



ECONOMIC AND SOCIAL SURVEY OF ASIA AND THE PACIFIC 2017:

Year-end Update

GOVERNANCE



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The Economic and Social Commission for Asia and the Pacific (ESCAP) serves as the United Nations' regional hub promoting cooperation among countries to achieve inclusive and sustainable development. The largest regional intergovernmental platform with 53 member States and 9 associate members, ESCAP has emerged as a strong regional think-tank offering countries sound analytical products that shed insight into the evolving economic, social and environmental dynamics of the region. The Commission's strategic focus is to deliver on the 2030 Agenda for Sustainable Development, which it does by reinforcing and deepening regional cooperation and integration to advance connectivity, financial cooperation and market integration. ESCAP's research and analysis coupled with its policy advisory services, capacity building and technical assistance to governments aims to support countries' sustainable and inclusive development ambitions.

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United Nations publication
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Printed in Bangkok
e-ISBN: 978-92-1-363049-5
ST/ESCAP/2808

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KEY MESSAGES



Economic growth in the region has picked up momentum but challenges remain; improving the quality of growth will require policy focus.

- Stronger exports and robust private consumption, supported by favourable external conditions and accommodative domestic policies, are expected to lead to an upswing in economic growth in 2017. Private investment, however, remains weak partially as a result of overcapacity and debt overhang in the corporate and banking sectors of some major economies.
- The outlook for 2018 is broadly stable, underpinned by growing domestic and intraregional demand. Growth in intraregional trade, however, may lose some intensity as the positive base effect of the 2017 uptick in trade fades and demand for imports from China diminishes given the marginal slowdown in its economy due to ongoing structural reforms. Many protectionist measures continue to cast a shadow on the chances for a consistent revival in trade.
- The region's current growth pattern, based on private consumption and loose monetary policy, could aggravate overleveraging and is a source of financial vulnerability. High corporate debt and distressed bank balance sheets are clouding prospects for a much-needed increase in private investment. At the same time, the probability of a tightening in global financial conditions is rising, and this could limit policy space in going forward.
- To achieve a stable and sustained economic growth momentum, higher wages supported by productivity gains and revival of private investment will be needed. To effectively support the 2030 Agenda for Sustainable Development,¹ the region's stronger economic growth must be translated into the creation of decent jobs, especially for youth and women, to facilitate poverty reduction. At the same time, attenuating inequalities with regard to income and opportunities and improving environmental sustainability will require policy focus.

A wide array of policies and reforms can improve the prospects for achieving the 2030 Agenda, which underscores the role of good governance. Special attention should be paid to expanding fiscal space.

- Monetary policy is expected to maintain its accommodative stance in support of economic growth, given the low and stable level of inflation. However, central banks need to pay closer attention to financial and external sector stability issues and continue with their deleveraging efforts to address the build-up of systemic risks. Strengthening macroprudential frameworks, regulation and supervision should be a priority.
- Fiscal policy should continue playing an active role in lifting domestic demand, "crowding in" private investment and supporting development priorities, such as improving social protection and stemming environmental degradation. The effectiveness of fiscal policy in addressing this host of issues will depend critically on good governance. In addition, good governance can prove vital for Governments to successfully lead the structural reforms that will enhance the supply side of their economies and transform them for the implementation of the 2030 Agenda.
- Currently, fiscal sustainability is not a concern in most countries. Nevertheless, to fill the wide financing gap – the difference between financial investments required to effectively pursue the 2030 Agenda and the prevailing trends – fiscal space must be enlarged, including through innovative ways to mobilize fiscal resources, broaden participation of the private sector and enhance deepening of capital markets.
- Technology can be effectively leveraged to improve governance and fiscal management and reshape the environment in which the Government operates. For instance, through use of technology, Governments can improve tax administration and compliance, and the implementation of direct benefit transfers while improving public expenditure efficiency.

ACKNOWLEDGEMENTS



The main purpose of the *Economic and Social Survey of Asia and the Pacific 2017 Year-end Update* is to provide policymakers, civil society and academia with recommendations on the current macroeconomic situation and trends in the region.

The present report was prepared under the overall direction of Shamshad Akhtar, Under-Secretary-General of the United Nations and Executive Secretary of the Economic and Social Commission for Asia and the Pacific (ESCAP), and with guidance from Hongjoo Hahm, Deputy Executive Secretary. The report was written under the direct supervision of Hamza Ali Malik, Director of the Macroeconomic Policy and Financing for Development Division of ESCAP. The core drafting team included Jose Antonio Pedrosa-Garcia, Daniel Jeongdae Lee, Vatcharin Sirimaneetham, Kiatkanid Pongpanich, Nixie Abarquez, Chawarin Klongdee, Sutinee Yeamkitpibul and Sirinart Suanyam.

Other colleagues who made valuable contributions were Laura Altinger, Achara Jantarsaengaram, Christopher Joseph Heitzig, Sara Holttinen and Yasmin Winther De Araujo Consolino Almeida.

John Loftus edited the manuscript. Printing services were provided by Clung Wicha Press.

Ricardo Dunn of the Strategic Communications and Advocacy Section coordinated the launch and dissemination of the report.

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