



PREFACE

As we transition globally from the Millennium Development Goals (MDGs) to a more ambitious path of sustainable growth and development, inclusiveness must be integrated and mainstreamed in policy-making. There is ample evidence that economic growth is necessary, but definitely not sufficient for shared and sustainable prosperity. Asia and the Pacific is no exception, even as the region continues to lead global growth. ESCAP's *Economic and Social Survey of Asia and the Pacific 2015* underscores the need for the adoption of policies necessary for inclusive growth, which is both a prerequisite for meeting the outstanding MDG commitments and critical for effective implementation of an ambitious sustainable development agenda in the post-2015 era.

Taking a multidimensional approach, and tracking 15 indicators of inclusiveness, the *Survey* for 2015 assesses the extent to which the Asia-Pacific region's rapid economic growth over the past two decades has improved welfare for different groups. The region stands out for its accomplishments in achieving high growth and leading progress on the MDGs since the 1990s. However, two major trends remain worrisome: (i) several countries lag behind in their economic and social transformation; and (ii) significant disparities remain across gender, urban-rural sectors, and income quintiles. Particularly worrying is the fact that multiple forms of deprivation tend to reinforce each other. For instance, high income inequality worsens the distribution of opportunities in gaining access to quality education, adequate healthcare services, improved sanitation, clean drinking water and reliable energy. Similarly, deteriorating environmental conditions make it more difficult for socioeconomic progress to be sustained.

Renewed emphasis on how "inclusiveness" works, and which policies will achieve a deeper and lasting impact on human welfare, is warranted. The Asia-Pacific growth trajectory, while encouraging in some areas, lags behind in others, and is in a process of adjustment in major economies of the region. Augmenting and enhancing inclusiveness will only be achieved if accompanied by a multidimensional strategy that recognizes the need for simultaneous advances in the economic, social and environmental aspects of development. When such advances are backed by good policies, supportive legal and regulatory frameworks and effective political governance, the likelihood of success increases even further.

ESCAP's 71st session is squarely focused on balancing and integrating the three core elements of sustainable development. Our work emphasizes that inclusive growth reinforces sustainable development in all areas, and that exploiting synergies across these elements is critical. To achieve better sustainable development outcomes, it will also be critical for governments to launch integrated and well-designed packages of inclusive policies, auguring well for decent employment, job security, adequate access to basic services such as health, education and water, as well as the imperative to stay within critical environmental boundaries.

Among others, the *Survey* for 2015 identifies small and medium enterprises and the agricultural sector as high-priority areas, given their high employment-intensity and potential for productivity gains from policy interventions such as fiscal and labour market policies, together with the importance of financial inclusion and infrastructure investment.

Change is, however, warranted across the board. The latest macroeconomic outlook for the Asia-Pacific region points to only a slight pick-up in economic growth and to a deceleration in the rate of expansion. Also, there will be a noticeable decline in inflation during 2015 in developing economies of the region.

Declining growth in oil-dependent economies, subdued global trade and likely volatility in capital flows are all expected to pose challenges to the sustainability of economic growth. Commodity-dependent economies may face further difficulties from negative terms of trade shocks.

Beyond these immediate challenges, longer-term barriers to inclusive growth include structural barriers to women's participation in both the economy and wider society, persistently high levels of vulnerable employment, infrastructure shortages, as well as environmental and climate-related challenges. Addressing these challenges will position the region well to adopt a more sustainable development path.

However, this will require strong macroeconomic management, with the right mix of macroprudential policies to support monetary policies in managing large capital flows; mobilization of resources through public and private channels to boost infrastructure investment; policies to address pro-cyclicality and promote diversification in commodity-dependent economies; as well as climate change adaptation and mitigation measures.

Any effective analysis of the Asia-Pacific region must consider the enormous diversity and different levels of development across countries and subregions. The macroeconomic outlook and policy challenges differ at the disaggregated level, and call for policies to be redesigned to better align with subregional and country circumstances. Examples of these include: the spill over impact of the Russian Federation's slowdown on North and Central Asian economies; the employment- and climate-related challenges in Pacific island developing economies; and the macroeconomic imbalances coupled with severe power shortages in South and South-West Asia. The impact of China's rebalancing for East and North-East Asia; as well as ways to control credit-driven consumption and boost investment in infrastructure and skills in South-East Asia, are some of the other critical areas of concern.

2015 is a year of global action, when the international community is expected to adopt a universal and transformative post-2015 development agenda and a meaningful agreement on climate change action. Other major events include landmark international conferences on disaster risk reduction and on financing for development. Countries in the Asia-Pacific region are already actively engaged in these global processes, while introducing reform policies at home. Moreover, ESCAP member States are working together on multiple fronts of regional cooperation, such as trade, connectivity, finance and natural disasters resilience and risk reduction. Several exciting developments are unfolding, including the establishment of the ASEAN Economic Community, the Asian Infrastructure Investment Bank and the New Development Bank. As the most comprehensive regional platform in Asia and the Pacific, ESCAP will continue to work closely with all regional bodies and stakeholders to achieve these aims.

I sincerely hope that the *Survey* for 2015 will benefit its readers and contribute to the broader global, regional, and national deliberations to render growth more inclusive, resilient and sustainable.

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