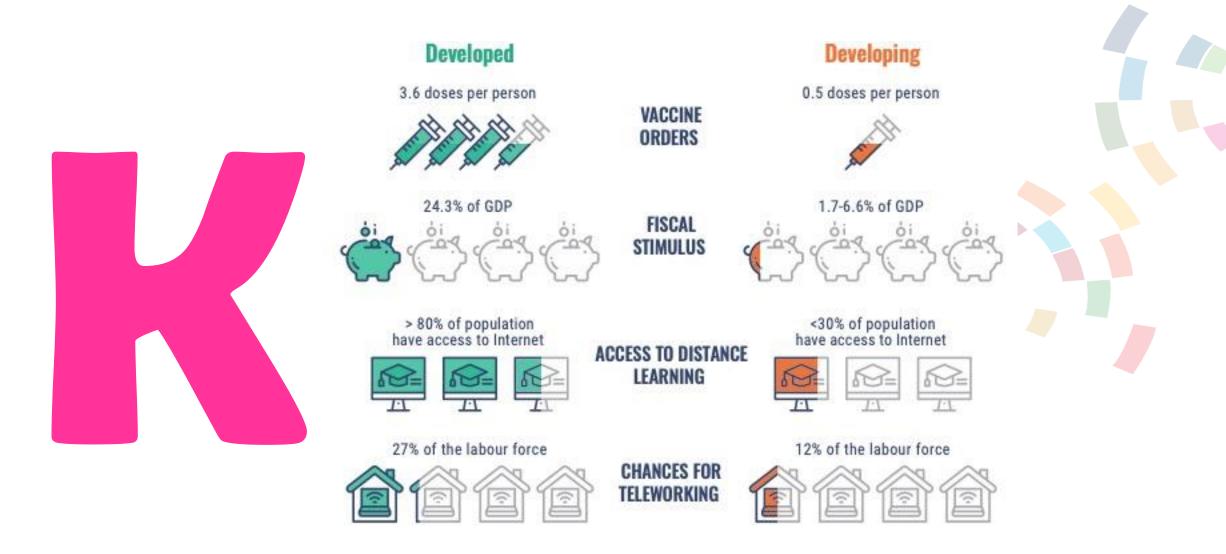
### ...with expected permanent losses in output...







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







ASIAN FINANCIAL CRISIS 199



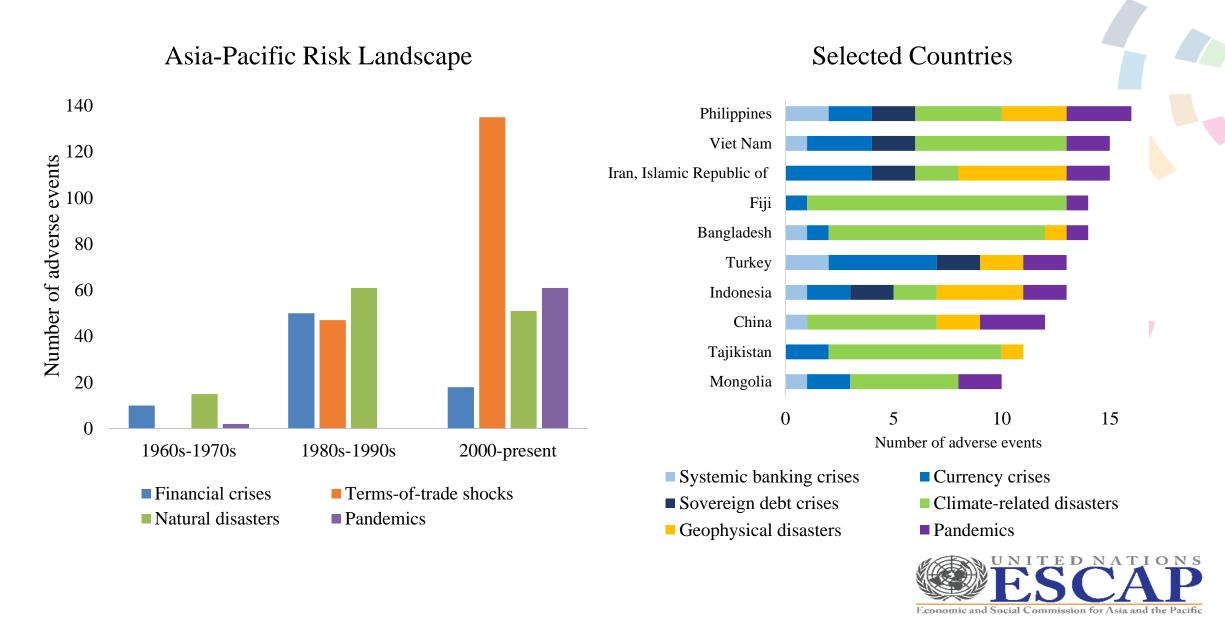


# The past: Learning from Past Crises and

Recoveries to Build Resilience



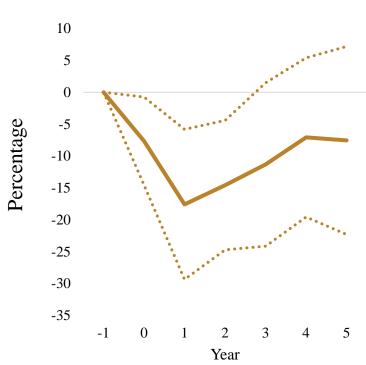
### Asia-Pacific faces a wide risk landscape...



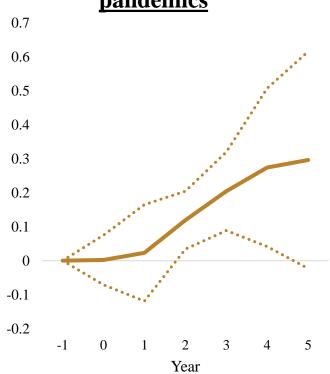
### ...where adverse shocks leave long-term scars.



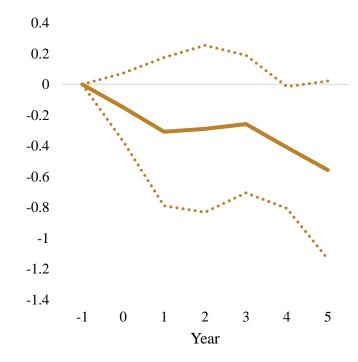




# **Increased inequality** from pandemics

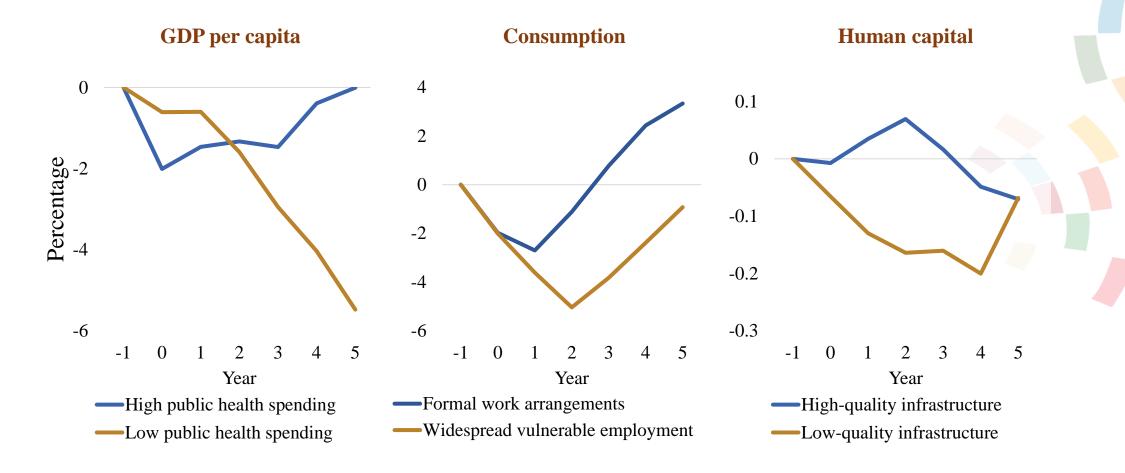


# **Environmental damage** from natural disasters





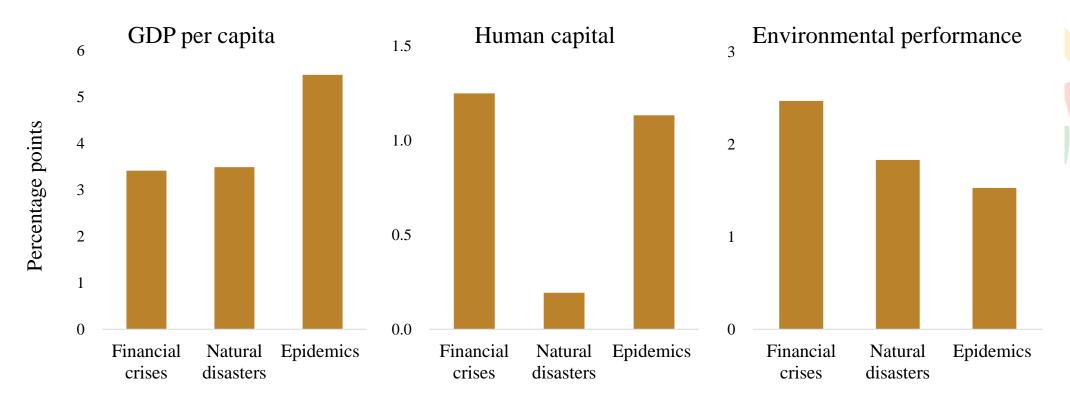
# Pandemics have a more severe socioeconomic impact in countries with pre-existing structural vulnerabilities





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

Difference in 5-year cumulative impact between countries with and without supportive policies





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

Crisis preparation and coping strategies

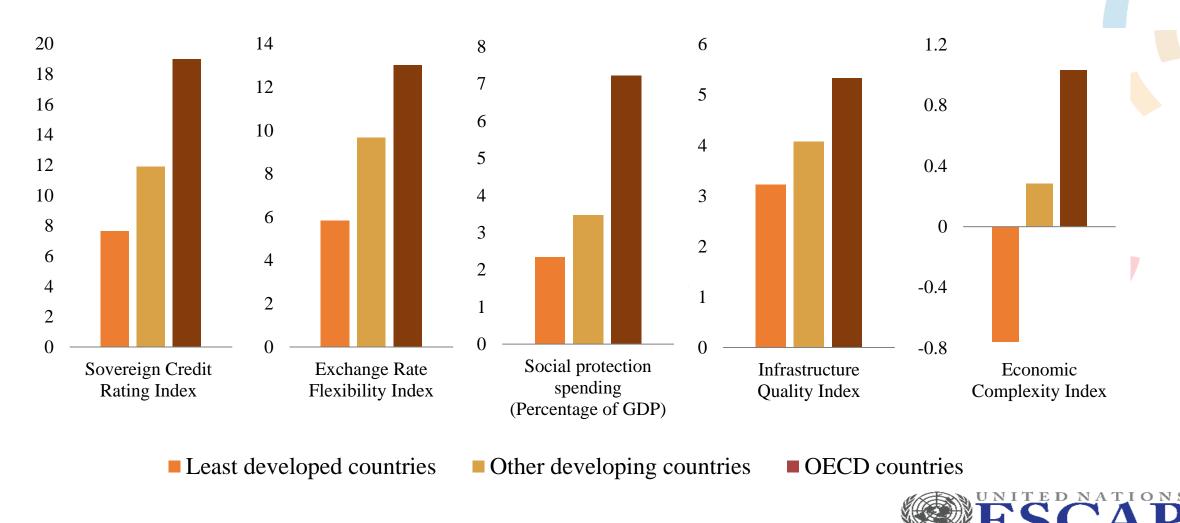
**Financial** regulation **Early** warning system Adaptive social Climateprotection resilient infrastructure and ODA





**Coping with crisis** 

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

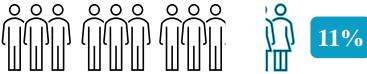




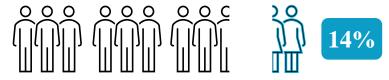
# The recovery packages leave room to integrate social and environmental issues

Most recovery policies are not gender-sensitive:

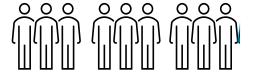
#### Fiscal support for businesses



#### **Social Protection**



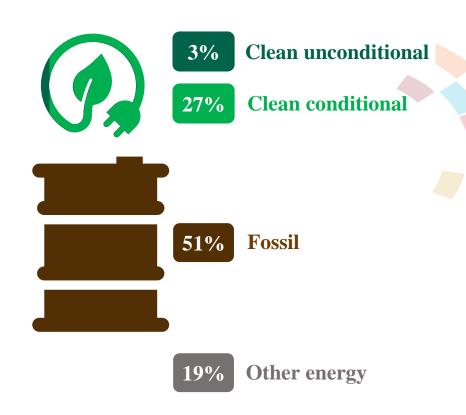
#### Labour market







# 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...





**Education Spending** 





**Biodiversity** 





Climate-Resilient Infrastructure



**Carbon Tax** 



**Clean Energy** & Energy Efficiency

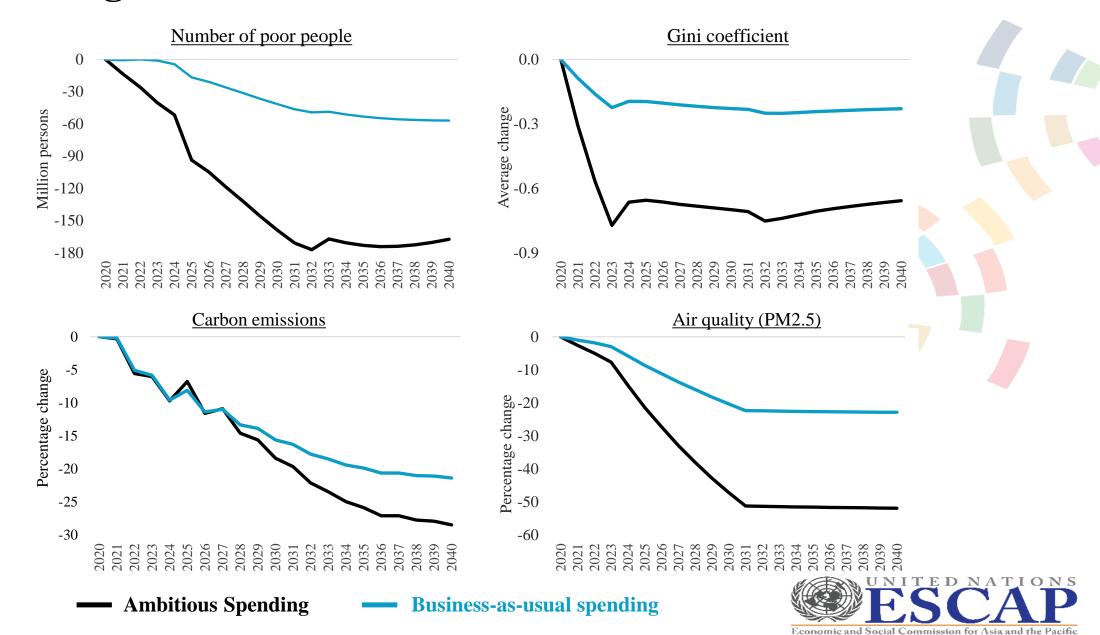


Social **Protection** Floor

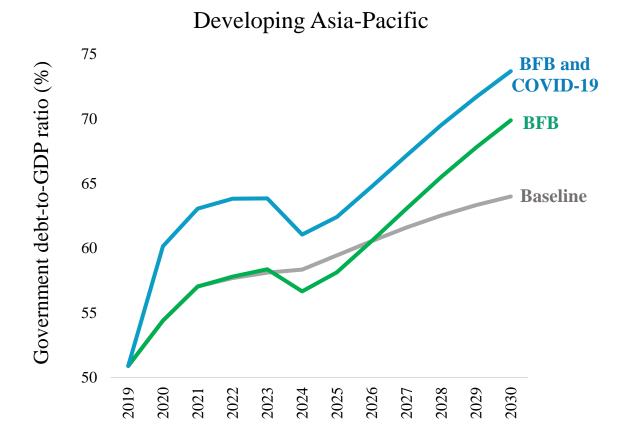
**Access to** 



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



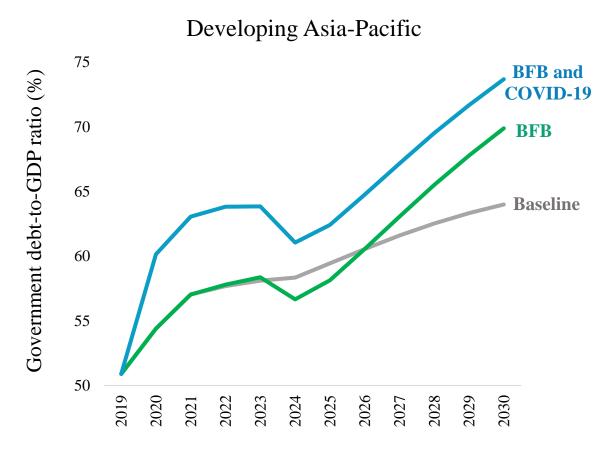
### ... but with more pressure on public debt

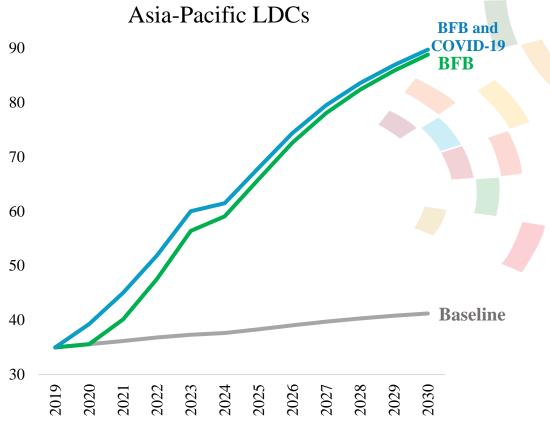






# ...but with more pressure on public debt, especially in Asia-Pacific LDCs

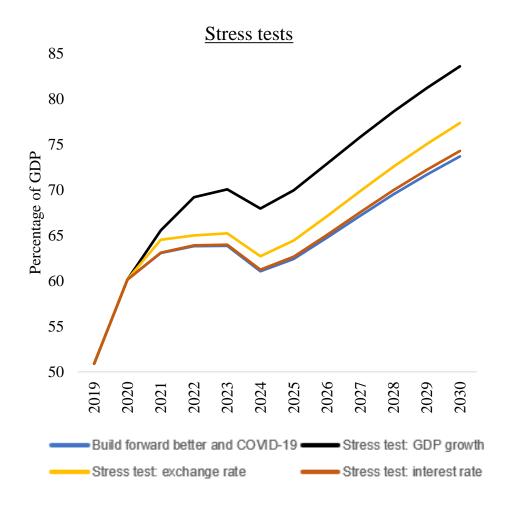


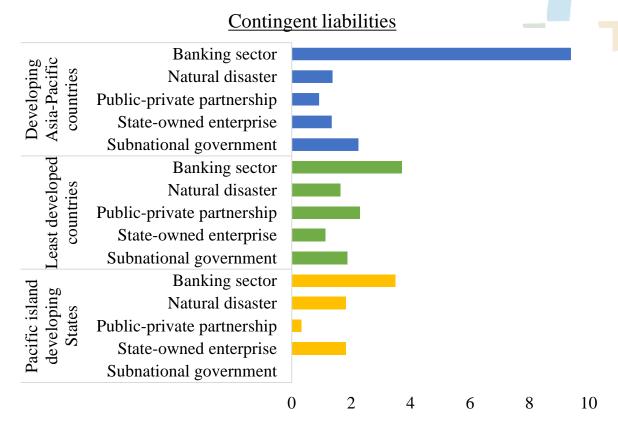




## Public debt sustainability is vulnerable to slower-than-

expected economic growth and fiscal contingent liabilities





Average annual increase in the government debt ratio during 2020-2030





# 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

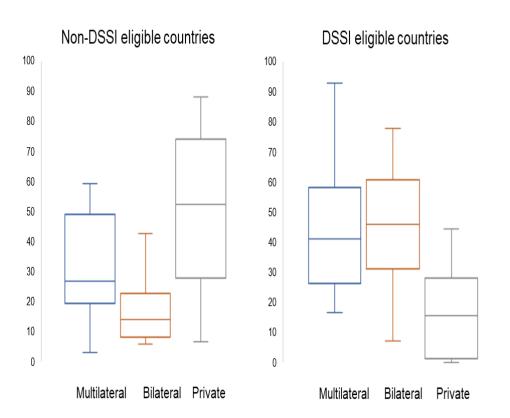


Incorporate catastrophic risks into fiscal planning



# Much of public debt in less developed Asia-Pacific economies is owed to official lenders

Composition of external PPG debt by creditor



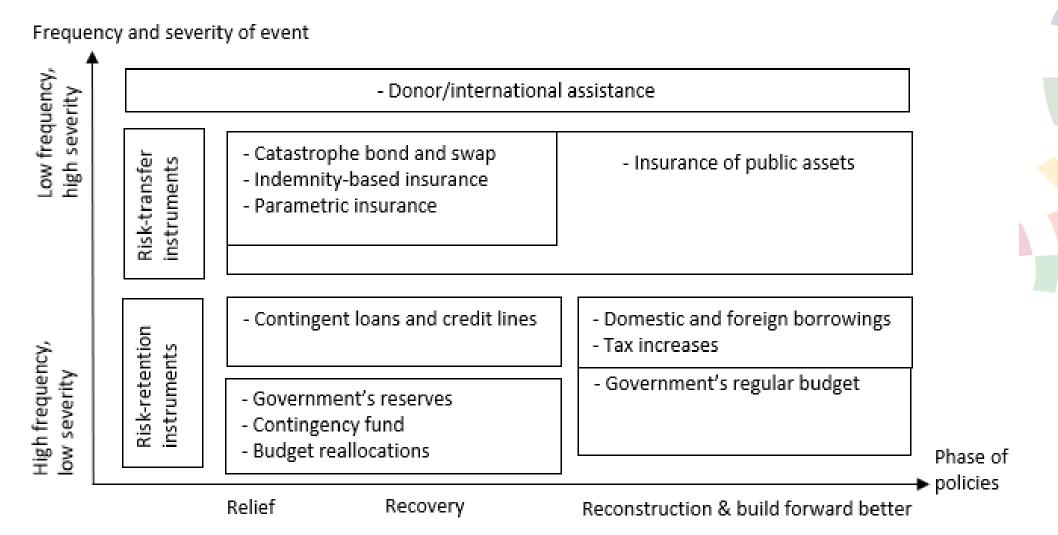
#### Participation in G20 Debt Service Suspension Initiative

	Risk of overall debt distress				
		Not available <sup>a</sup>	Low	Moderate	High
	Yes	Fiji (13.3)	Myanmar (359.3)		Afghanistan (36.7)
		Pakistan (2,487.8)	Nepal (21.3)		Maldives (61.3)
13					Papua New Guinea (26.3)
DSSI					Samoa (8.4)
in D					Tajikistan (50.3)
					Tonga (6.2)
Participation	No	Mongolia (60.4)	Bangladesh (290.8)	Bhutan <sup>b</sup> (248.2)	Kiribati
  ba			Cambodia (209.2)	Kyrgyzstan (49.5)	Lao People's Democratic
tici			Timor-Leste (0.0)	Solomon Islands (0.7)	Republic (277.6)
ar			Uzbekistan (217.5)	Vanuatu (6.1)	Marshall Islands <sup>b</sup>
1					Micronesia (Federated
					States of)
					Tuvalu <sup>b</sup>

Note: Numbers in the parentheses are potential DSSI savings during Jan-Jun 2021, where available (\$ million). a denotes countries not covered in debt sustainability analysis for low-income countries. b denotes countries whose debt distress risk is based on external debt only.



## Different types of shocks require different financing modalities





# Policy options to address fiscal and financing challenges in emerging economies



### Grant debt restructuring



Ensure medium-term debt management strategies



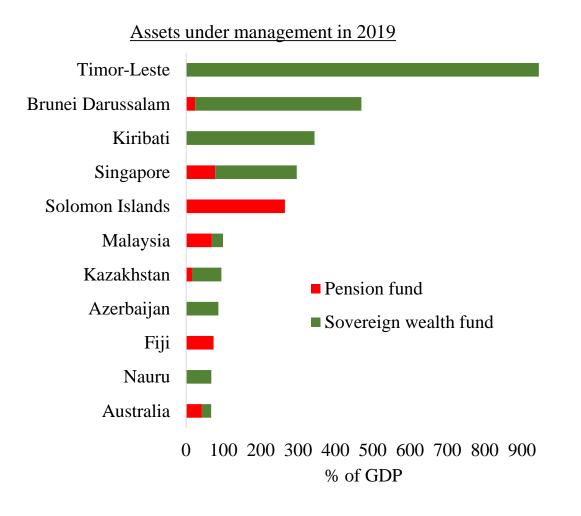
Explore more catastrophe insurances + bonds

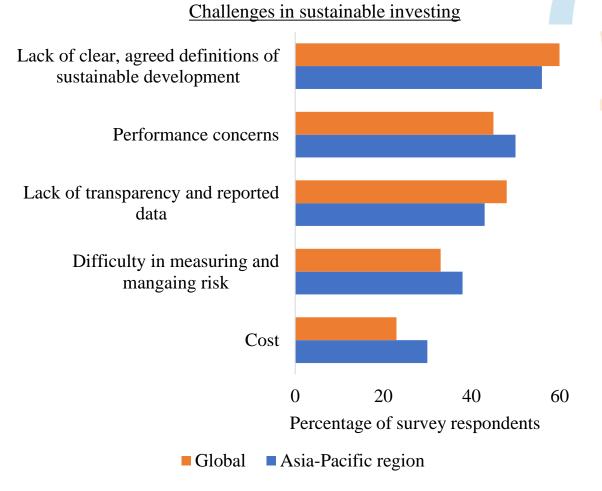


Ease investment rules for pension + sovereign wealth funds



# Clear definition of sustainable development would help mobilize more sustainable investing







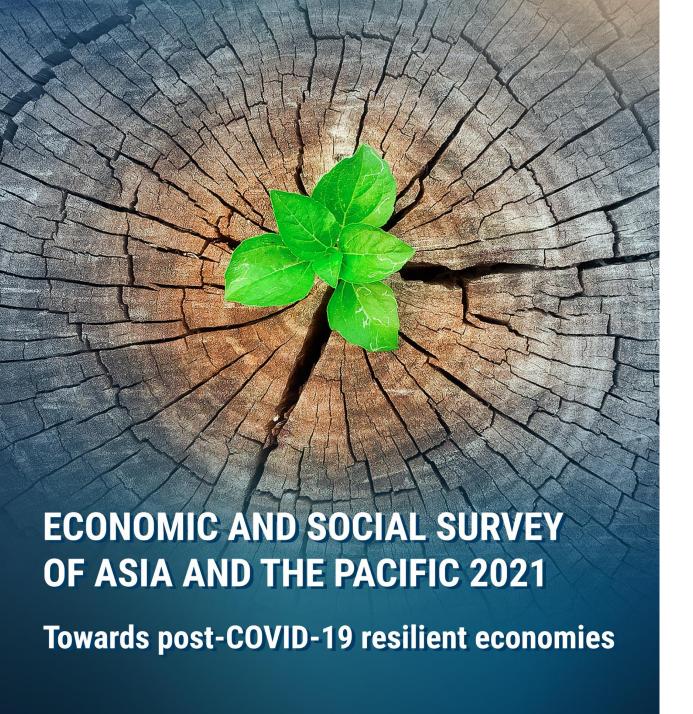
## **Key takeaways**

- 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.



## Bringing ESCAP Macro Model to Asia-Pacific countries

- The model is well suited for countries that are:
  - Designing COVID-19 recovery packages that align with the SDGs
  - Preparing national medium-term development plans
- Ongoing ESCAP projects
  - Cambodia, Mongolia, Nepal, Pakistan, Samoa and Timor-Leste
  - Expected outputs
    - Further elaborate the technicality of country models
    - Prepare country studies on the socioeconomic and environmental impacts of policy priorities
    - Capacity-building workshops to learn and discuss the models and country studies



#### Please visit

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



- UNESCAP
- **f** UNESCAP
- UNESCAP
- UNITEDNATIONSESCAP
- **in** UNITEDNATIONSESCAP

