

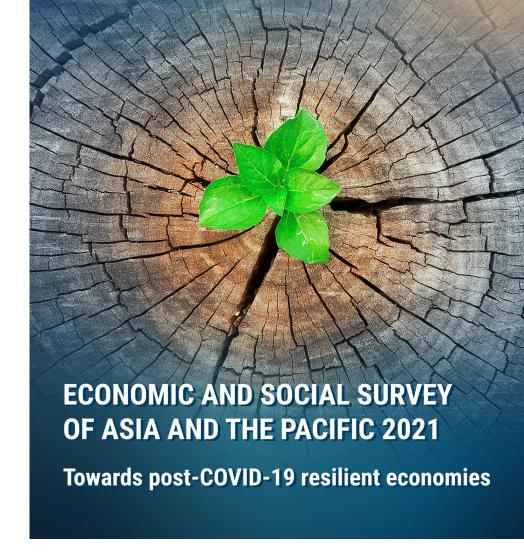
Macroeconomic Policy and Financing for Development Division

5 May 2021



## Overview

- Main messages
- The present: Macroeconomic outlook
- The past:
  - Understanding resilience from the past
- The future: Building Forward Better
- Fiscal and financing options
- Key takeaways



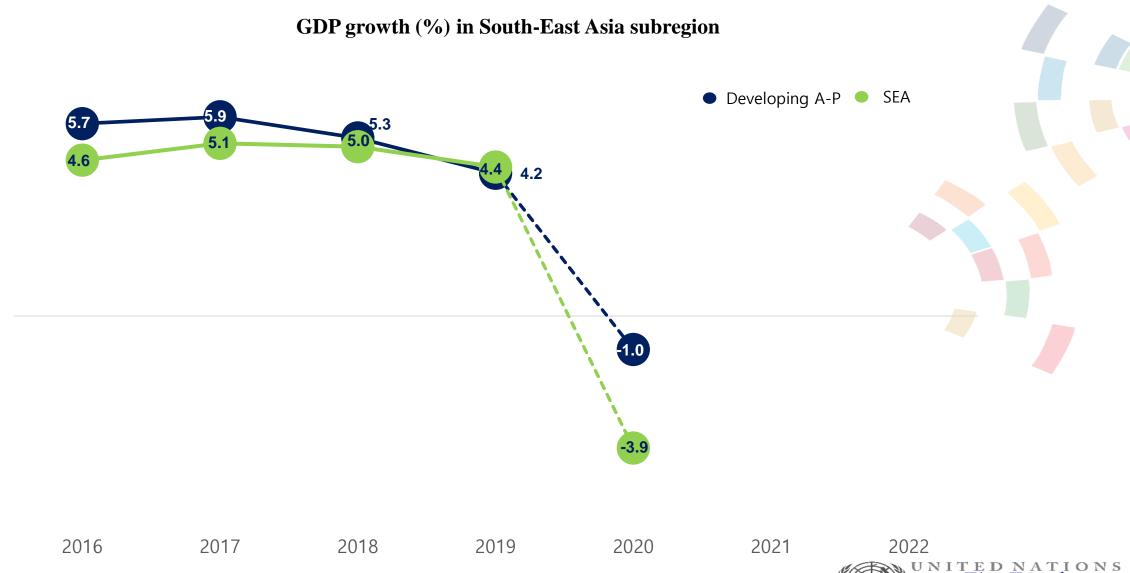


#### Main messages

- 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.



#### The economic deceleration in 2020 was sizeable in SEA

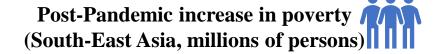


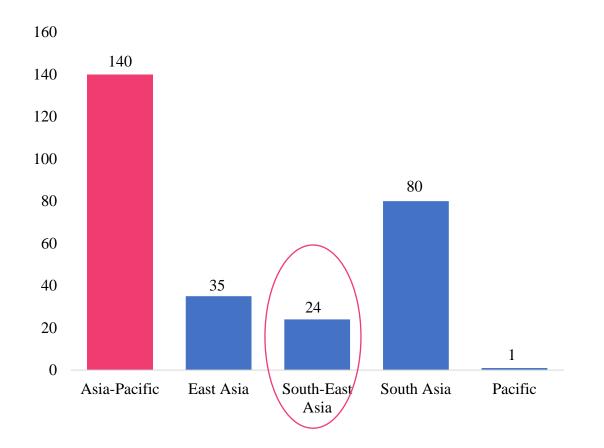


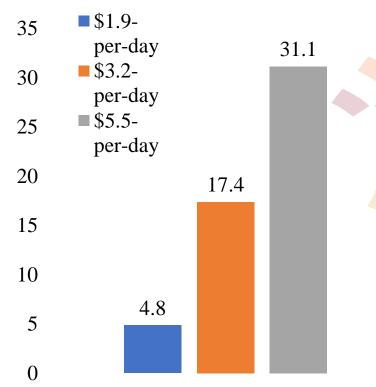
#### ... with significant socio-economic costs.

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



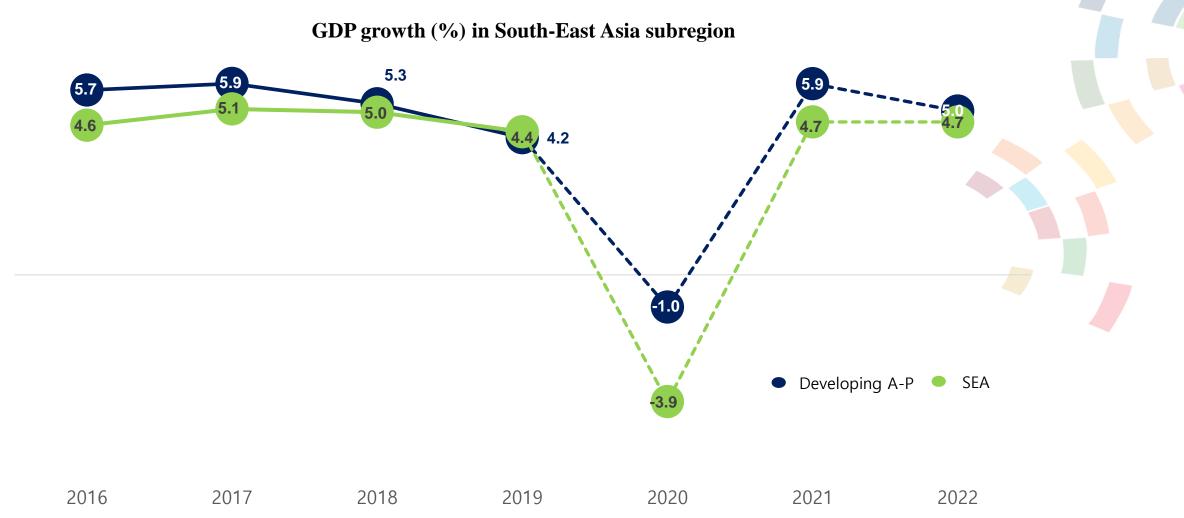








# Given considerable uncertainty, the economic outlook is cautiously optimistic for 2021-22





#### Near-term 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...









Debt distress is on the rise



Long-lasting impacts on productivity



 Capital flow uncertainties & risk of stagflation

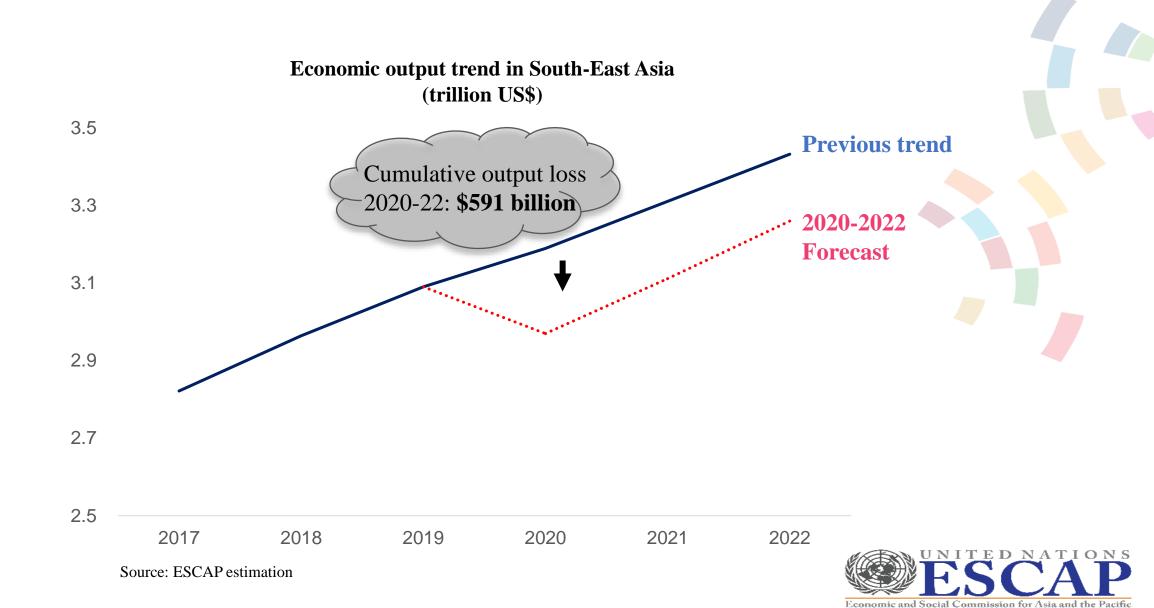


Lingering trade tensions

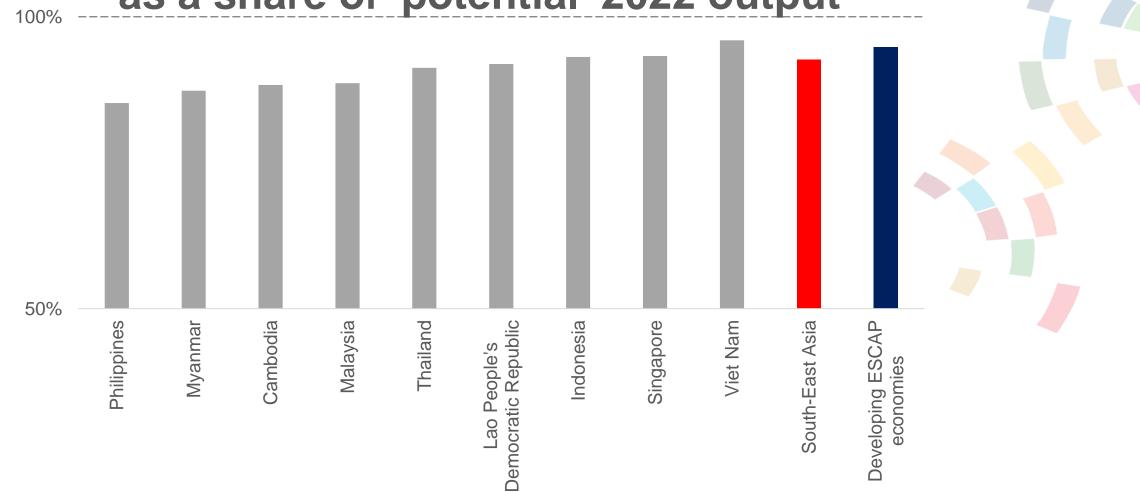




#### ...with expected permanent losses in output...

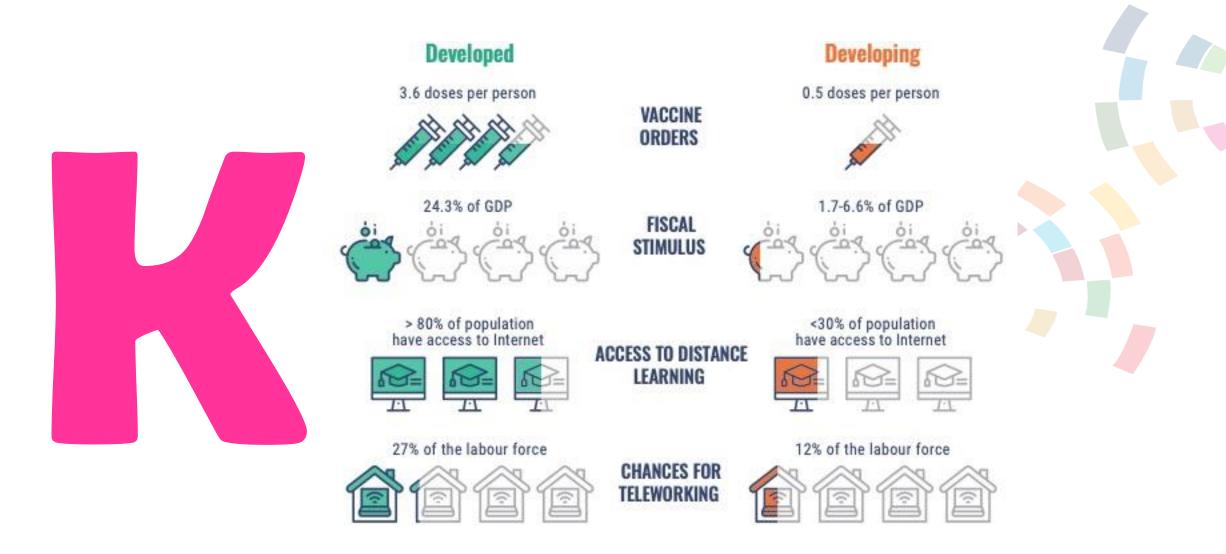


# Forecasted 2022 economic output as a share of 'potential' 2022 output





#### ...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 199



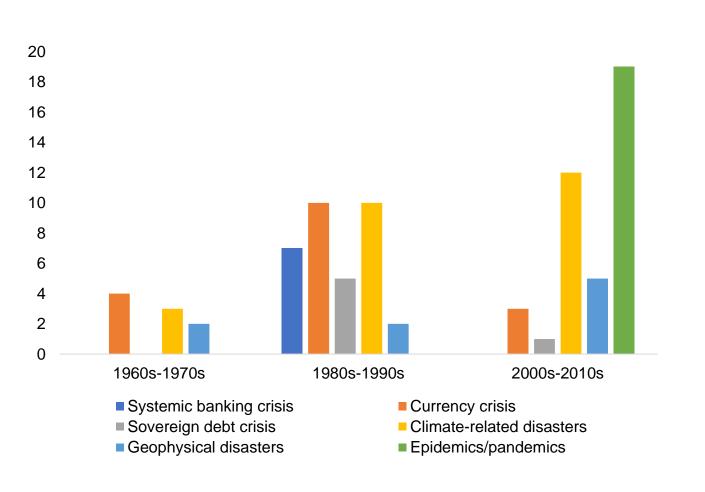


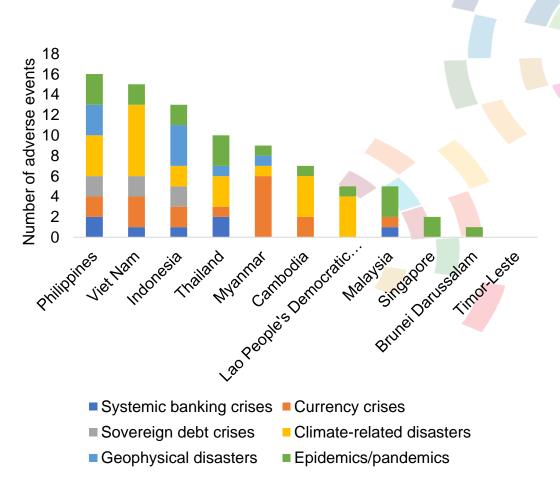
## The past: Learning from Past Crises and

Recoveries to Build Resilience



#### South-East Asia faces a wide risk landscape...



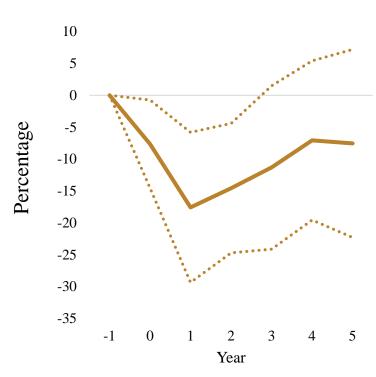




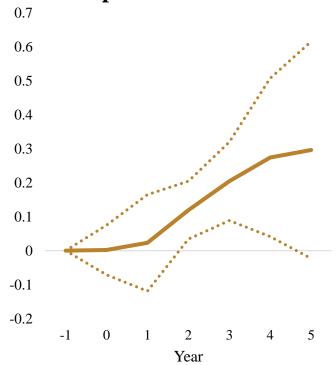
#### ...where adverse shocks leave long-term scars.



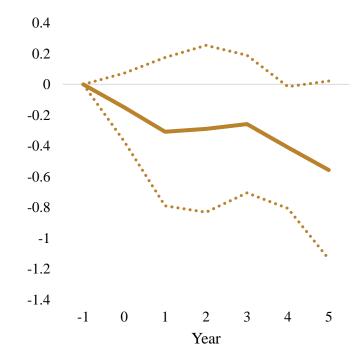




## **Increased inequality** from pandemics

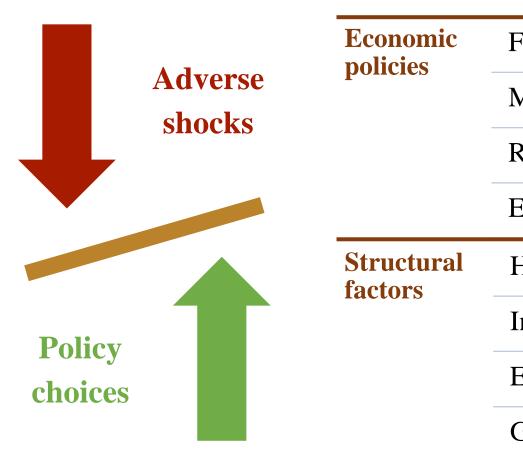


### **Environmental damage** from natural disasters

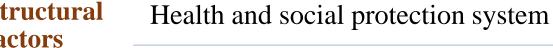




#### However, policy choices can reduce such setback!



Economic policies	Fiscal policy
	Monetary and financial measures
	Reserves and exchange rate regime
	External financing



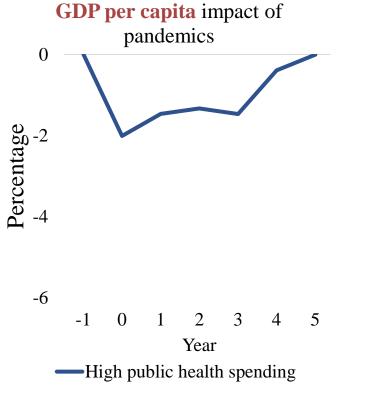
Infrastructure quality

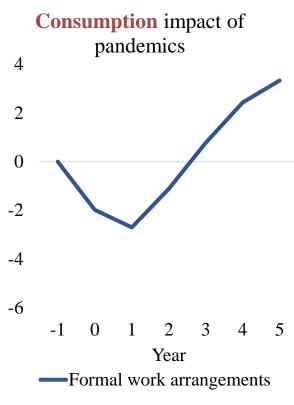
Economic diversification

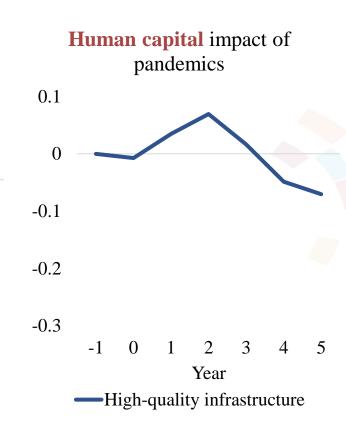
Governance and institutions



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

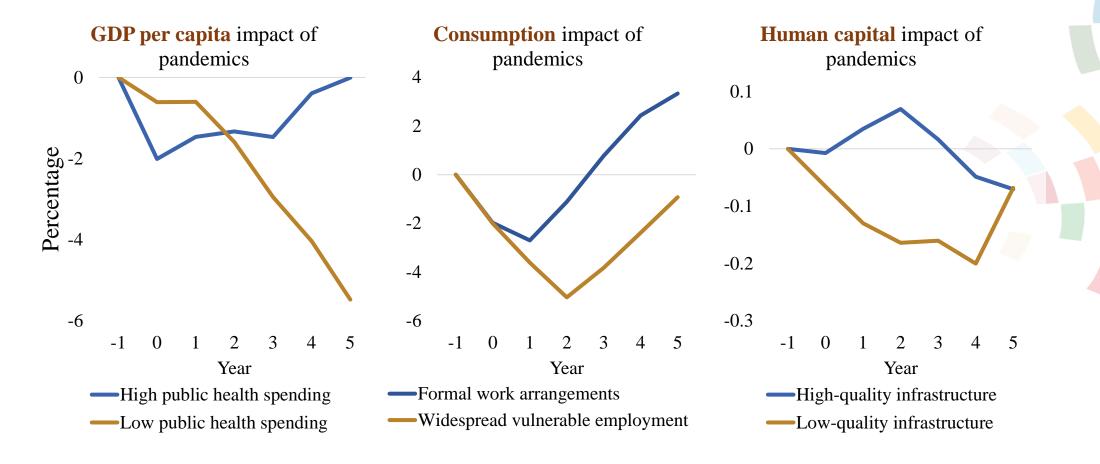








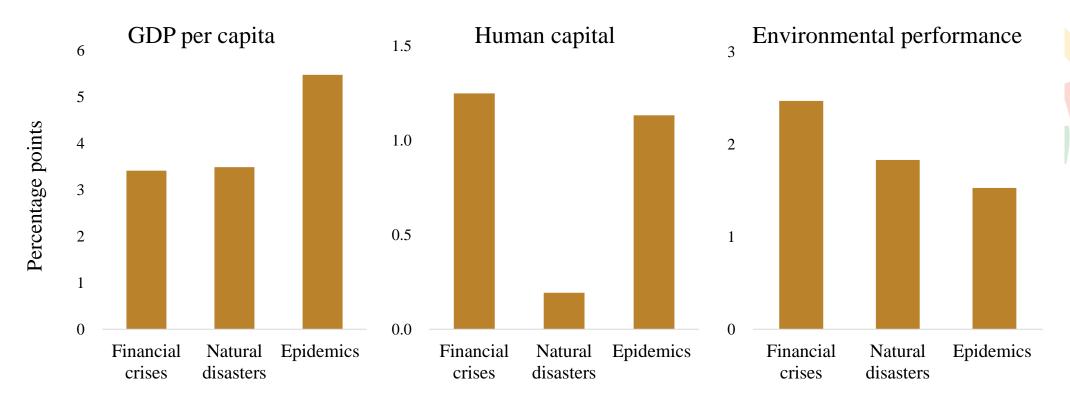
#### ... in countries with pre-existing structural vulnerabilities





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

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

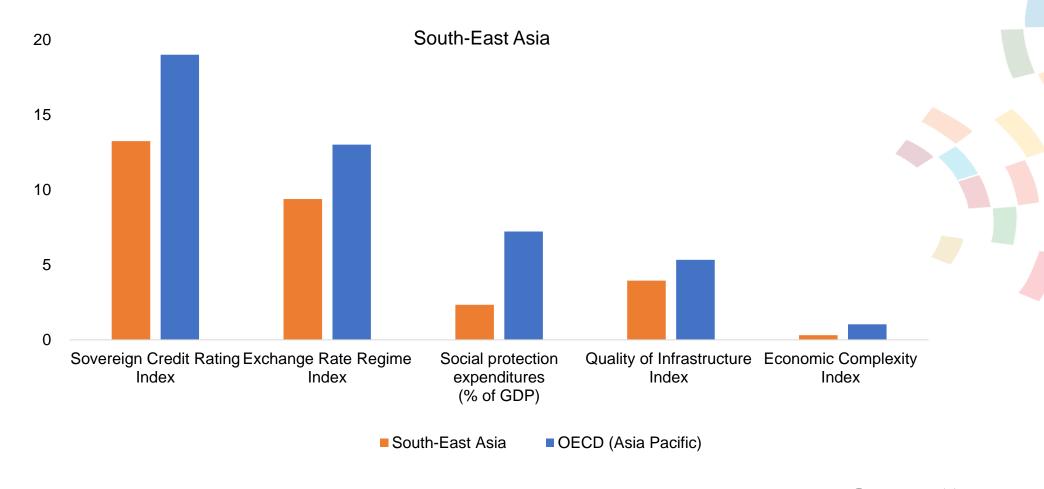
**Financial** regulation **Early** warning system Adaptive social Climateprotection resilient infrastructure and ODA





**Coping with crisis** 

# **Lesson learned – 3: Strengthen the resilience of vulnerable countries**





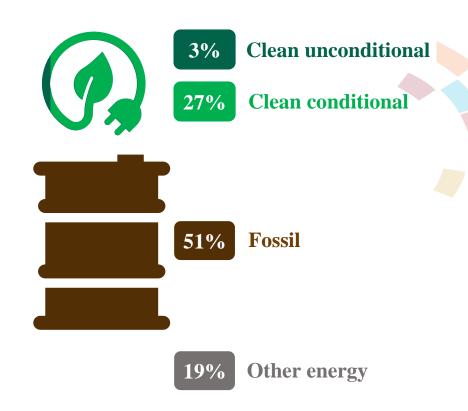


## The current recovery packages leave room to integrate social and environmental issues

Most recovery policies are not gender-sensitive:

# Fiscal support for businesses OFFICIAL PROTECTION Social Protection Labour market OFFICIAL PROTECTION 14% 14%

Most public funded commitments neglect green energies



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

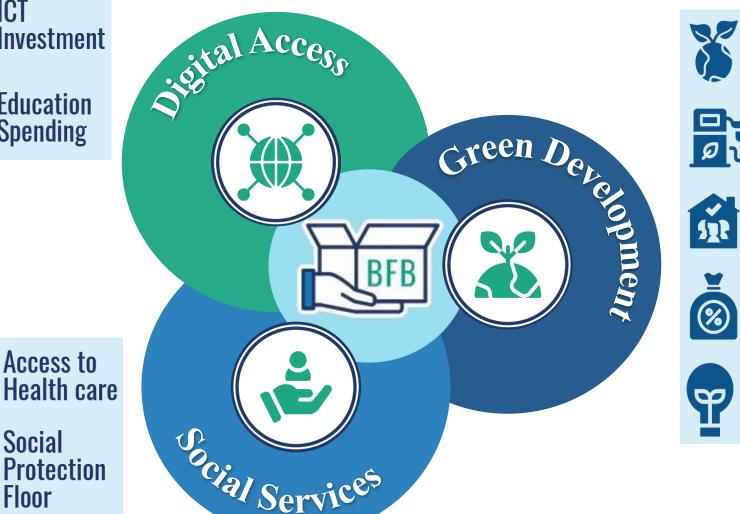


#### We propose a "Building Forward Better" policy package...





**Education Spending** 





**Biodiversity** 





Climate-Resilient Infrastructure



**Carbon Tax** 



**Clean Energy** & Energy Efficiency

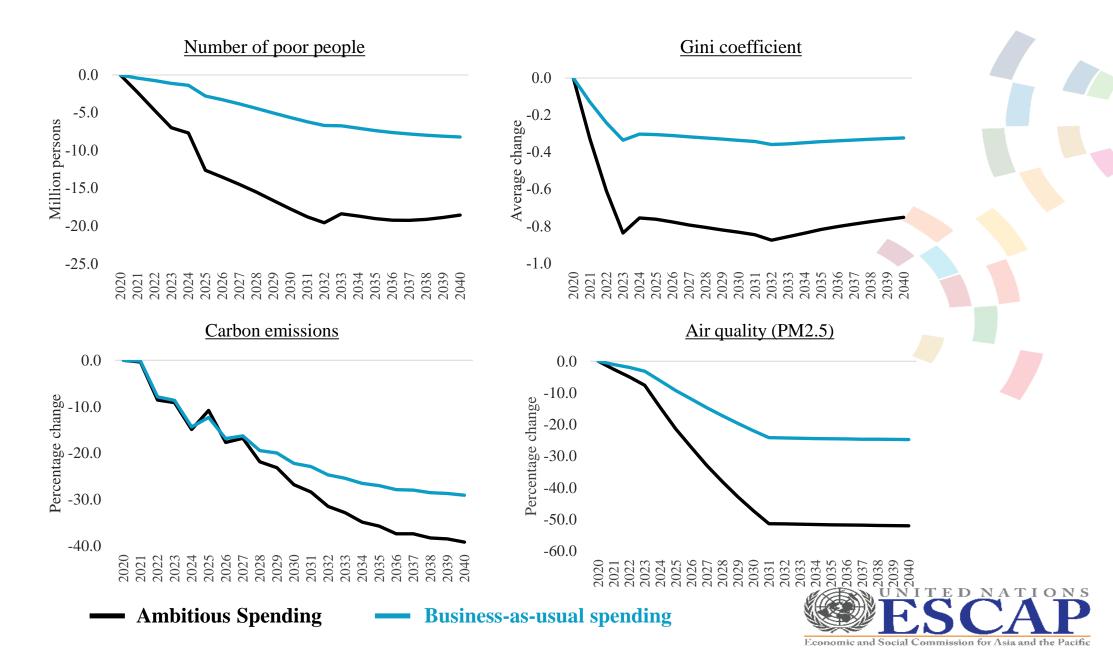


Social **Protection** Floor

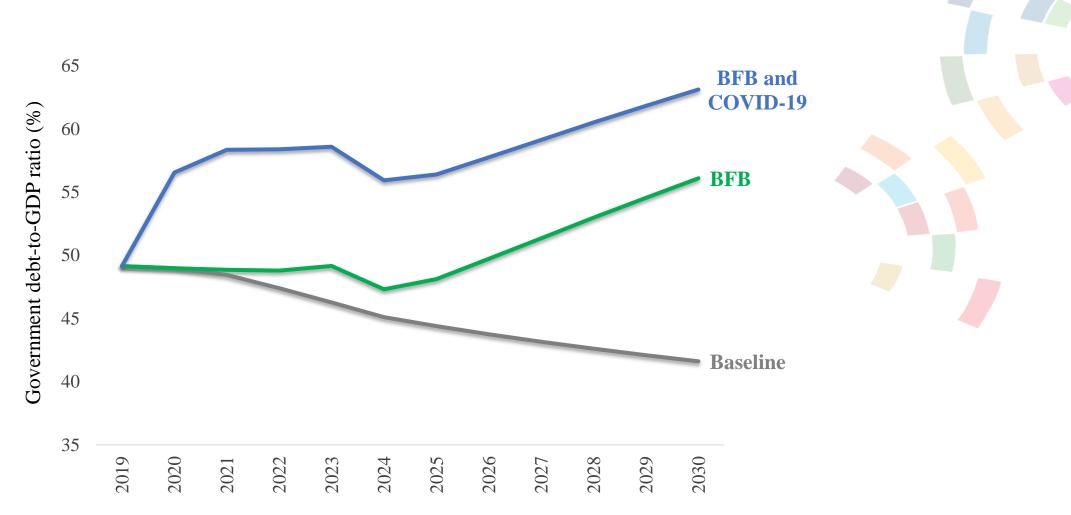
**Access to** 



#### ...which brings social & environmental benefits...South-East Asia



#### Public debt sustainability: South-East Asia







## Policy options to address fiscal and financing challenges in **South-East Asia**



Actively engage in debt relief initiatives



Explore diaspora bonds, offshore public bonds



Incorporate catastrophic risks into fiscal planning



Ease investment rules for pension + sovereign wealth funds



#### **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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