

Policy dialogue with PIDS



Economic and Social Survey of Asia and the Pacific 2018 & Financing for development



74th COMMISSION SESSION

INEQUALITY

in the era of the 2030 Agenda
for Sustainable Development



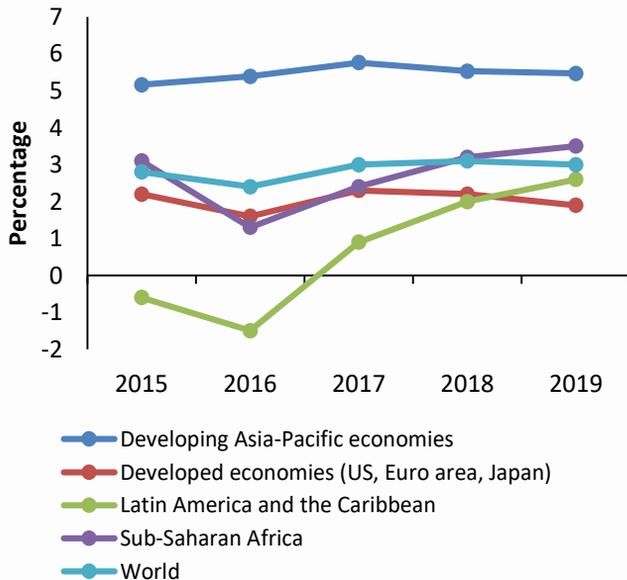


**MACROECONOMIC TRENDS &
ESCAP SUREY 2018**

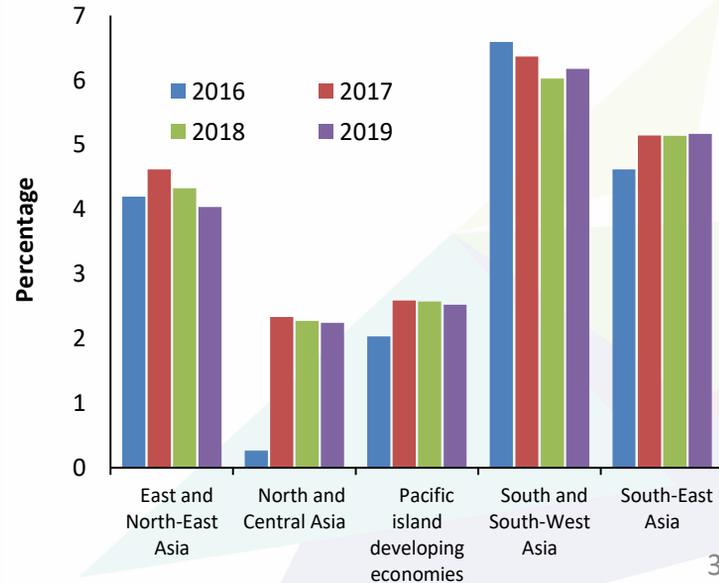
ECONOMIC GROWTH INCREASED STEADILY AND IS BROAD-BASED

Economic growth accelerated in two-thirds of economies, accounting for 80 percent of the region's GDP.

Global and regional growth



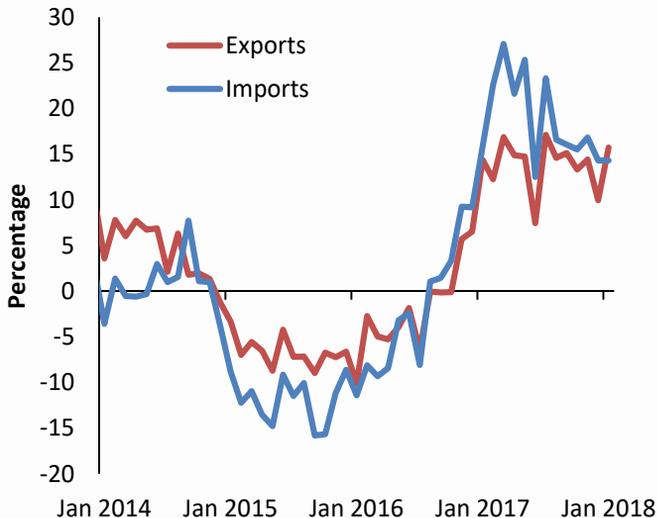
Subregional growth



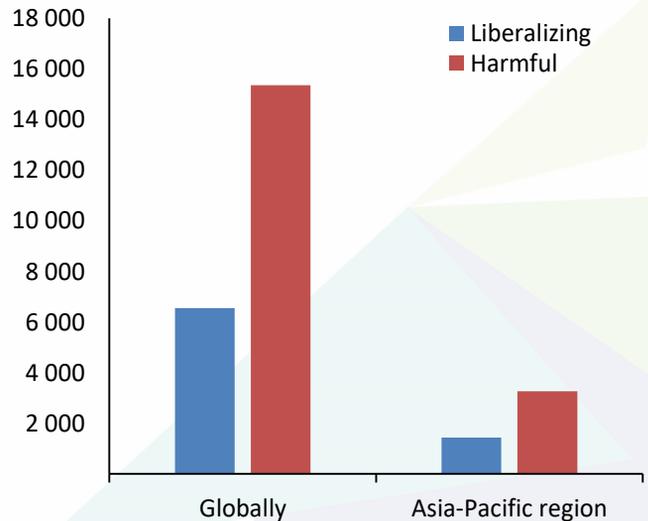
TRADE VOLUMES INCREASED, SUPPORTED BY GLOBAL ECONOMIC RECOVERY AND STRONG GROWTH IN CHINA

Policy focus should be on reducing trade protectionism and promoting trade facilitation measures.

Monthly export and import value growth



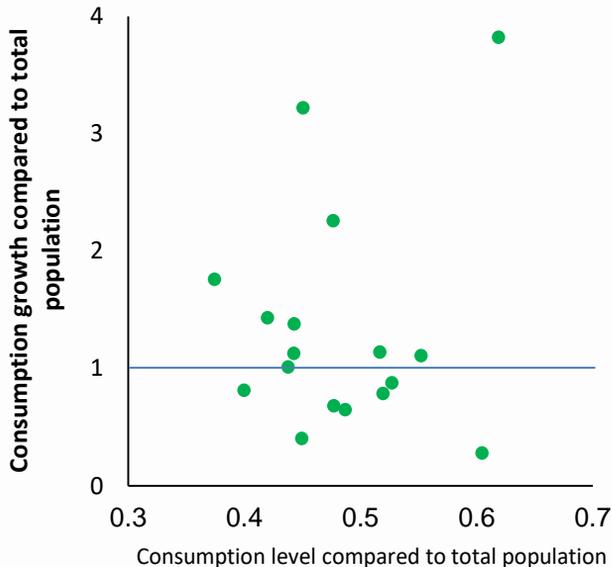
Number of interventions implemented, between 2014 and 2017



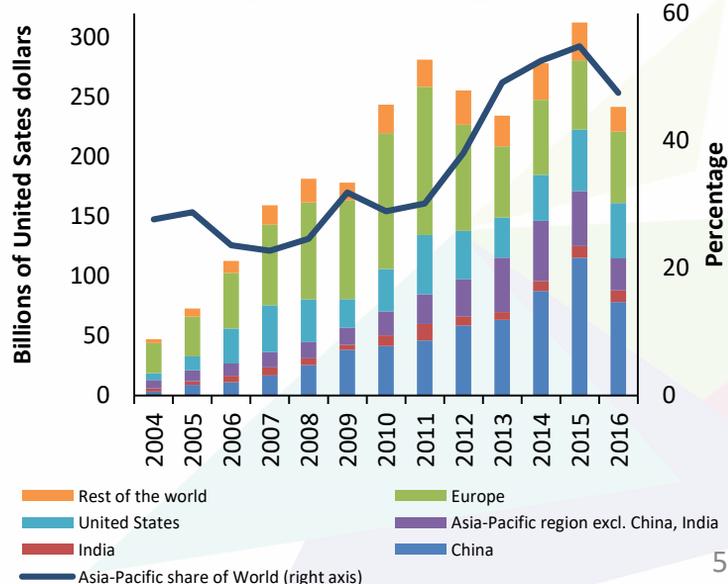
ALONGSIDE ROBUST DOMESTIC CONSUMPTION, INVESTMENT EXPENDITURES ALSO INCREASED

Policy focus should be on strengthening these drivers of growth --- real wage/productivity growth for consumption; and financial development, trade openness and regulatory quality for investments --- and in a manner that makes economic growth inclusive and sustainable.

Consumption by bottom 40 per cent



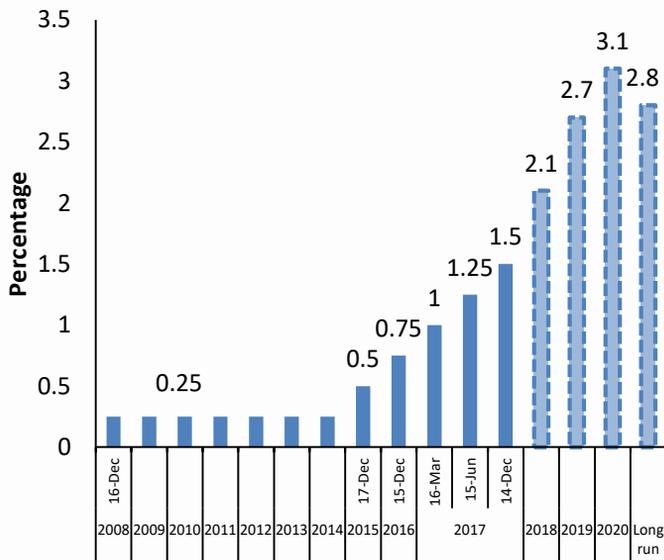
Investment in renewables



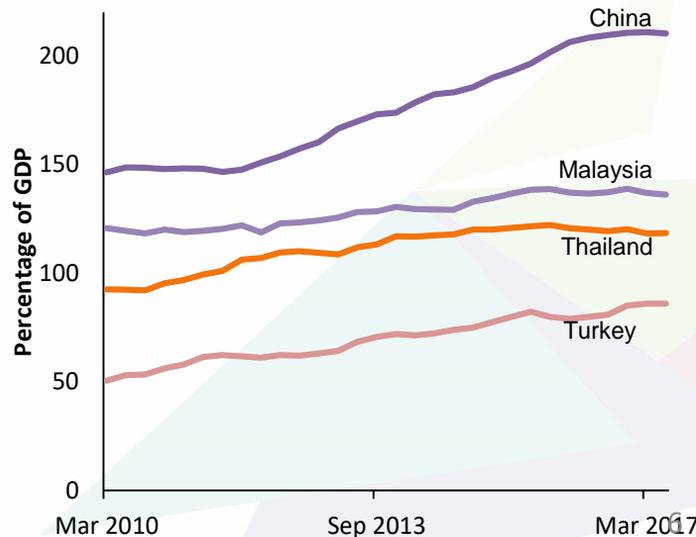
MONETARY AND FINANCIAL POLICIES SHOULD FOCUS ON ENSURING MACROECONOMIC AND FINANCIAL STABILITY

Risks include: recent uptick in oil prices, financial sector/balance sheet risks and faster-than-expected increases in interest rates in the US and the eurozone.

US Federal funds rate



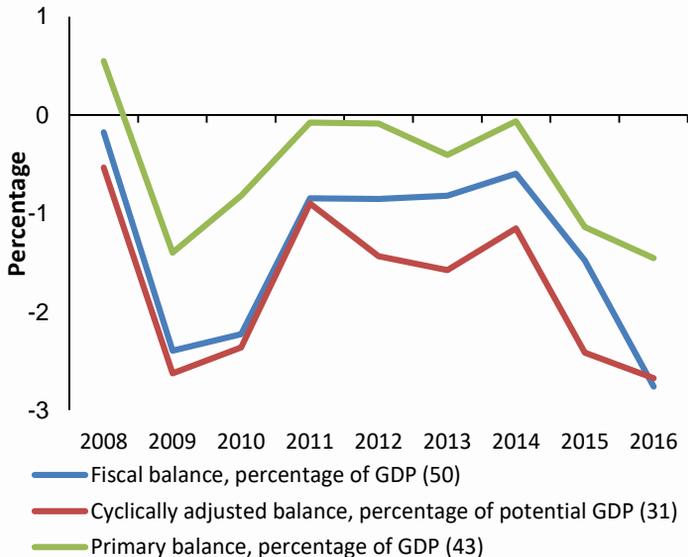
Private non-financial sector debt



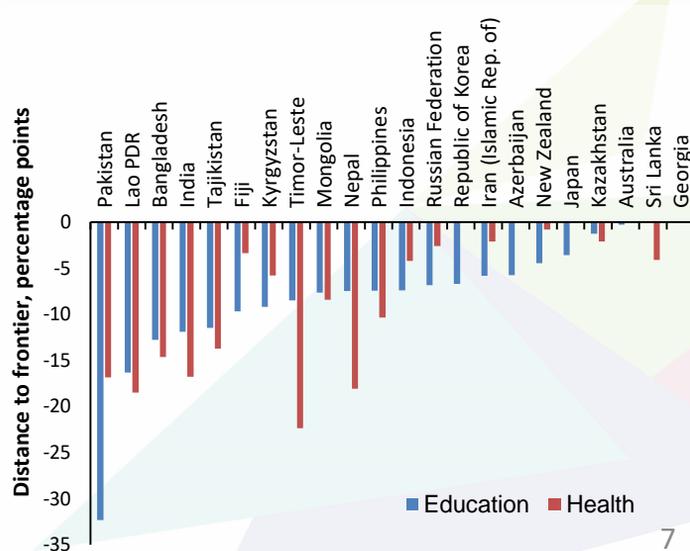
FISCAL POLICIES SHOULD FOCUS ON LONG-TERM ECONOMIC GROWTH AND REDUCING INEQUALITIES

In addition to budget reallocation in favor of development spending, governments should increase expenditure efficiency, ensure equal access to basic public services, and consider progressive taxation.

Fiscal balance (percentage of (potential) GDP)



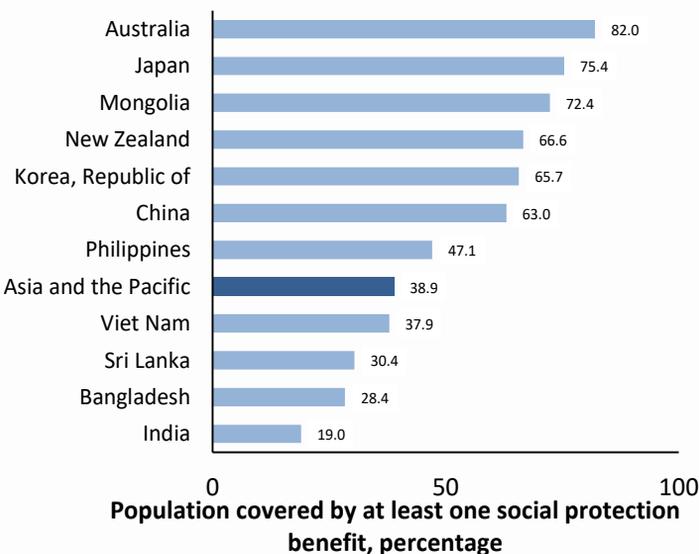
Expenditure efficiency in education and health



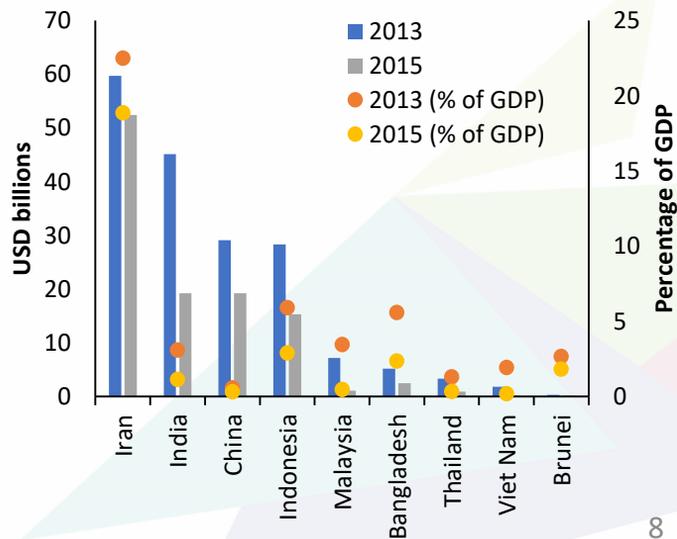
STRENGTHENING SOCIAL AND ENVIRONMENTAL SPENDING IS PARTICULARLY IMPORTANT FOR ASIA-PACIFIC

The Asia-Pacific region ranks low in terms of social spending compared to both developed countries and other developing regions. It also faces serious environmental challenges that would required proactive and targeted public policies to address.

Social protection coverage



Fossil fuel subsidies



KEY MESSAGES

- Economic growth is steady and broad-based, while inflation is stable.
- Monetary/financial policies should focus on macro-financial stability, while fiscal policies should support productivity and reduce inequalities.
- In view of the emerging challenges, monetary and fiscal policies would need to work together in a more coherent manner to offset short-term shocks in longer-term adjustments.
- Asia-Pacific countries should take advantage of the steady economic performance to ensure that it is sustained over time, benefits everyone, and has minimal environmental implications.
- While considering various policies, diversity of region's economies must be kept in view, and specific circumstances of countries with special needs should be considered.

IMPLICATIONS FOR THE PHILIPPINES

- Inflation has exceeded expectations and government target. Monetary and financial policy would need to focus on stability.
- Export outlook and remittance also become uncertain, given the increased global uncertainties.
- Fiscal policy may need to carry the weight of short-term stabilization, given monetary tightening. The infrastructure investment expansion may help to sustain growth.
- Policy rate hikes put further pressure on public debt sustainability, thus also greater demand on the effectiveness and efficiency of public investment in promoting growth and productivity improvement.
- Spending items that best enable private sector and enable labor participation need to be prioritized.



ESCAP'S WORK ON FINANCING FOR DEVELOPMENT

SDG FINANCING DEMAND IS SIGNIFICANT

Total: Up to \$2.5 trillion a year

*Economic & Social
investment needs per year:*

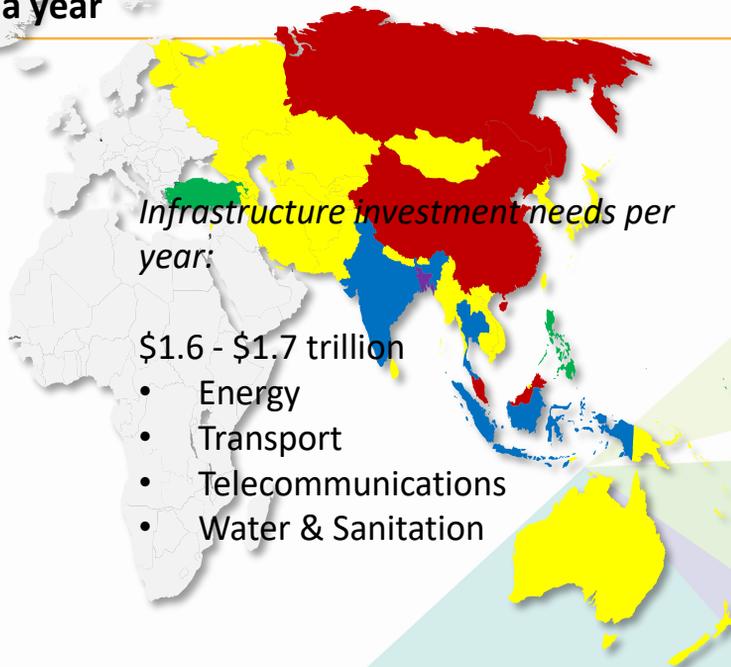
\$500 - \$800 billion

- Payment for safety nets
- Old age pension
- Income security to all persons with disabilities
- Universal access to health and education
- Modern energy access for all

*Infrastructure investment needs per
year:*

\$1.6 - \$1.7 trillion

- Energy
- Transport
- Telecommunications
- Water & Sanitation



ASIA-PACIFIC FACES BOTH ADVANTAGES AND CHALLENGES

Advantages:

- Strong economic growth
- Robust fiscal position
- High savings rate
- Fast financial development in its leading economies

Challenges:

- Skewed allocation of its financial resources
- Low tax rate, large informal sector, and weak tax administration, especially in LDCs
- Underdeveloped financial markets & lack of economic scale
- Private sector participation limited
- limited and unequal access to financial services and financial resources

ESCAP'S MAIN AREAS OF WORK ON FINANCING FOR DEVELOPMENT

Theme areas:

- Domestic resource mobilization & public finance
- Infrastructure investment & PPP
- Financial inclusion & SME financing

Format of work:

- Regional dialogue and intergovernmental coordination
- Policy research & country case studies
- Capacity building

DRM AND PUBLIC FINANCE

Main activities:

- Policy research: city finance, tax incentive policies and tax policies of inclusive development
- Regional platform for international tax cooperation
- Capacity building: city finance

PPP AND INFRASTRUCTURE INVESTMENT

Main activities:

- A-P regional PPP network
- Policy research & country case studies
- Capacity building

FINANCIAL INCLUSION & SME FINANCING

Main activities:

- Policy research
- Joint workshops

THANKS FOR YOUR ATTENTION

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