



For South Asia, potential renewed episodes of high financial volatility, including a sudden surge in external borrowing costs and large capital outflows, could significantly increase the difficulties to roll over debt' (the ongoing economic reform agenda might also experience some setbacks, while political instabilities could dampen investment prospects' From a medium-term perspective, a key fiscal challenge for the region involves improving tax revenues and promoting a supportive environment for the private sector, which together can enhance the capacity to implement counter-cyclical policies'

, given the close linkages between demand, investment, trade and production