

Economic and Social Survey of Asia and the Pacific 2017

Governance and Fiscal Management

Jakarta, Indonesia
9 May 2017



Main messages



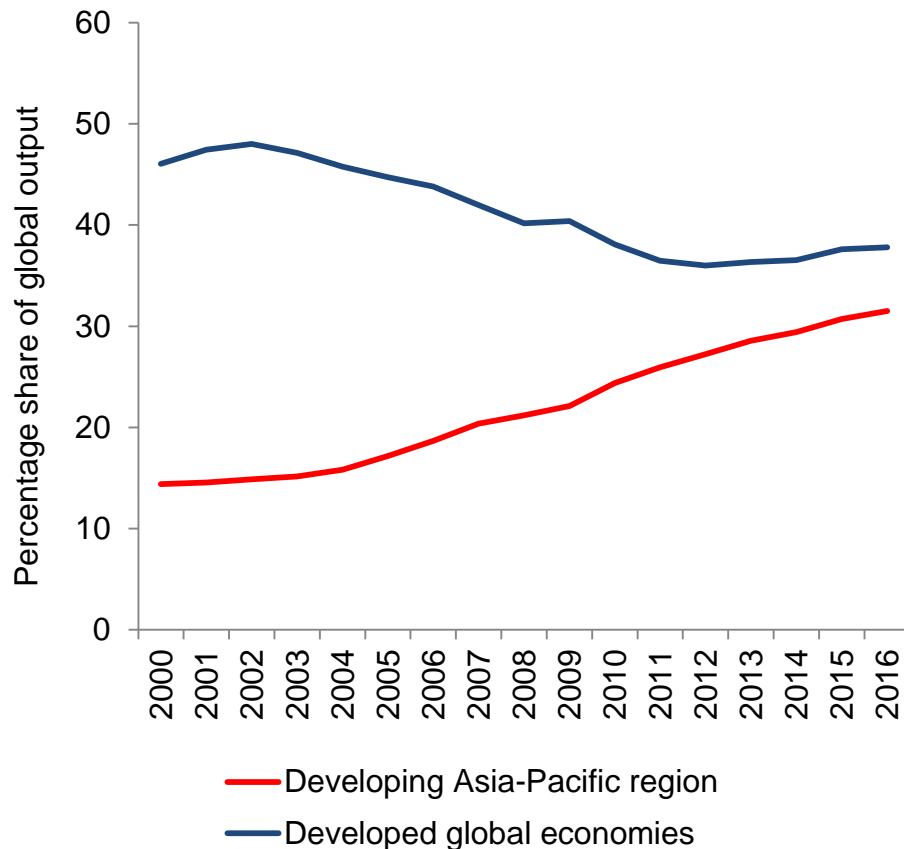
- Economic growth is relatively modest but steady, and a mild economic expansion is expected ahead.
- Countries in the region should strengthen domestic and regional drivers of economic growth, given prolonged weakness in external demand and rising protectionist measures
- Effective fiscal management, 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.



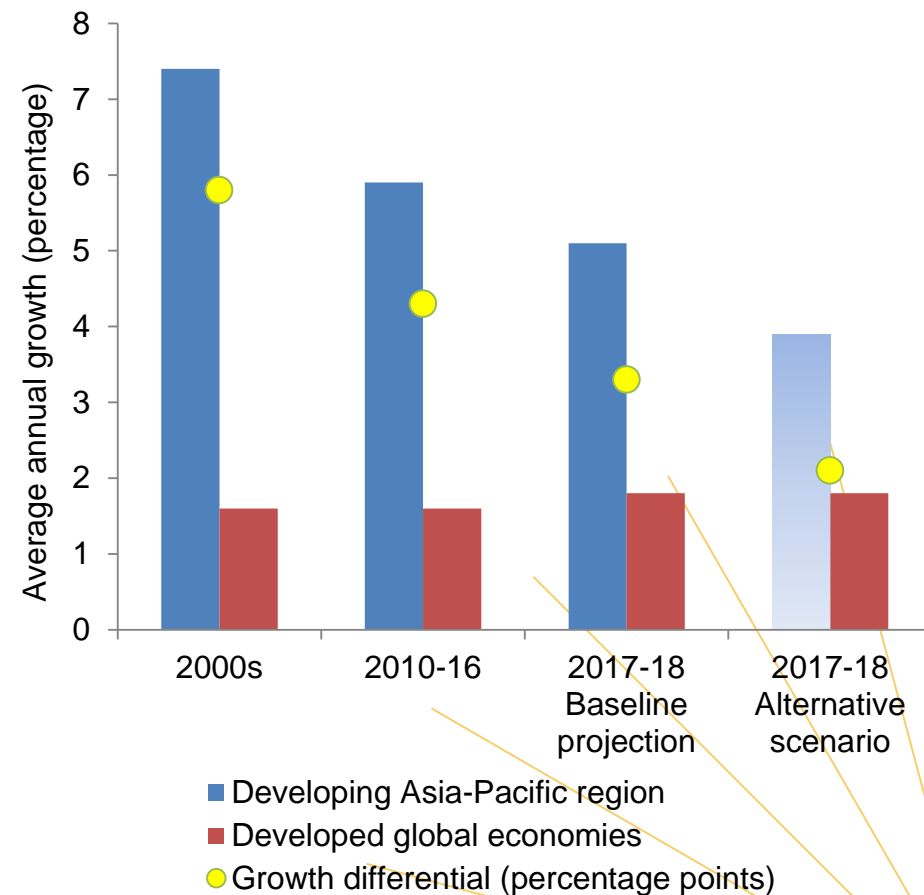
Economic Outlook and Quality of Growth

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

Share of developing Asia-Pacific economies
is increasing

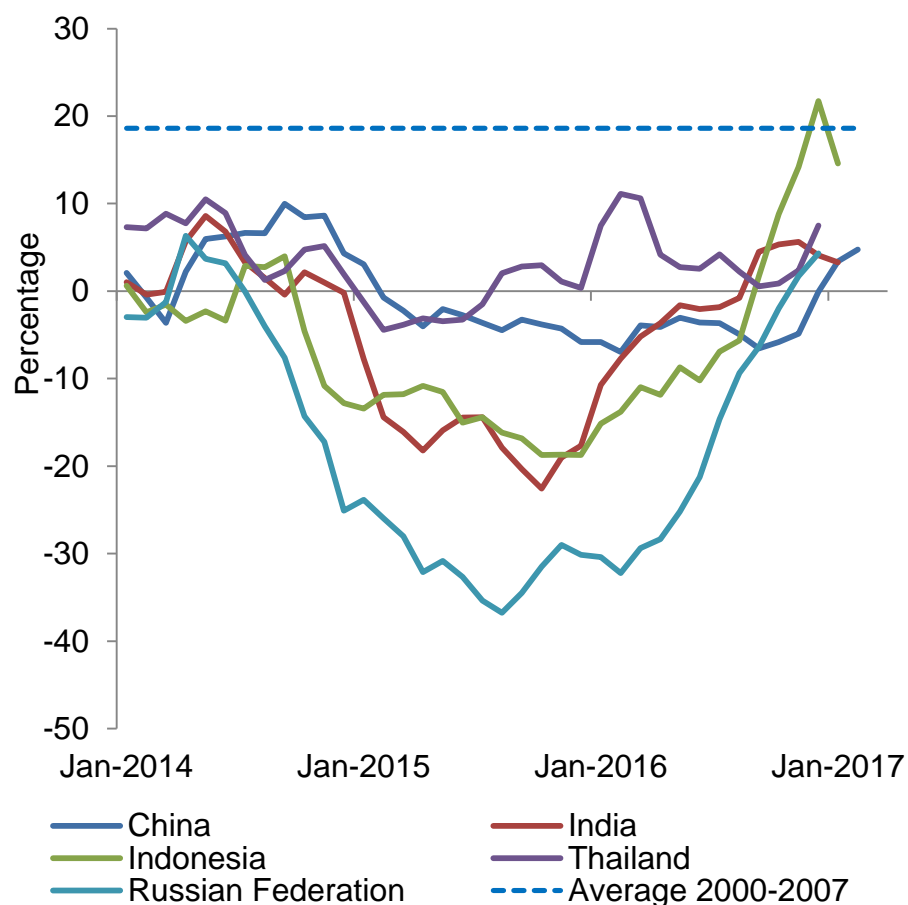


Growth differential vis-à-vis developed
economies is narrowing

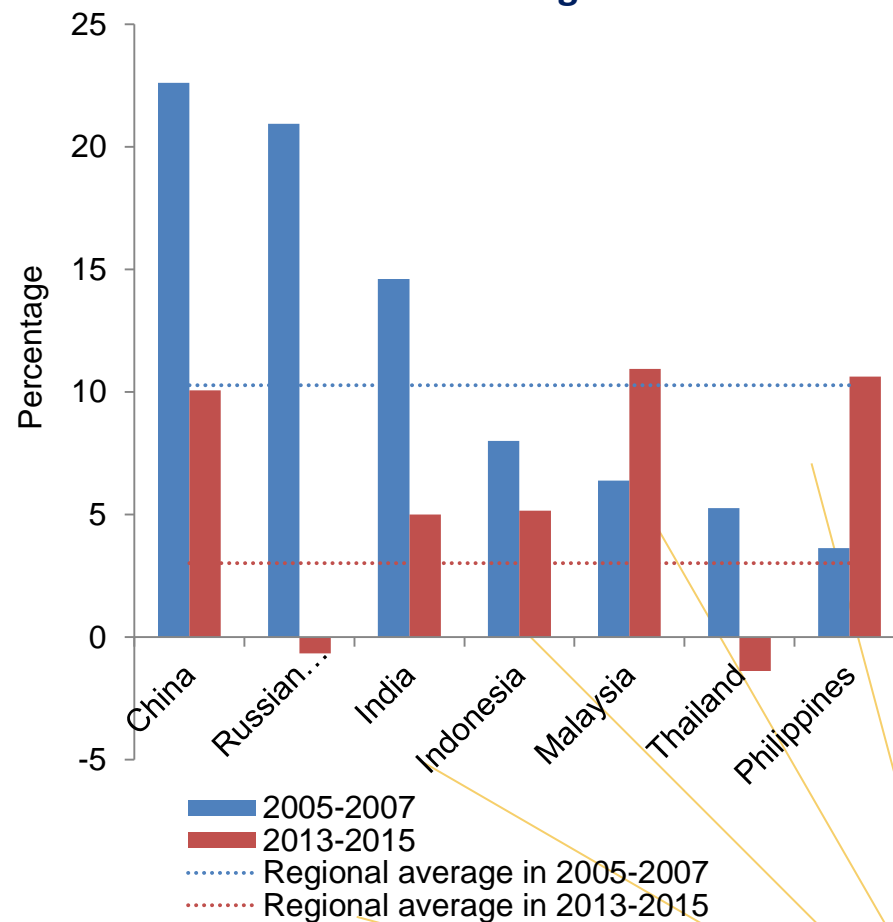


A firm rebound in exports seem unlikely and private investment needs to rise

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



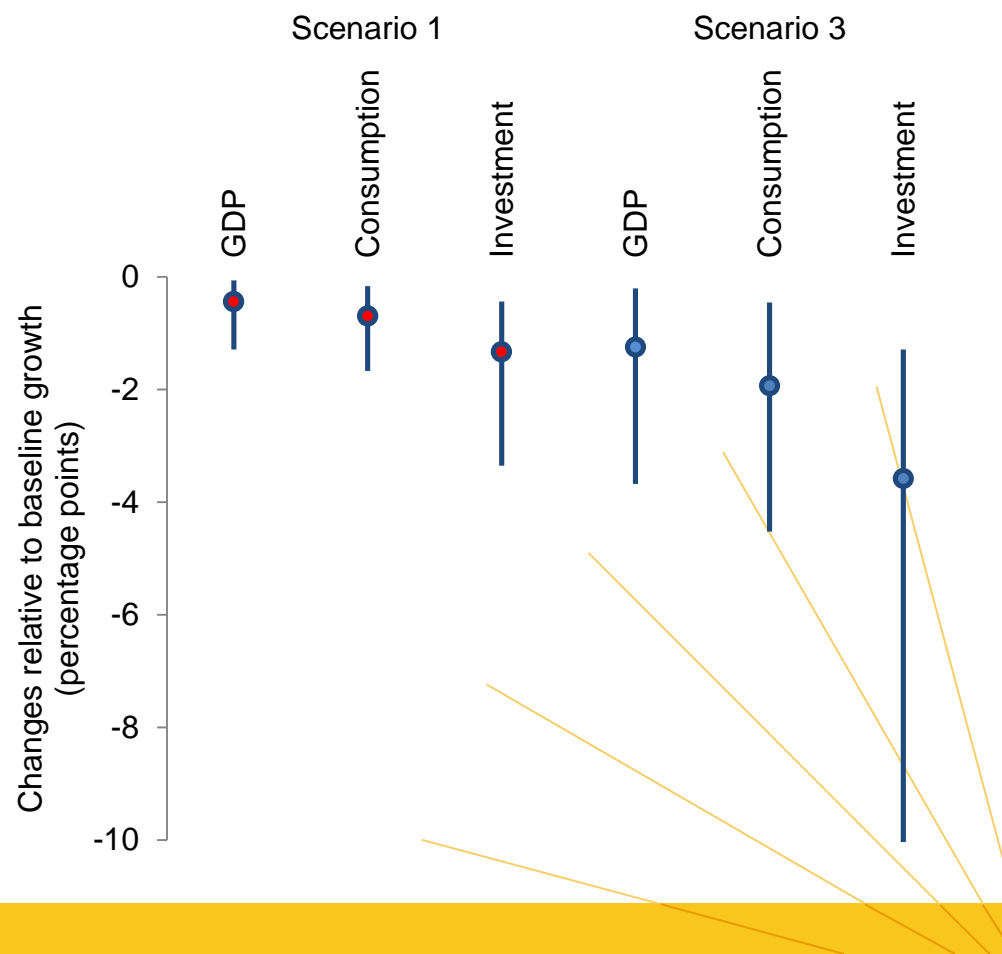
With few exceptions, private investment is not forthcoming



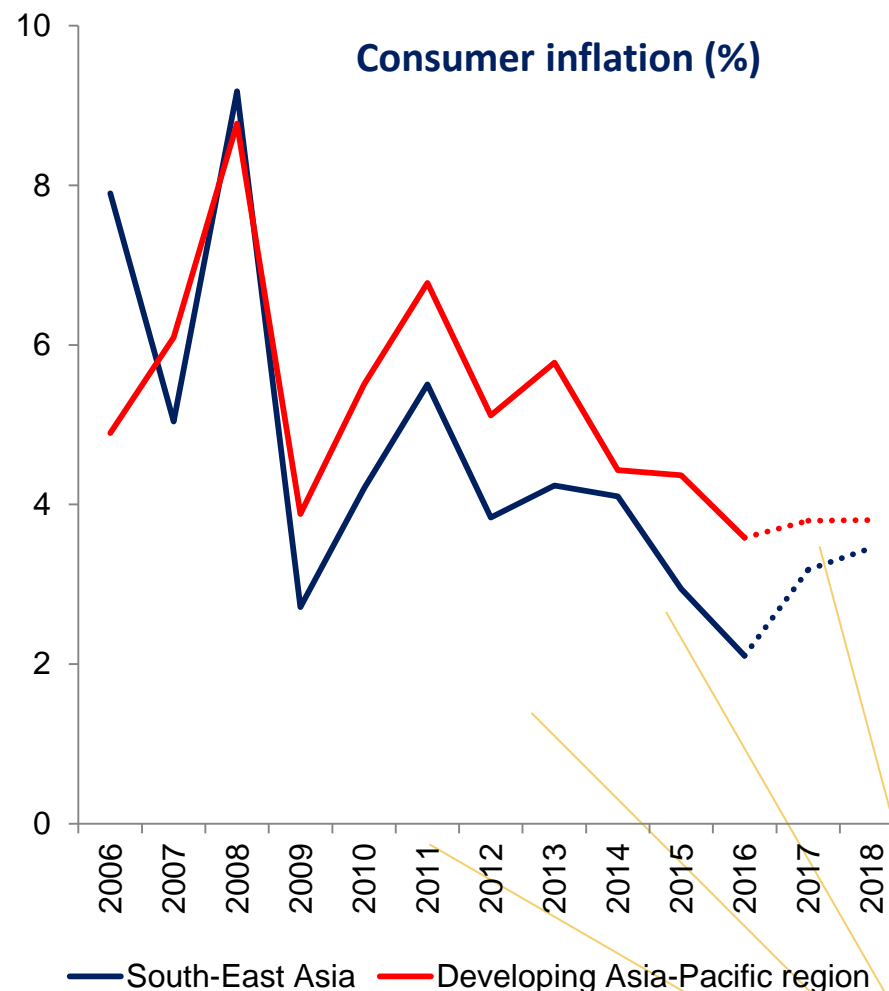
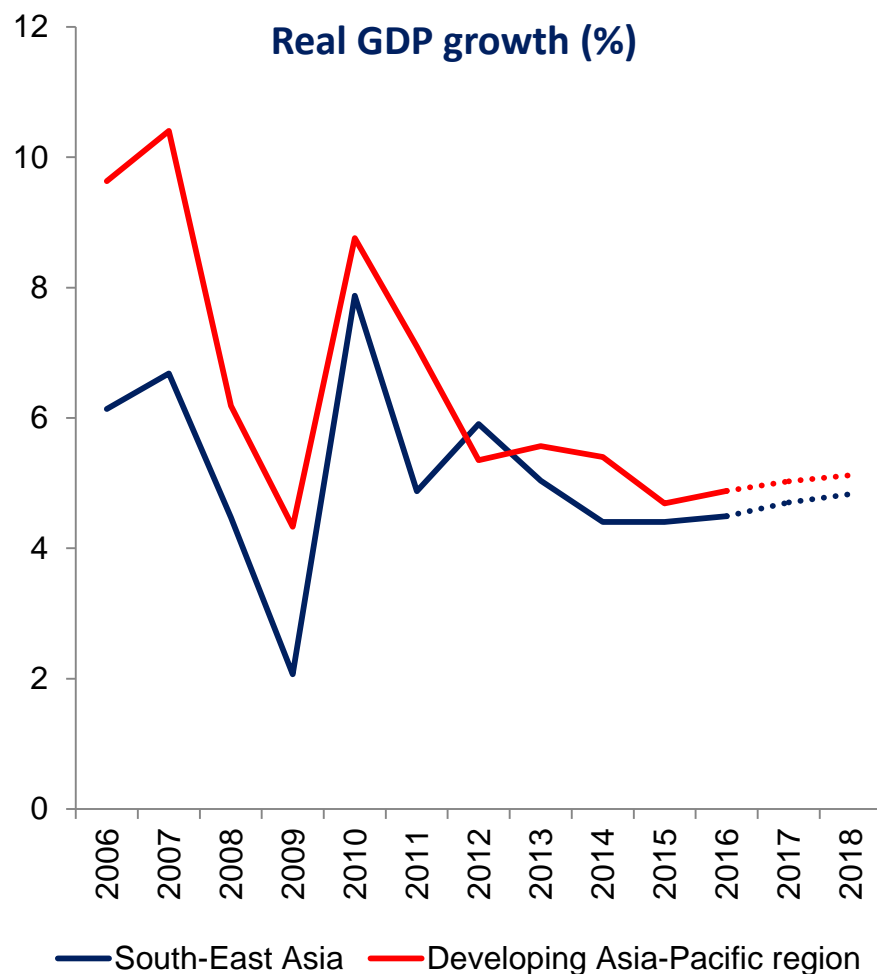
A modest economic expansion is expected in 2017 and 2018, with downside risks

	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

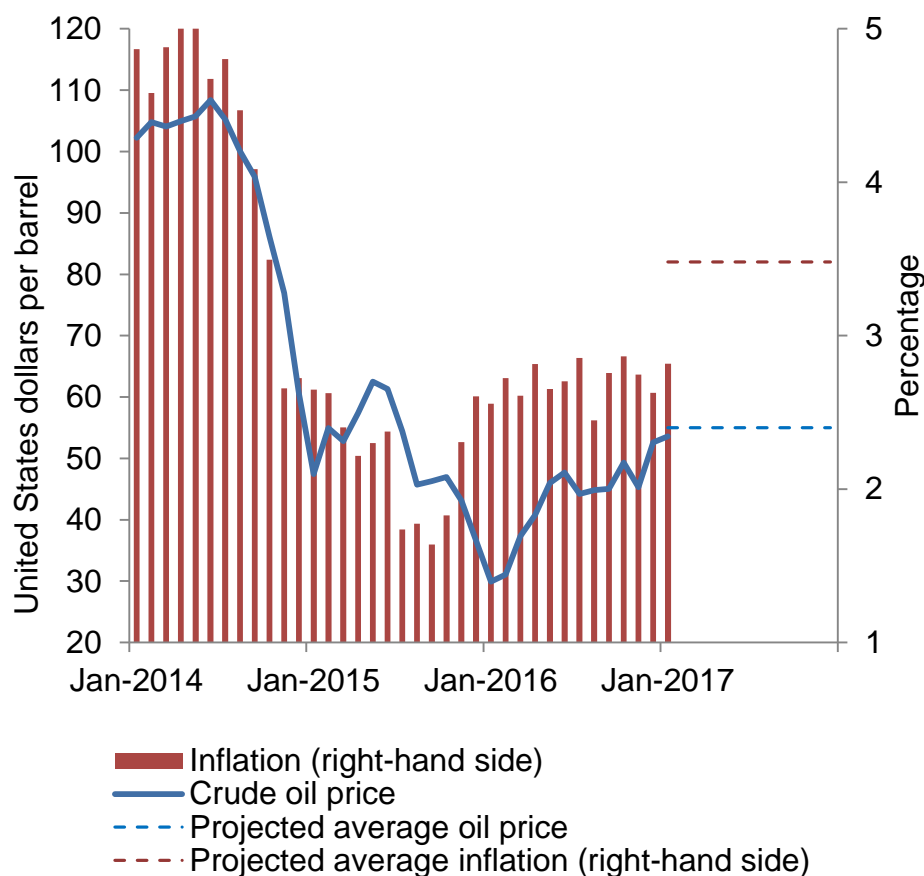


South-East Asia: Economic growth and inflation are likely to pick up slightly

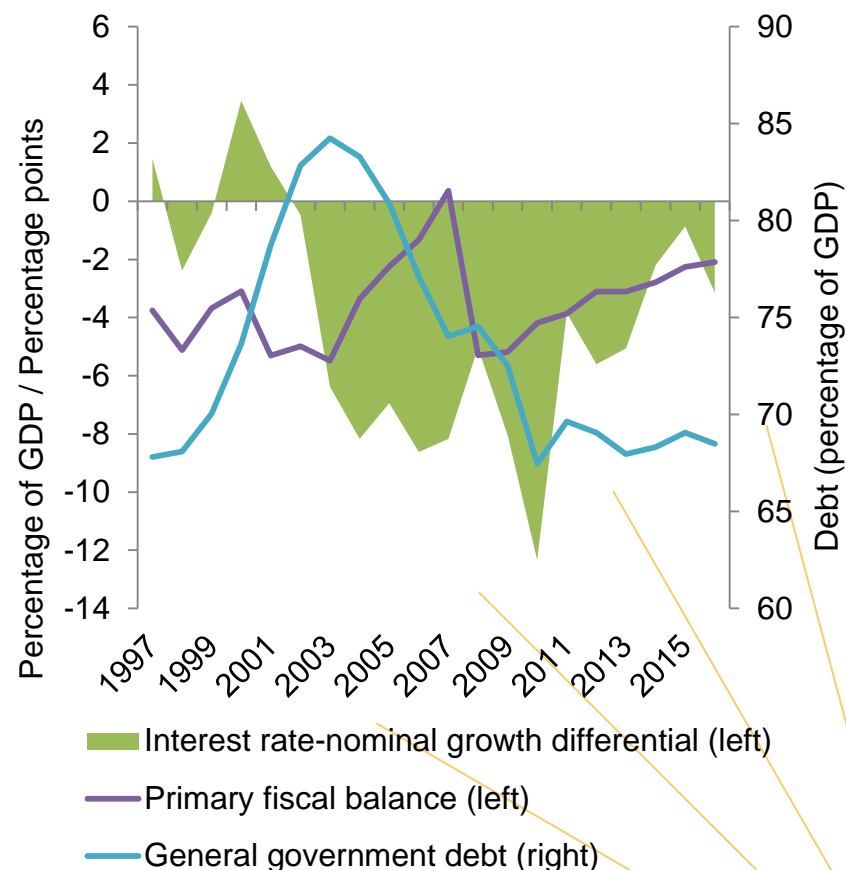


While monetary policy shifts to 'neutral', fiscal policy can be used more effectively

Crude oil price and average inflation in selected net commodity importers

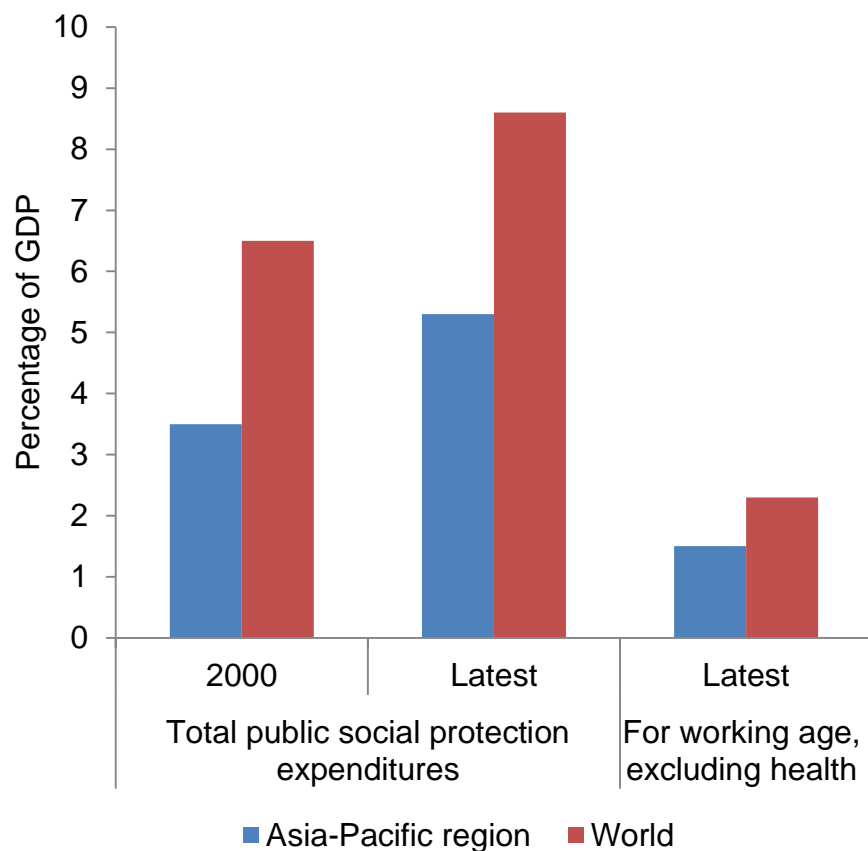


Fiscal space depends on interest payment, nominal growth, and tax revenues – case of India

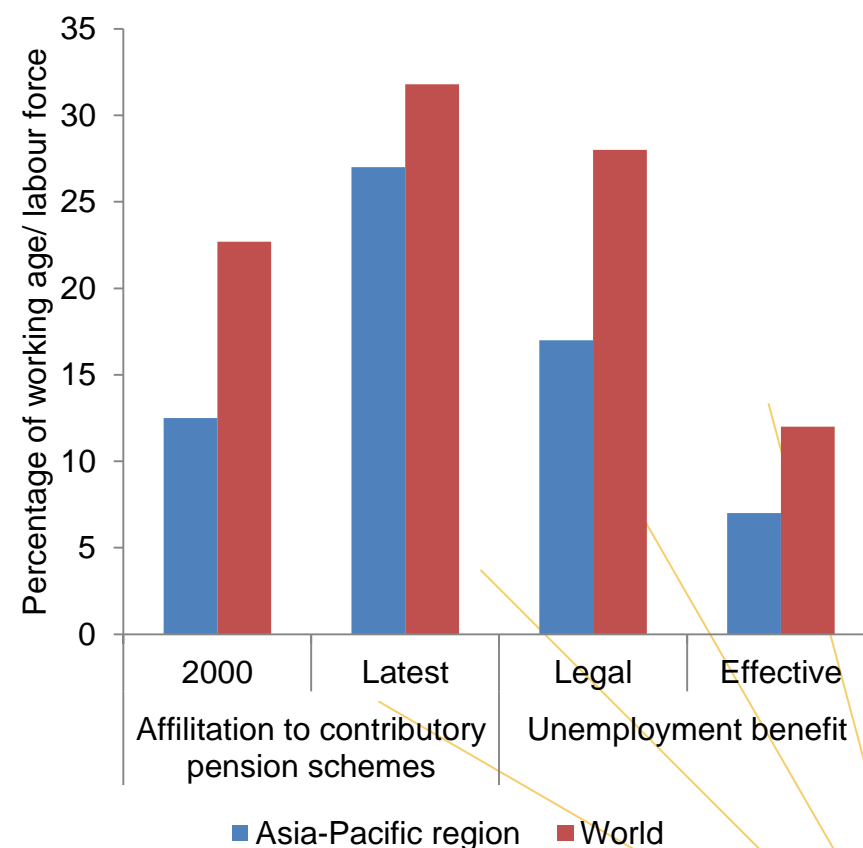


Widespread poverty and inequality call for enhanced social protection

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



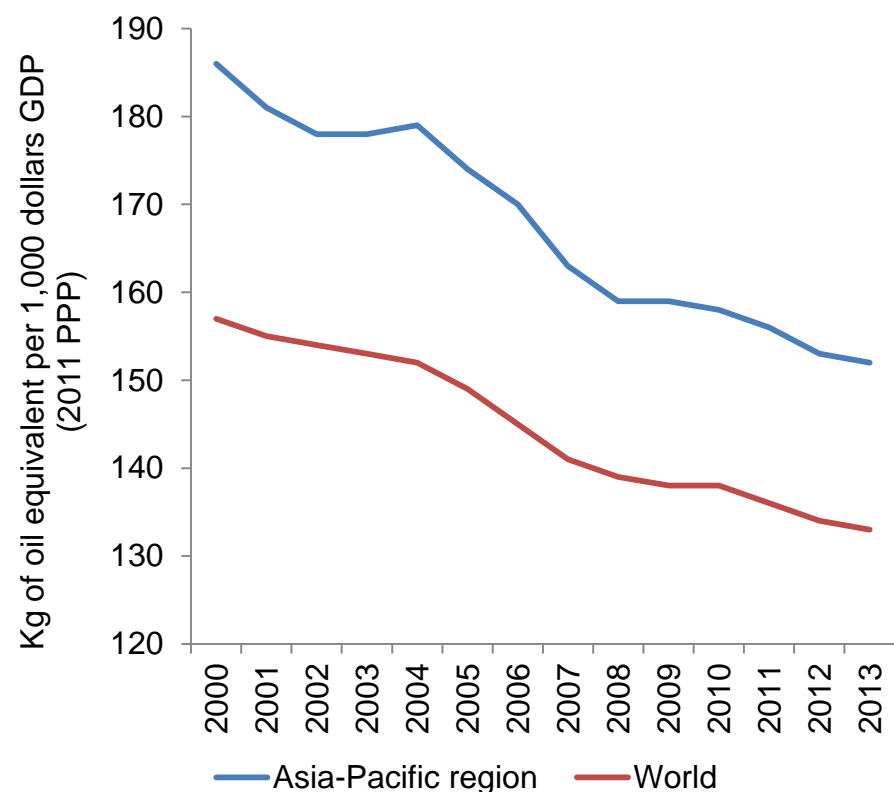
Social protection coverage has expanded, but with substantial variation across countries



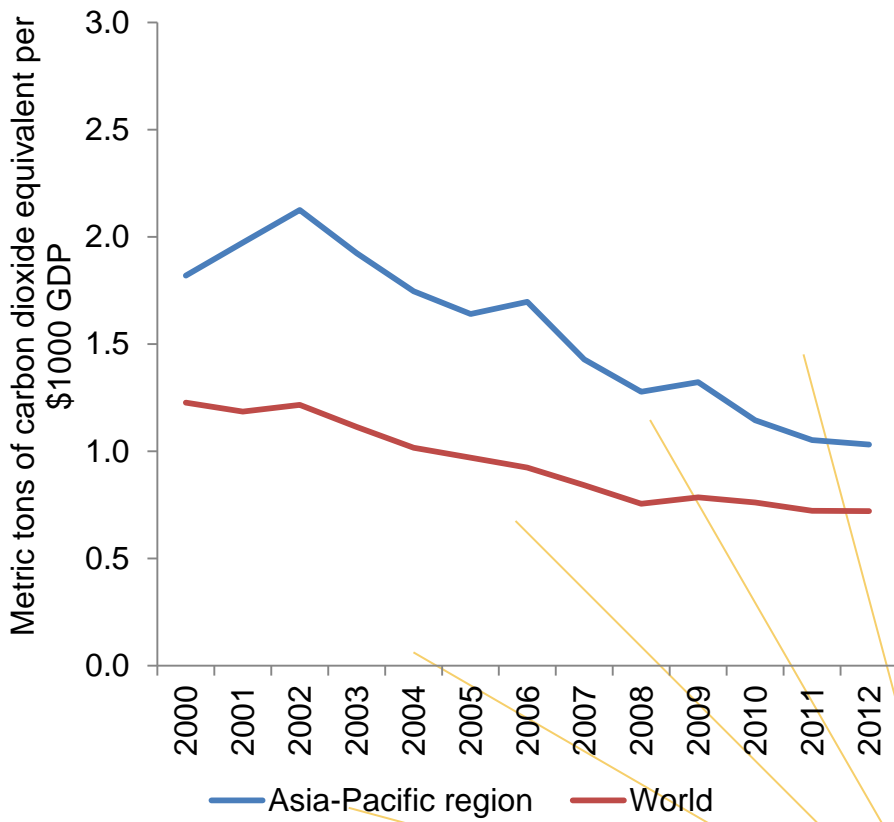
Environmental costs of production can be internalized through various policy instruments



Energy intensity remains high especially among oil producers and in China



Carbon emissions intensity has declined, but emissions per capita remained high



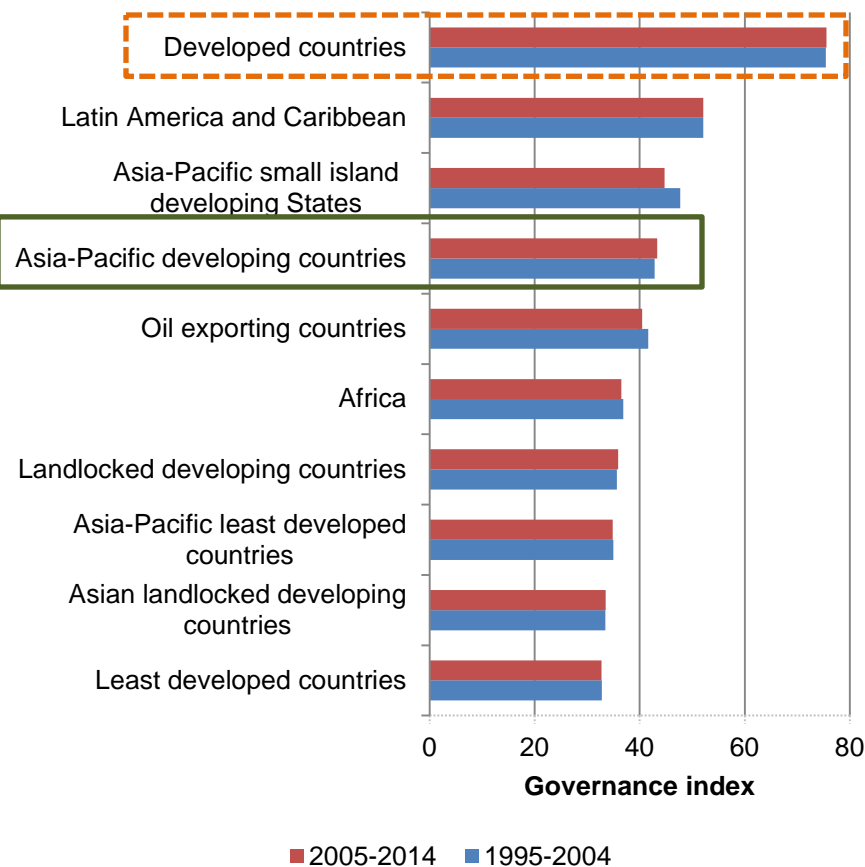


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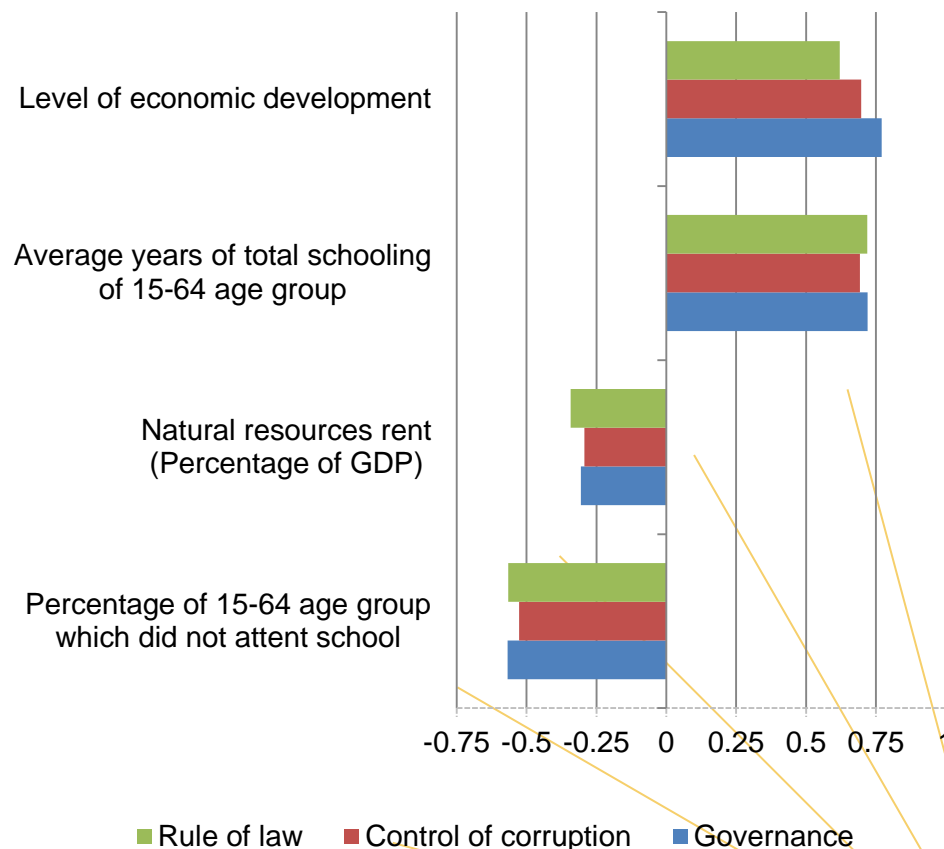
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Governance and development is a two-way relationship

Governance in different regions of the world: perception based index

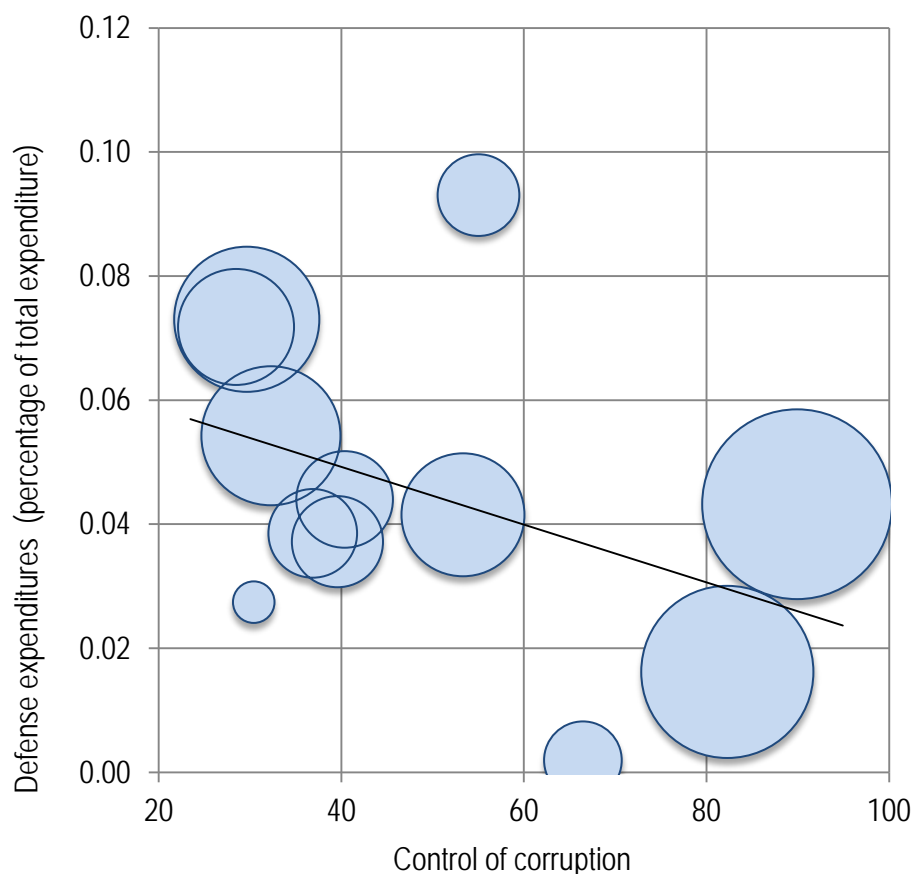


Correlation between governance and potential socioeconomic factors in Asia and the Pacific

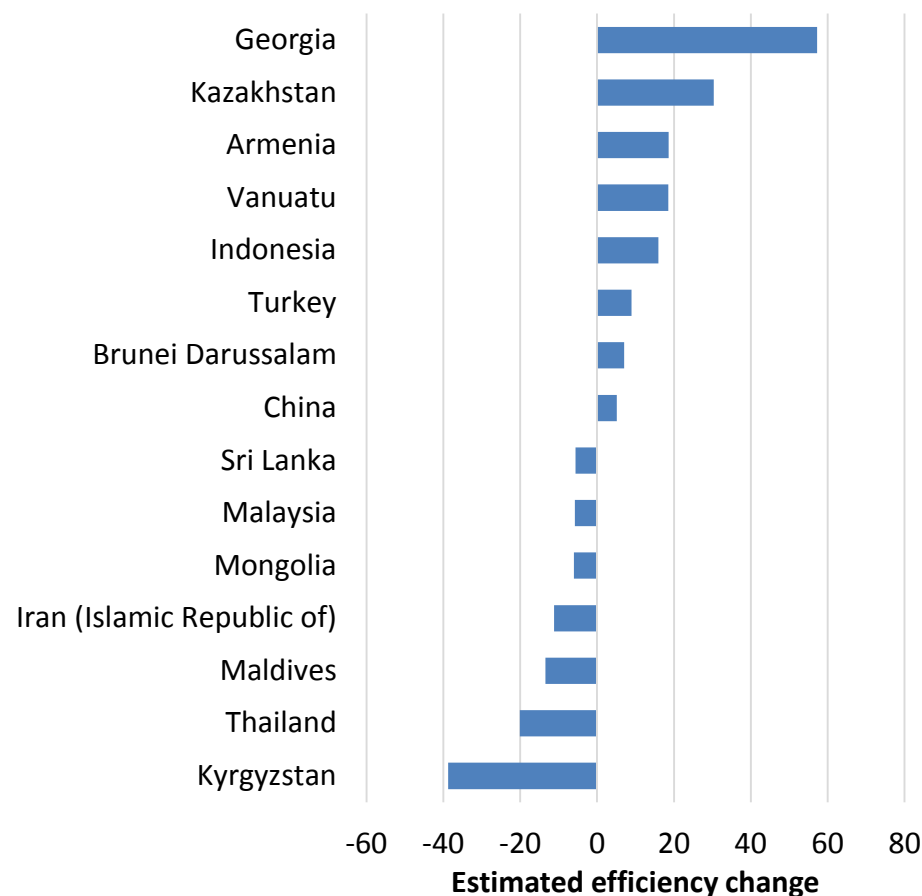


Governance affects both the allocation and efficiency of public expenditures

Level of governance and structure of public expenditures

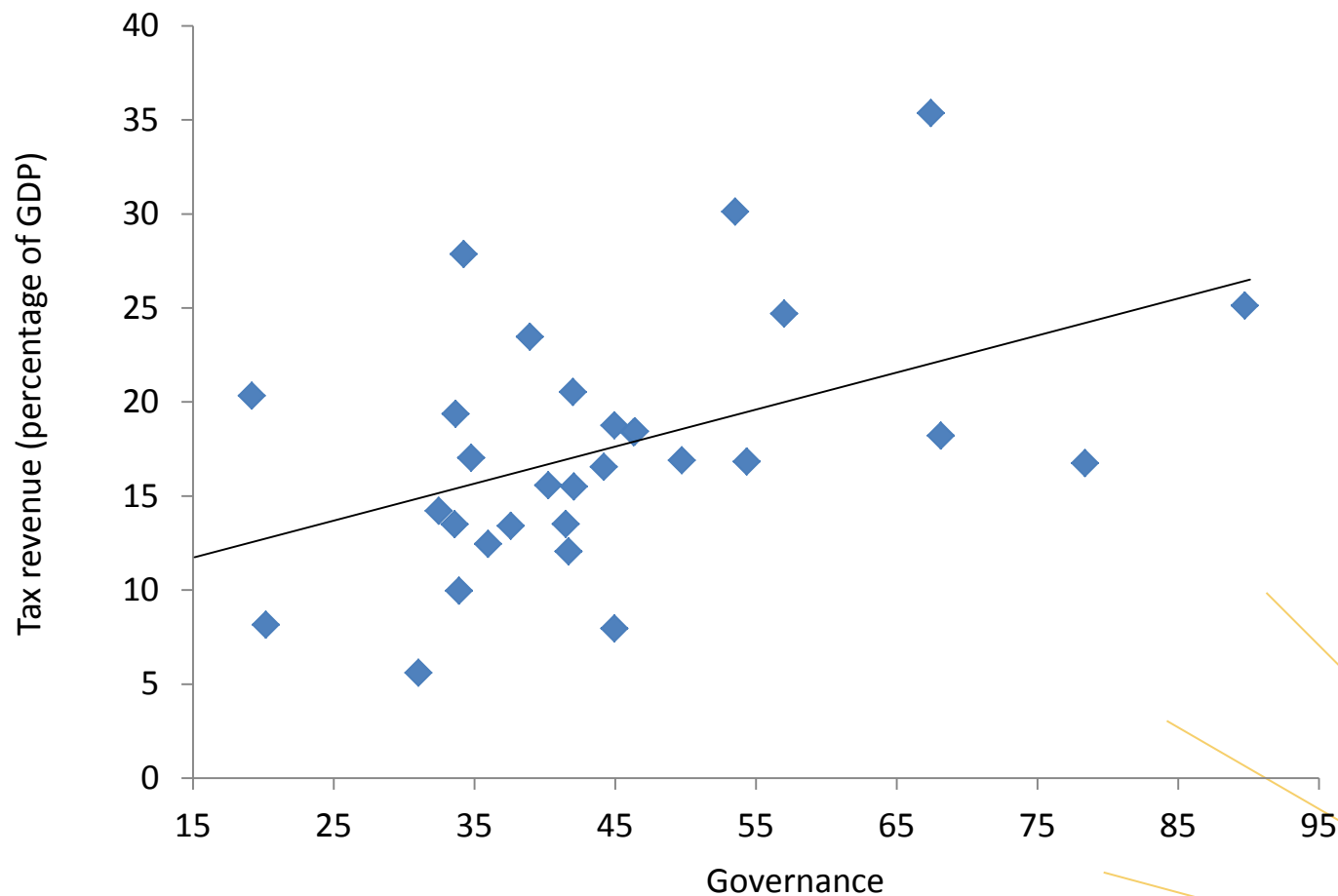


Estimated impact of governance on public sector efficiency in the health sector



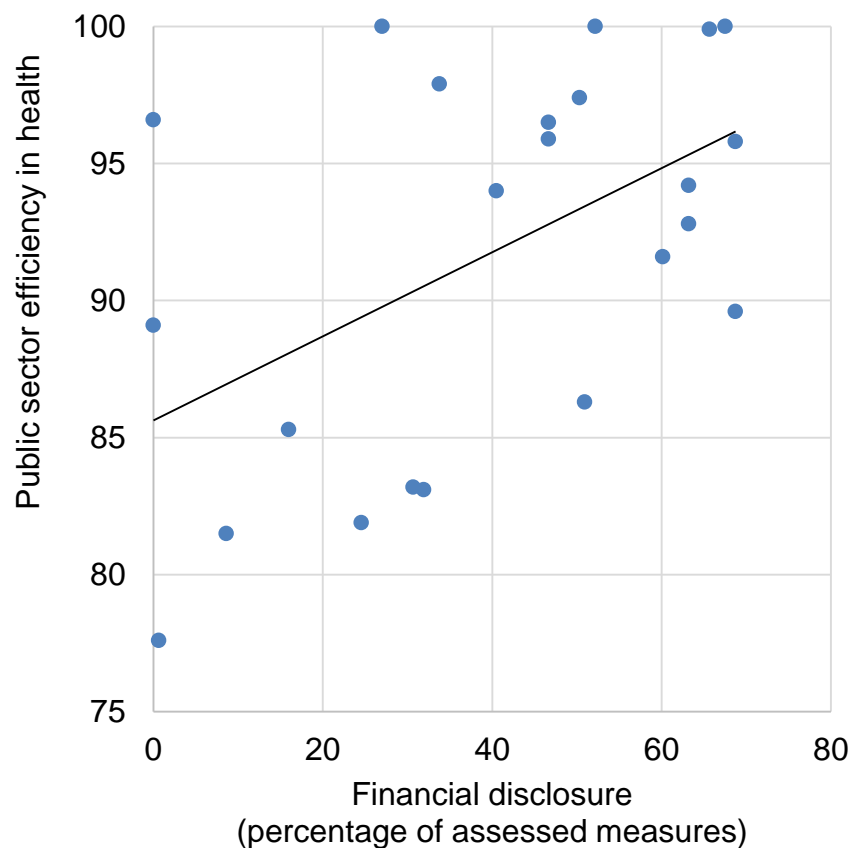
Better governance is associated with higher levels of tax revenues

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

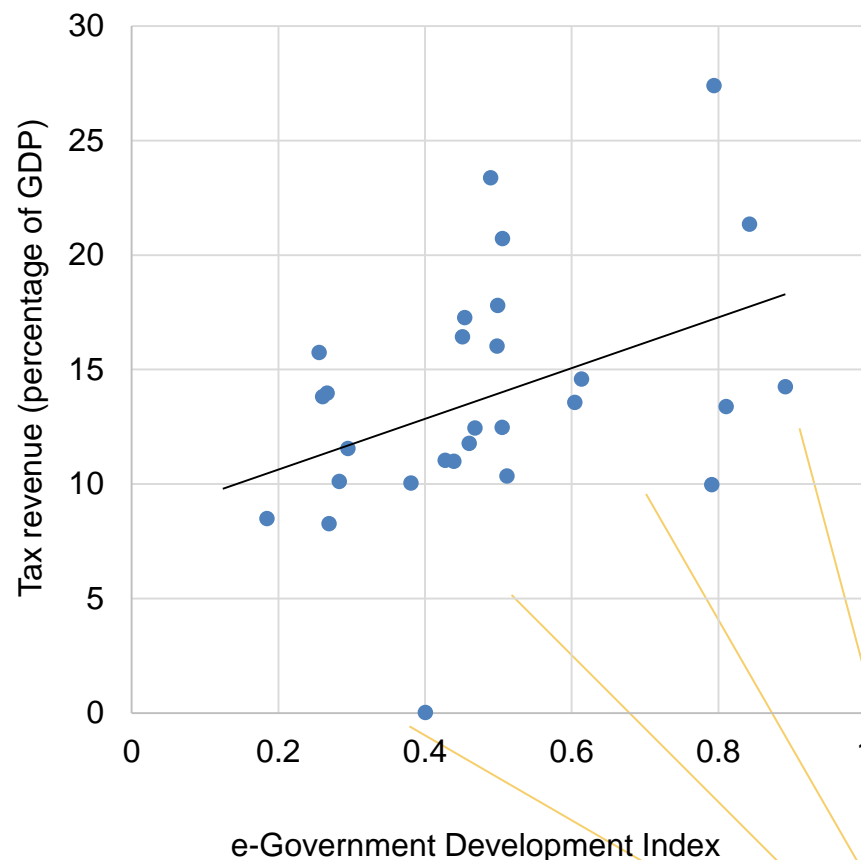


Improving governance through transparency and accountability

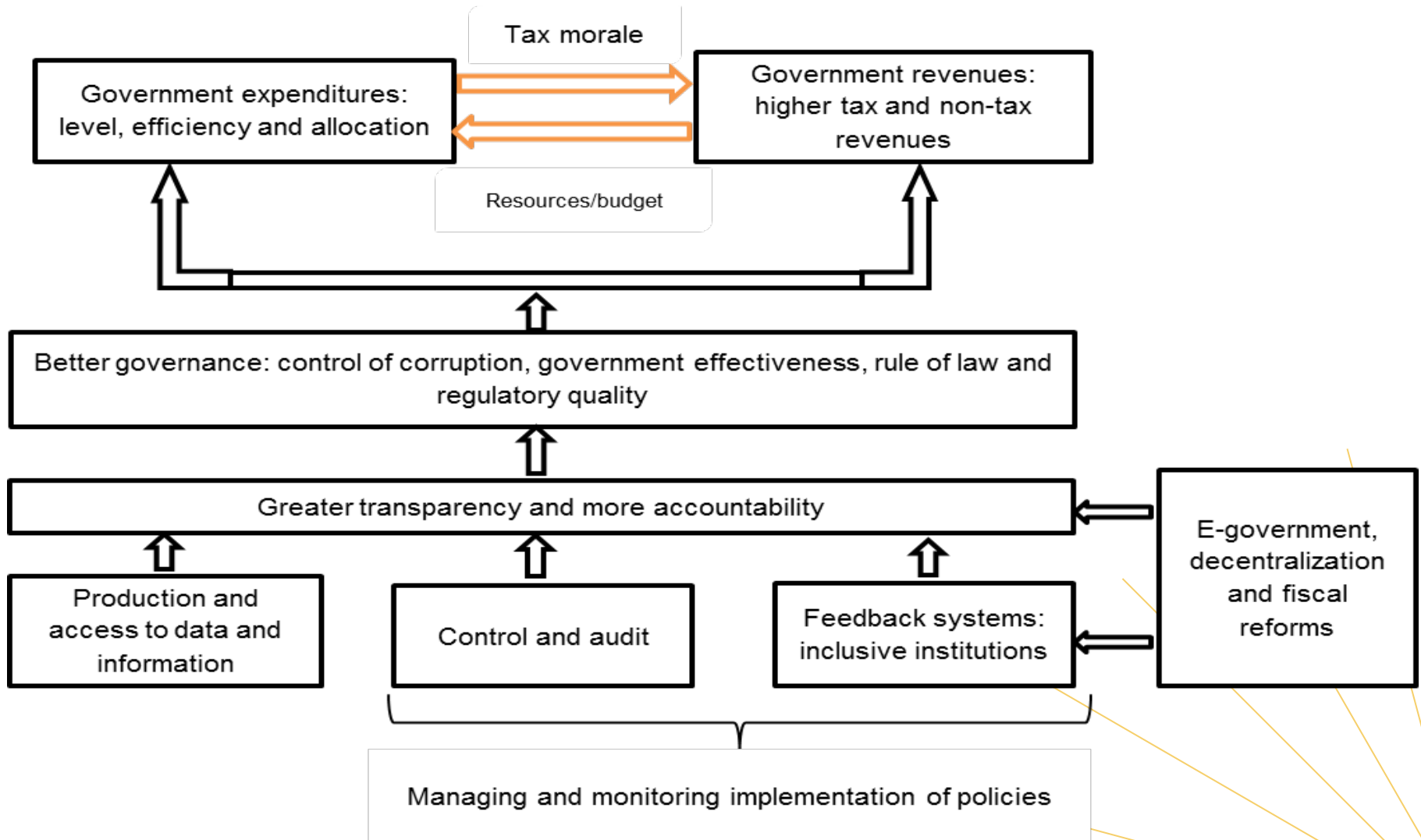
Financial disclosure and public expenditure efficiency



E-government and tax revenues



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



Takeaway points

- Supported by steady economic growth, Asia-Pacific region is poised to regain its historical position in the global economy .
- There is a need in the region to pay more attention to social inclusiveness and environment sustainability.
- There is room for fiscal policy to play more 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.

Thank you

www.unescap.org/publications/economic-and-social-survey-asia-and-pacific-2017

