

# Economic and Social Survey of Asia and the Pacific 2020

**Towards sustainable economies**

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**ESCAP-SDPI Policy Dialogue**  
**29 April 2020**

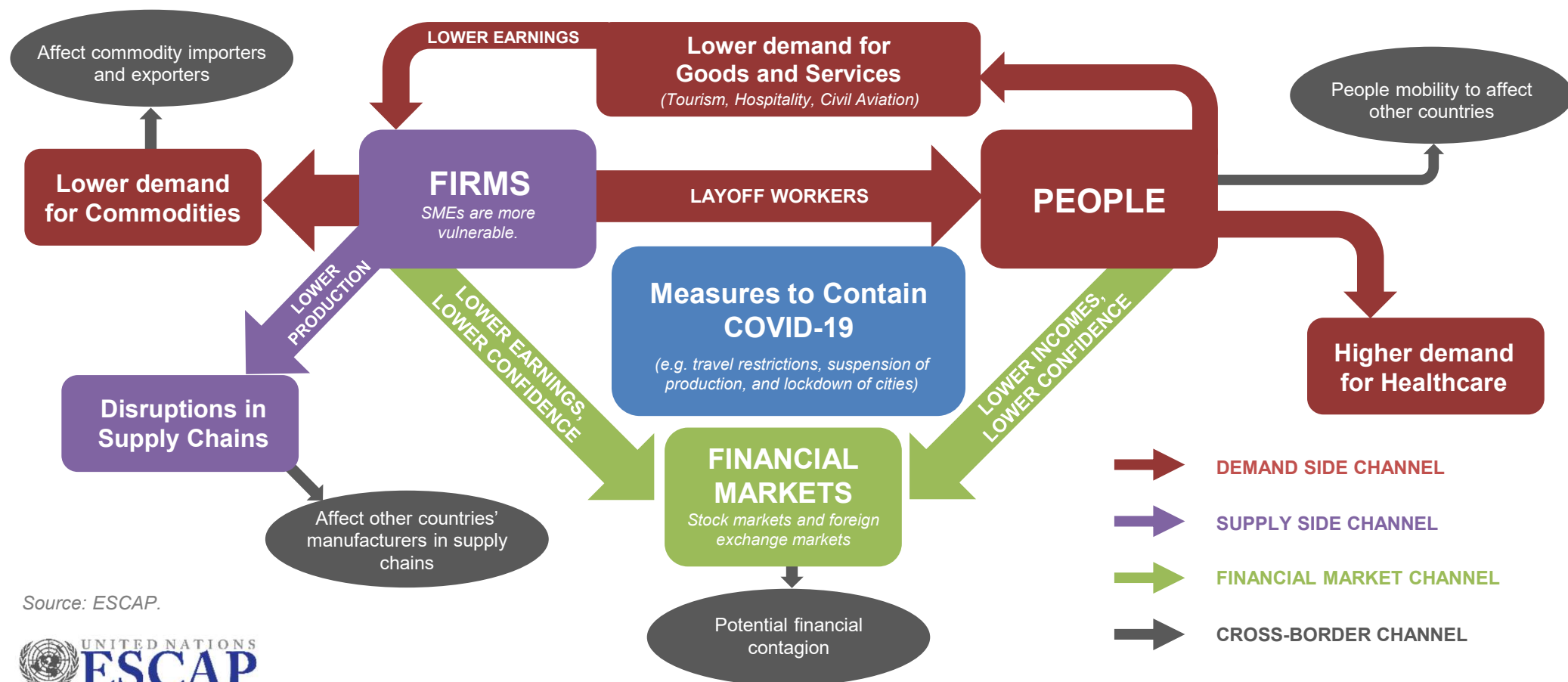


## Key messages

- COVID-19 exposes the vulnerabilities in our economies. The crisis should be taken as an opportunity to reorient our development model to enhance social justice and environmental sustainability.
- *Survey 2020* focuses on SDG12 (sustainable consumption and production) and how all stakeholders can help accelerate progress. UN Decade of Action calls for:
  - *Local action* – embedding the green transitions into policies, budgets and regulatory frameworks
  - *People action* – moving businesses towards cleaner production and consumers towards sustainable lifestyles
  - *Global action* – collectively raising our level of ambition and seeking for smart solutions

# COVID-19 impact and policy response

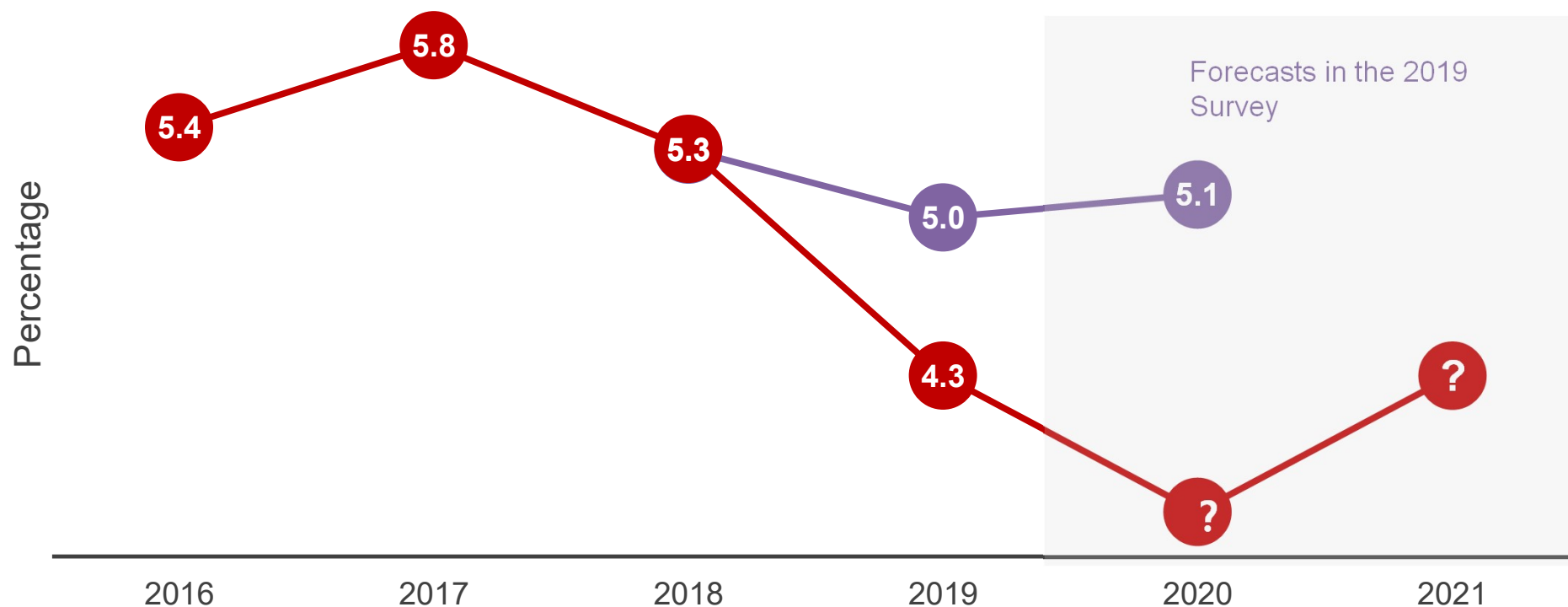
# COVID-19 impact comes through multiple channels



Source: ESCAP.

# A collapse in external and domestic demand will result in a sharp output loss

GDP growth: Asia-Pacific developing countries



Source: ESCAP estimates (as of 10 March 2020).

**Note:** The COVID-19 pandemic is still evolving rapidly, and this has led to substantial uncertainties as to its effects on the economies in the Asia-Pacific region. Nevertheless, the negative impacts are likely to be significant. Even an economic recession or contraction cannot be ruled out.

# Policy responses to COVID-19 need to prioritize **people** over **economic recovery**

## Immediate measures

### Fiscal policies

- Large and targeted fiscal measures to contain and respond to COVID-19... and to ease the shock to jobs and guarantee minimum living standards

### Monetary policies

- Targeted monetary easing to ensure overall financial sector health and support SMEs

### Regional cooperation

- Consider establishing a regional or subregional public health emergency fund
- Coordinate debt relief or deferral of debt payments





# Short- and long-term measures to help *people*



Provide *immediate testing and treatment* to persons “at risk” at no cost



Place *vulnerable groups* at the center of these systems



Provide (or scale up existing) *immediate social protection measures* (or provide short-term relief)



Invest in *emergency preparedness*



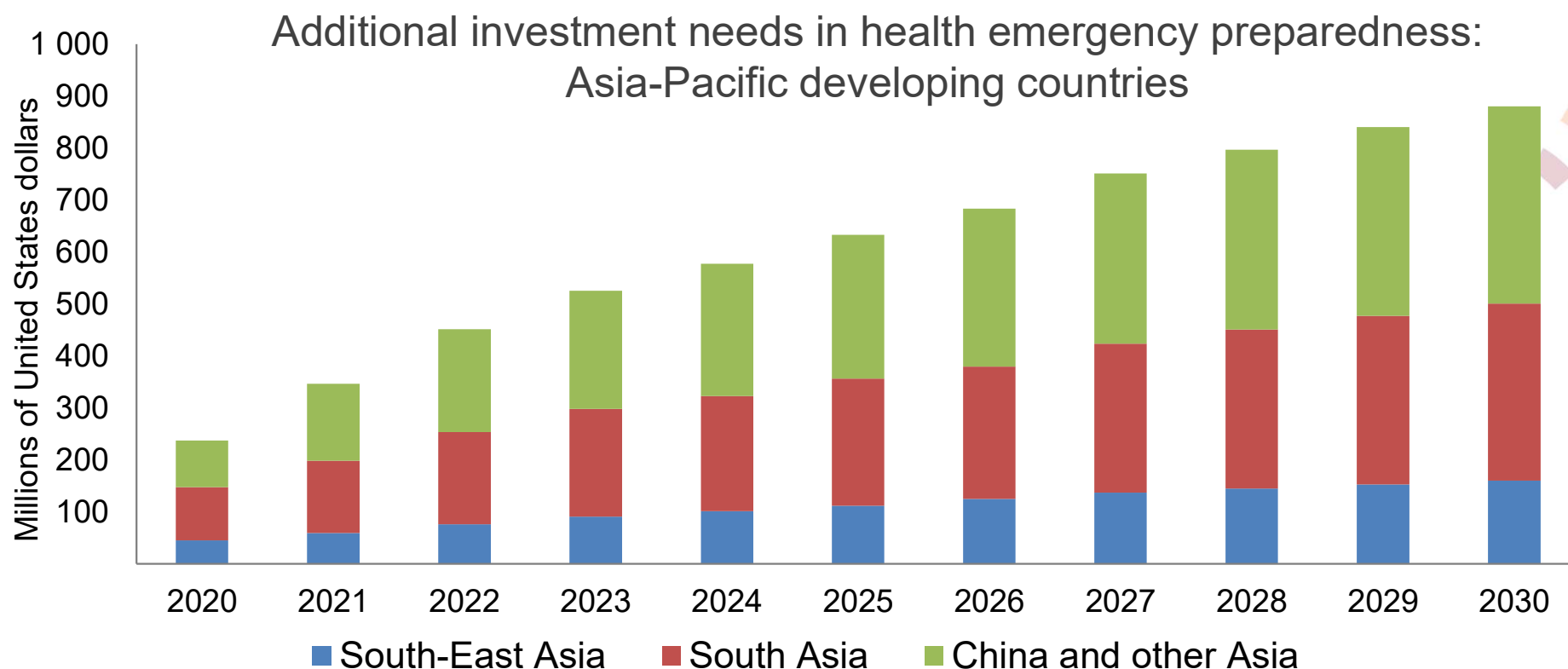
Establish *universal health coverage* and *universal social protection systems*



Strengthen *regional cooperation* in R&D for the benefit of all



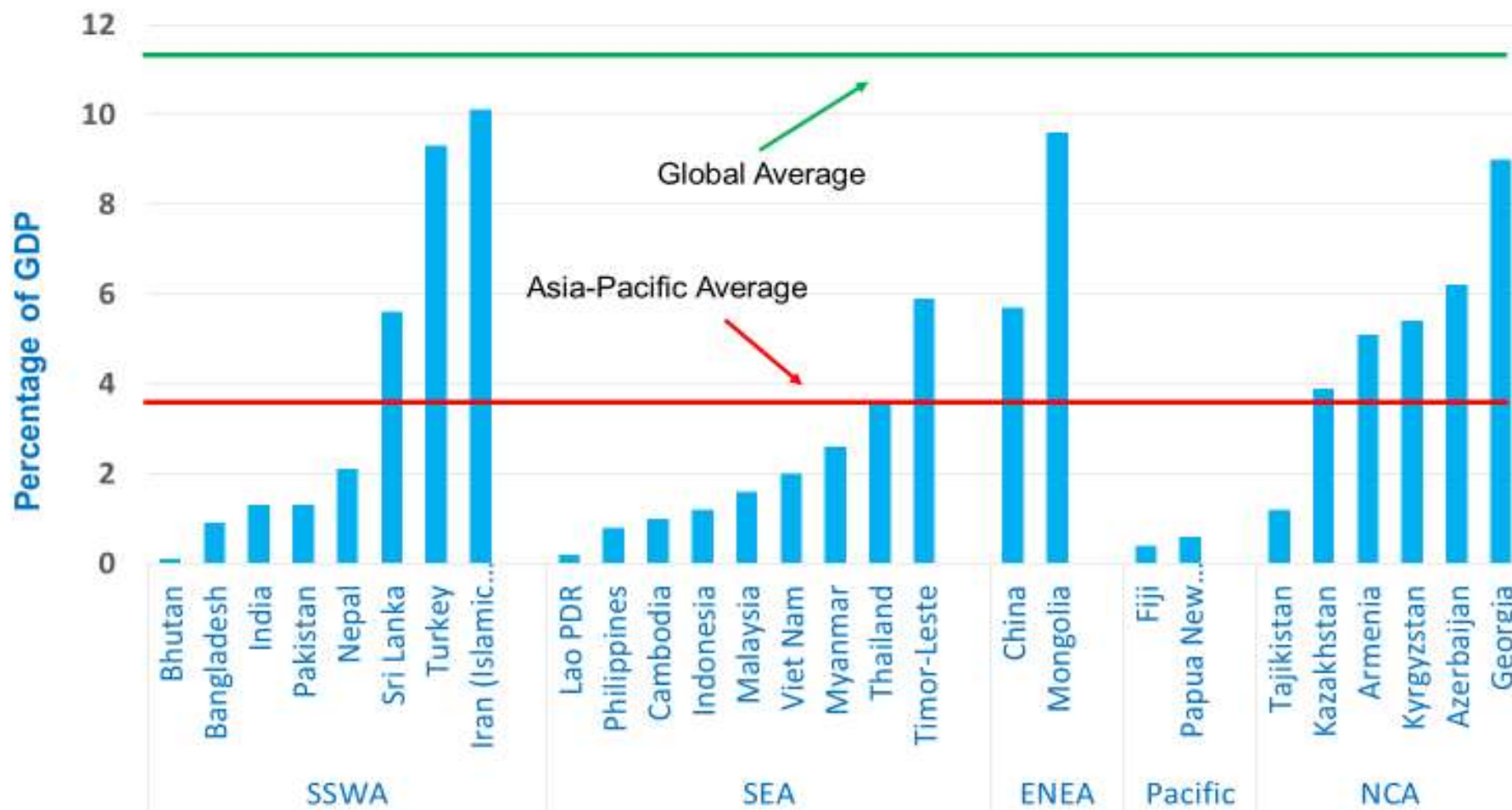
**SDG3 (good health and well-being) requires an additional investment of \$158 billion (\$38 per person) per year, including in health emergency preparedness**



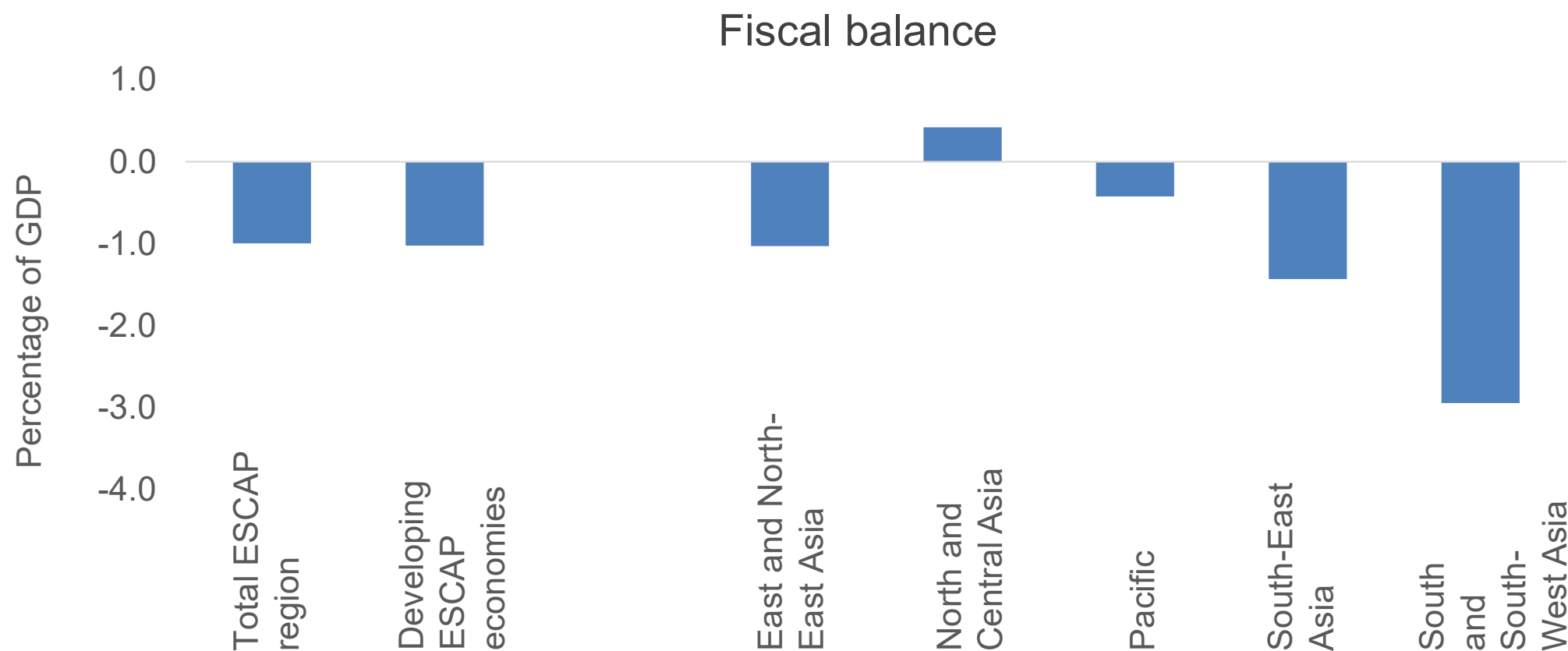
Source: ESCAP estimates, based on WHO SDG Health Price Tag.



## Public spending on social protection remains low... must be stepped up in the wake of COVID-19



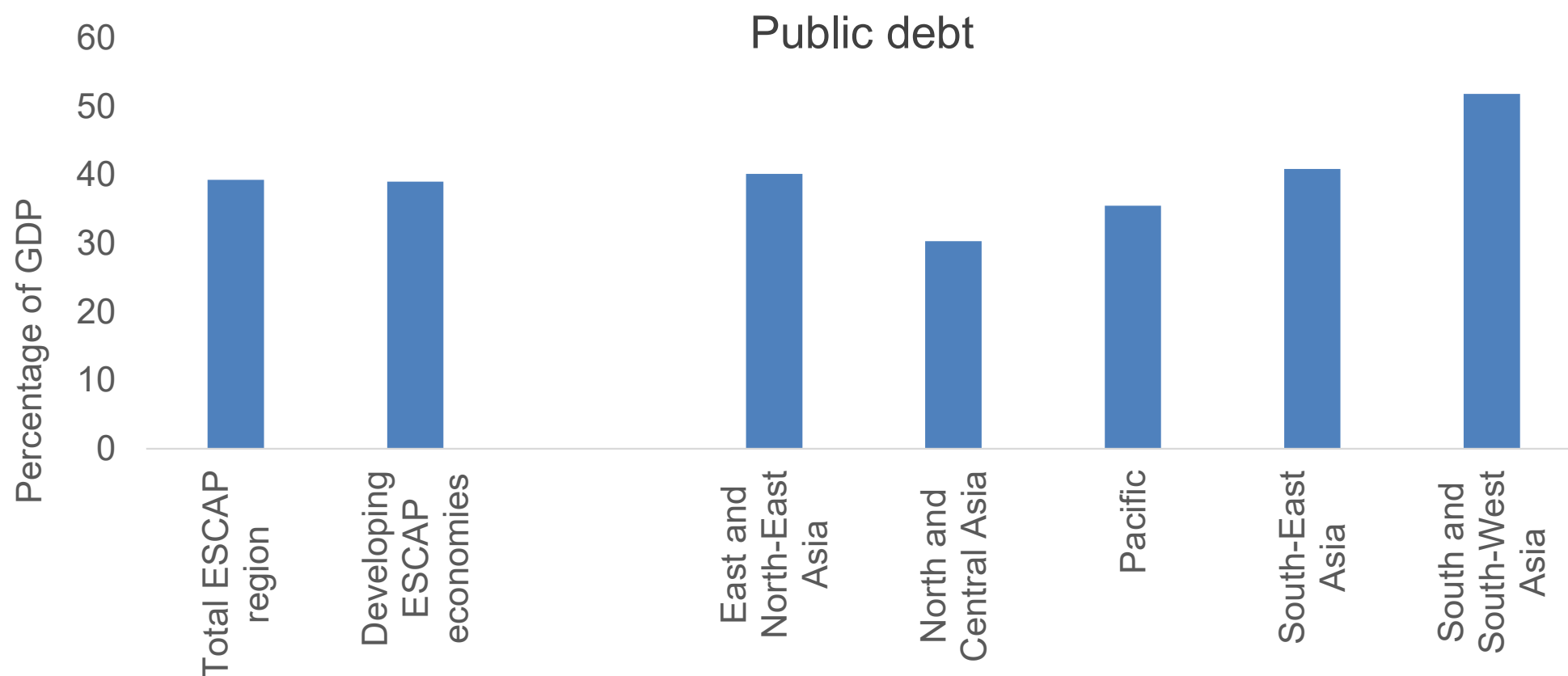
## Fiscal space to respond to COVID-19 and invest in people varies across the Asia-Pacific region



Source: ESCAP calculation based on IMF World Economic Outlook Database (as of October 2019) (accessed on 23 March 2020).

Note: The bars illustrate the median value for each group.

## Fiscal space to respond to COVID-19 and invest in people varies across the Asia-Pacific region



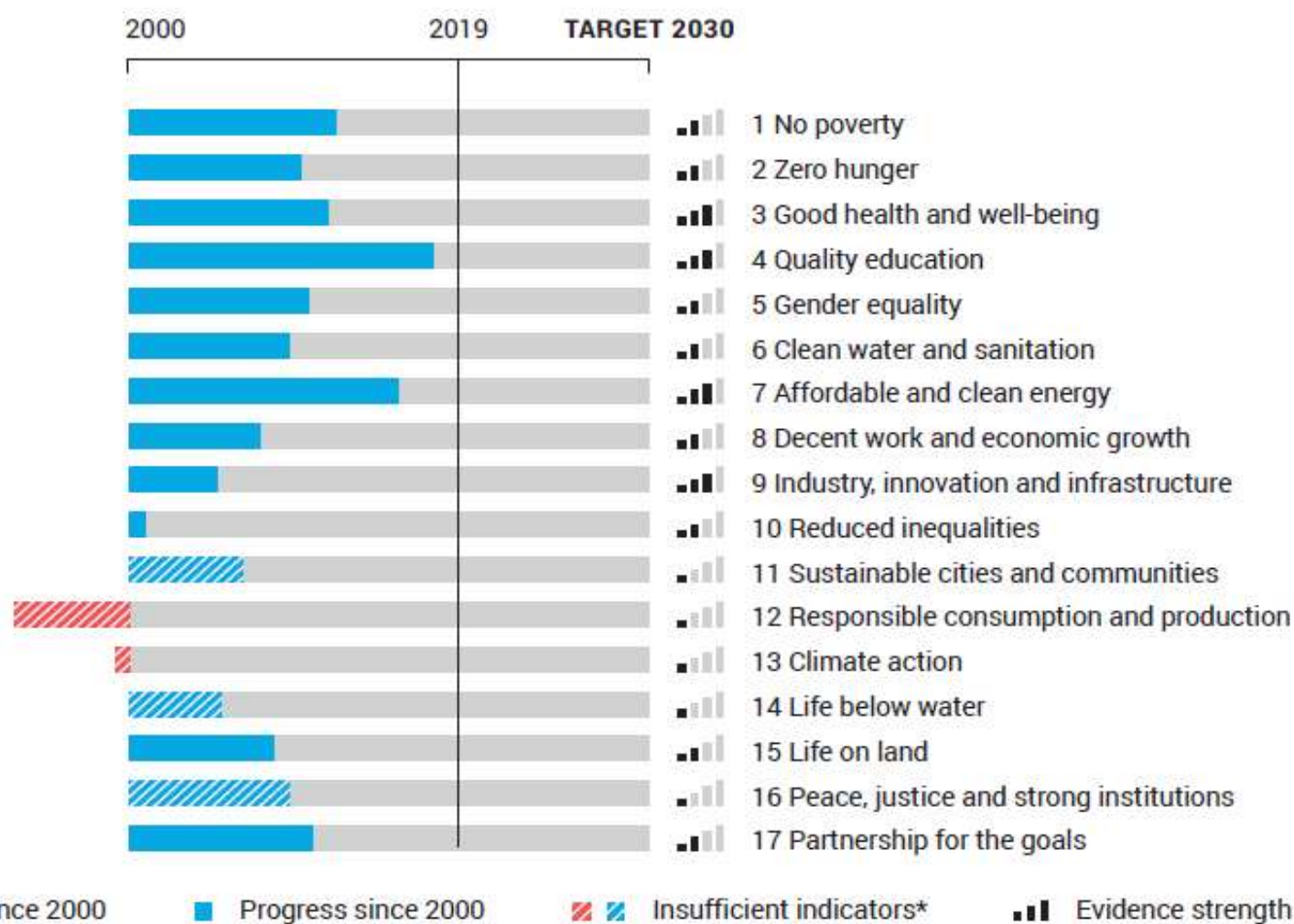
Source: ESCAP calculation based on IMF World Economic Outlook Database (as of October 2019) (accessed on 23 March 2020).

Note: The bars illustrate the median value for each group.



**Progress on the 2030 Agenda for Sustainable Development must continue and be accelerated**

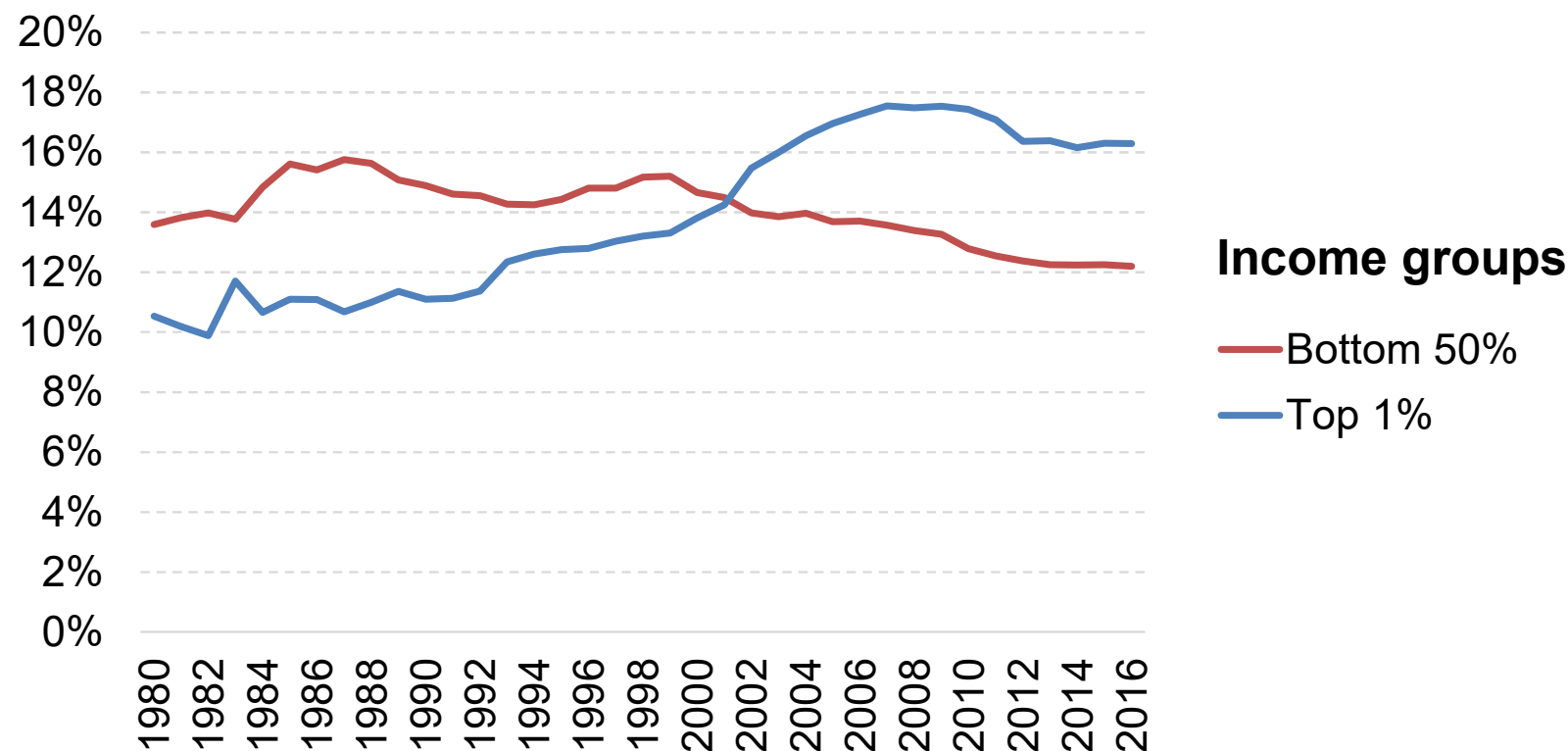
# Asia-Pacific region is not on track to achieve the SDGs by 2030



Source: ESCAP (2020).  
Asia and the Pacific SDG  
Progress Report 2020.

## Some 1 billion people lifted out of extreme poverty since 2000, but income inequality has widened

Share of income (pre-tax national income) by income groups in Asia

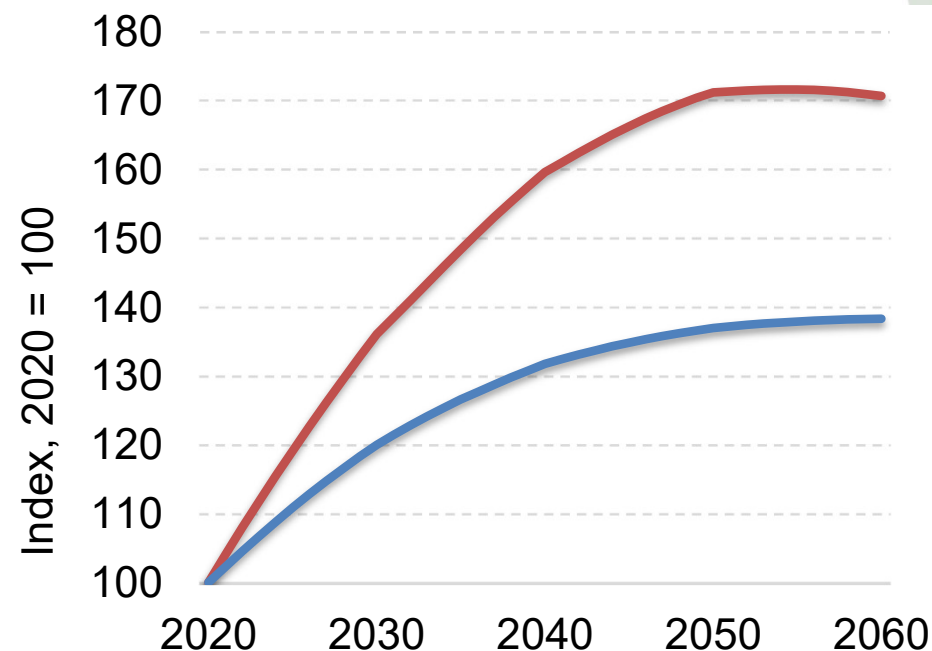
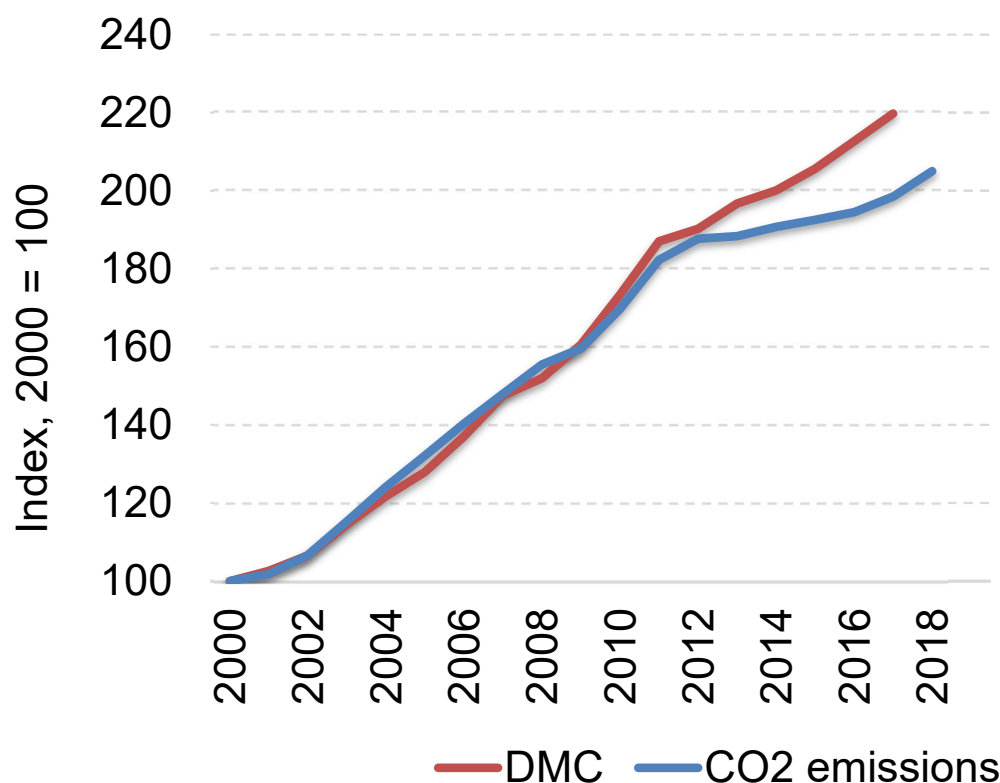


Source: WID (accessed 3 October 2019)



# Natural resource use and carbon emissions have more than doubled since 2000, and will continue to rise albeit at slower pace

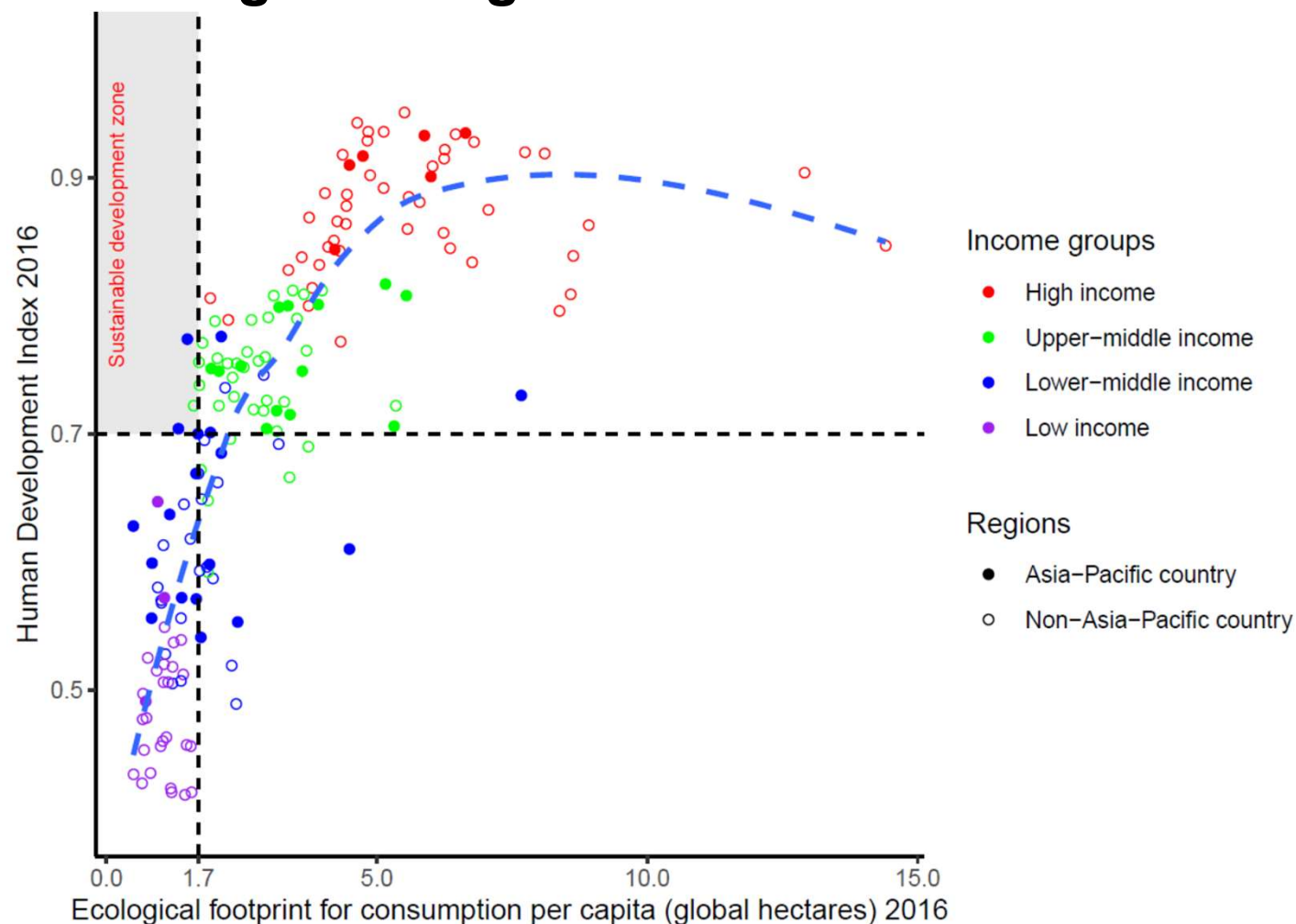
Domestic material consumption and CO2 emissions in Asia-Pacific region



Source: ESCAP, based on methodology in UNEP International Resource Panel's *Global Resource Outlook 2019*.

Source: ESCAP data portal (accessed on 4 December 2019); ESCAP calculation based on World Bank, PovcalNet, available at <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed on 13 February 2020); IMF, World Economic Outlook database, October 2019 (accessed on 4 December 2019); Global Carbon Atlas, available at [www.globalcarbonatlas.org/en/CO2-emissions](http://www.globalcarbonatlas.org/en/CO2-emissions) (accessed on 13 February 2020).

# How to meet human needs within planetary boundaries is a defining challenge of our time ...



Source: ESCAP, based on UNDP Human Development Data and Global Footprint Network (accessed on 29 February 2020)

**... which requires a revisit of prevailing consumption and production patterns**



# Consumption



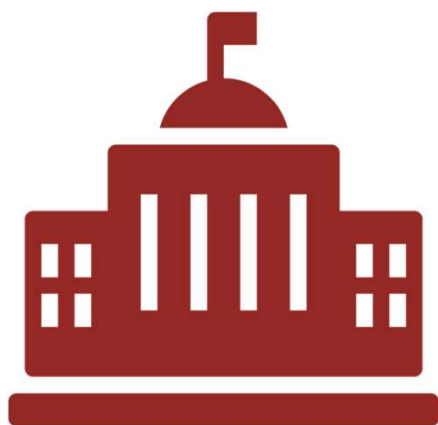
## Production

# This is reflected in SDG12, whose progress can also support other Goals



Source: One Planet Network, 2019.

# ***Survey 2020* calls for behavioural change by all stakeholders**



## **GOVERNMENTS**

- **Dependency on fossil fuels**
- **Underpricing of carbon**



## **BUSINESSES**

- **Failure in accounting for externalities**



## **CONSUMERS**

- **Ingrained consumption habits**
- **Lack of environmental awareness**

# Collective actions by all stakeholders!



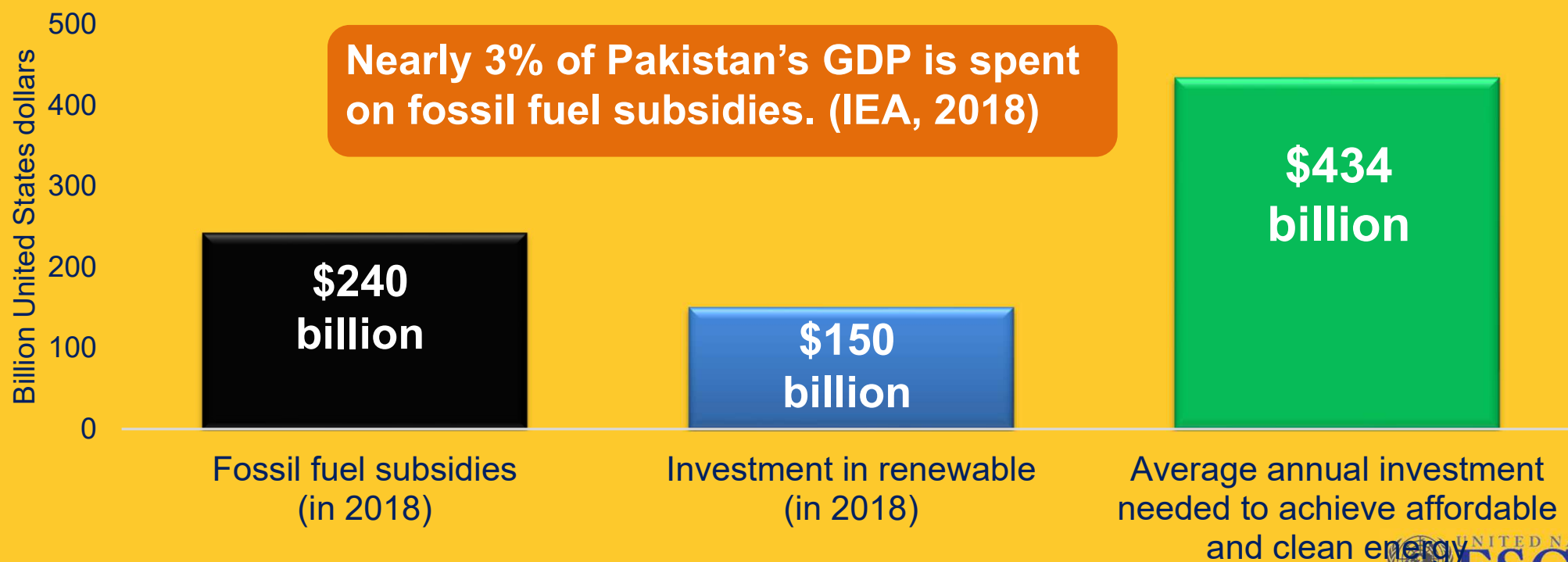


## Local action



**Governments** should embed sustainability in policymaking and decarbonize their economies

☐ Remove fossil-fuel subsidies



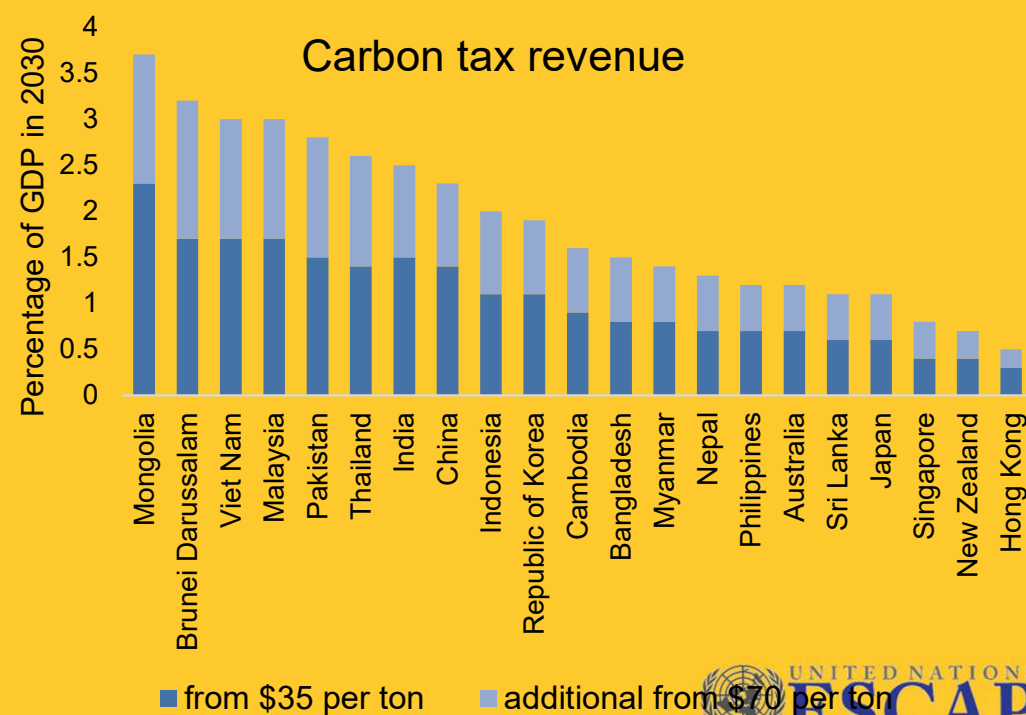
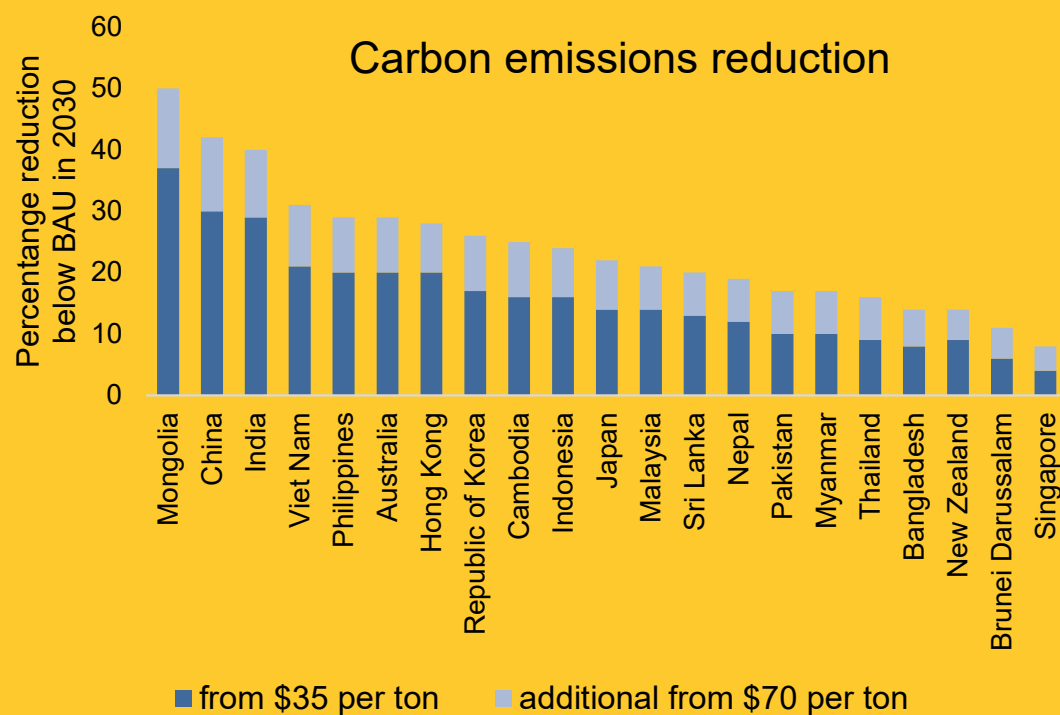
Source: ESCAP (2020 and 2019).

# Local action



**Governments should embed sustainability in policymaking and decarbonize their economies**

**Adopt carbon pricing**



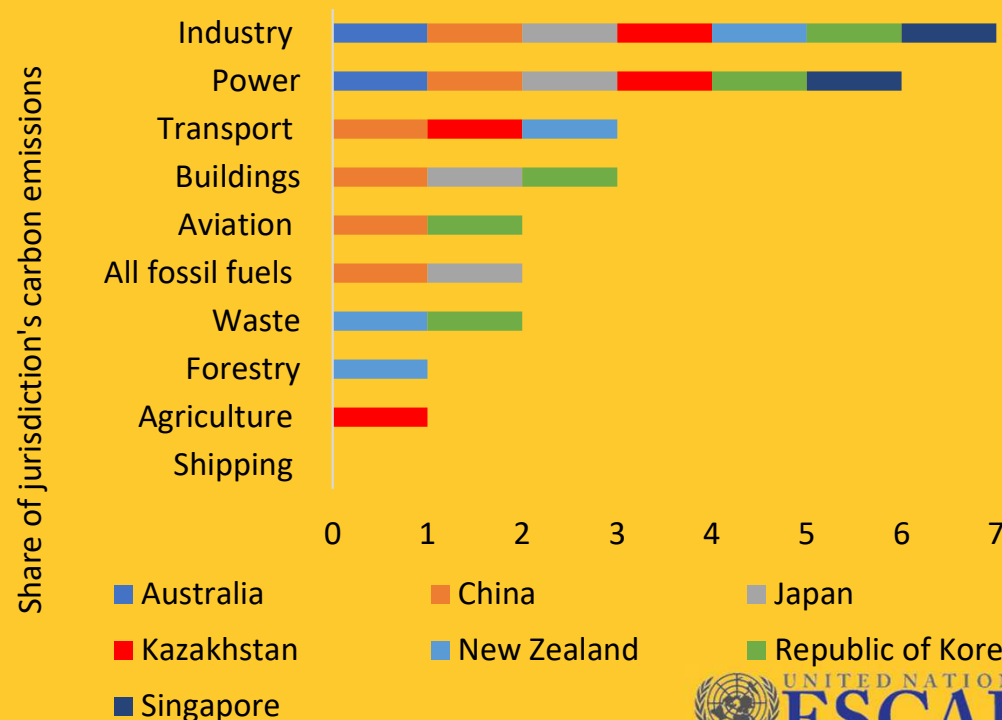
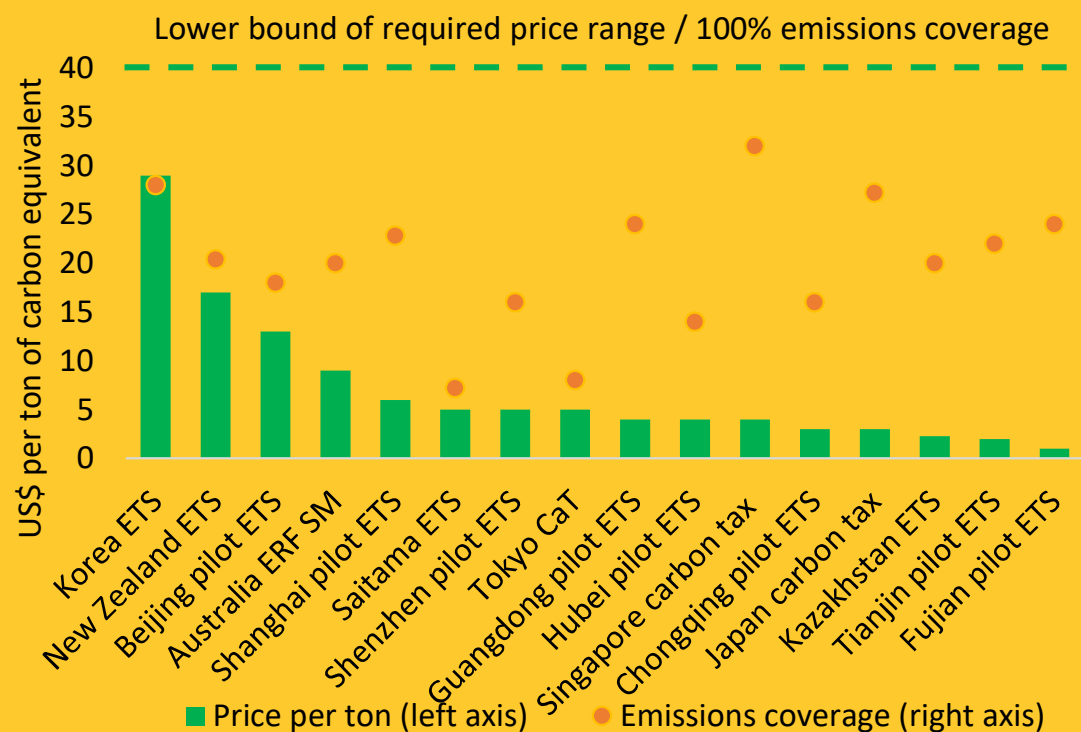
Source: ESCAP, based on IMF, Fiscal Policies for Paris Climate Strategies, 2019.

# Local action



**Governments should embed sustainability in policymaking and decarbonize their economies**

## Adopt carbon pricing



## Local action



**Governments** should embed sustainability in policymaking and decarbonize their economies

- ☐ Remove fossil-fuel subsidies
- ☐ Adopt carbon pricing

### Pakistan

- Challenges: **Growing energy demand fueled by inadequate energy infrastructure, inefficiency and price distortion in energy use**
- Usage of fossil fuels to meet energy demand
- Pakistan is the 4<sup>th</sup> largest recipient of public finance from G20 countries for coal-fired plants in 2016-2017 (Overseas Development Institute)

# Local action



**Governments** should embed sustainability in policymaking and decarbonize their economies

- ❑ Remove fossil-fuel subsidies
- ❑ Adopt carbon pricing
- ❑ Green the financial systems

## Financial Incentives

- Specific lending terms for green projects
- Credit enhancements and government guarantees
- Tax breaks

## Regulatory Incentives

- Supporting sustainability reporting, disclosure and transition through TCFD and NGFS





# Steps taken to green Pakistan's financial system

- ❑ Introduction of green banking guidelines by the State Bank of Pakistan (SBP) in October 2017
- ❑ Partnership between IFC and SBP in 2018 on sustainable banking network (SBN)
- ❑ UNESCAP Project on Climate Finance: Innovative Climate Finance Mechanism for Financial Institutions
- ❑ Pakistan is not a member of NGFS nor TCFD



# Collective actions by all stakeholders!



# Businesses should internalize the externalities of their business operations



## People action

- ❑ Incorporate ESG considerations in making decisions



### Environment

- Water and pollution
- Resource depletion
- Greenhouse gas emission
- Deforestation
- Climate change



### Social

- Employee relations and diversity
- Working conditions, including child labour and slavery
- Local communities; seek explicitly to fund projects or institutions that will serve poor and underserved communities globally
- Health and safety
- Conflict



### Governance

- Tax strategy
- Executive remuneration
- Donations and political lobbying
- Corruption and bribery
- Board diversity and structure

## Businesses should internalize the externalities of their business operations



## People action

- ❑ Incorporate ESG considerations in making decisions



Guidelines to integrate ESG into business functions  
Participation in PRI in Asia-Pacific is only

15%

**... none of these signatories are from Pakistan.**

## Businesses should internalize the externalities of their business operations



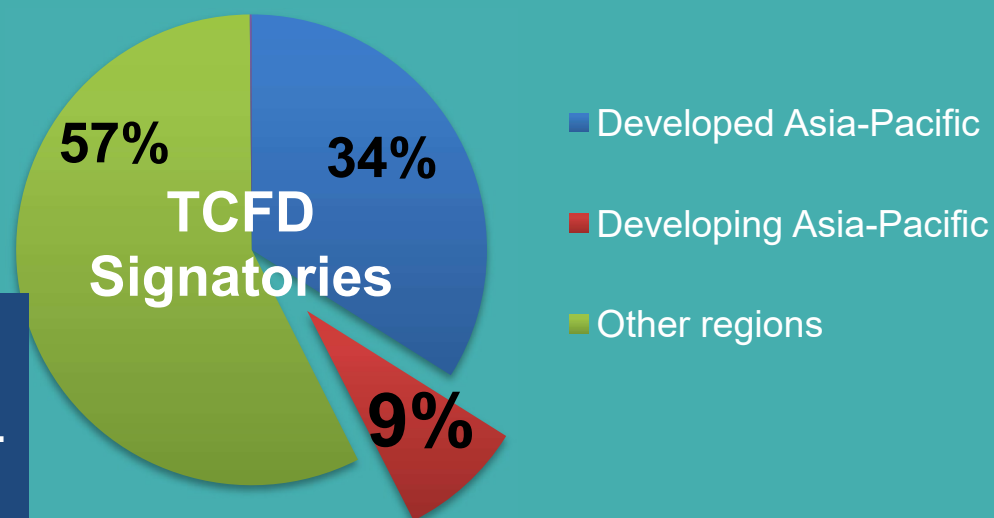
## People action

- ❑ Incorporate ESG considerations in making decisions and enhance climate-related risk disclosure



As of 2009, the Security and Exchange Commission of Pakistan (SECP) requires Corporate Social Responsibility (CSR) disclosure.

The guidelines were updated to incorporate ESG in 2016.



## Businesses should internalize the externalities of their business operations

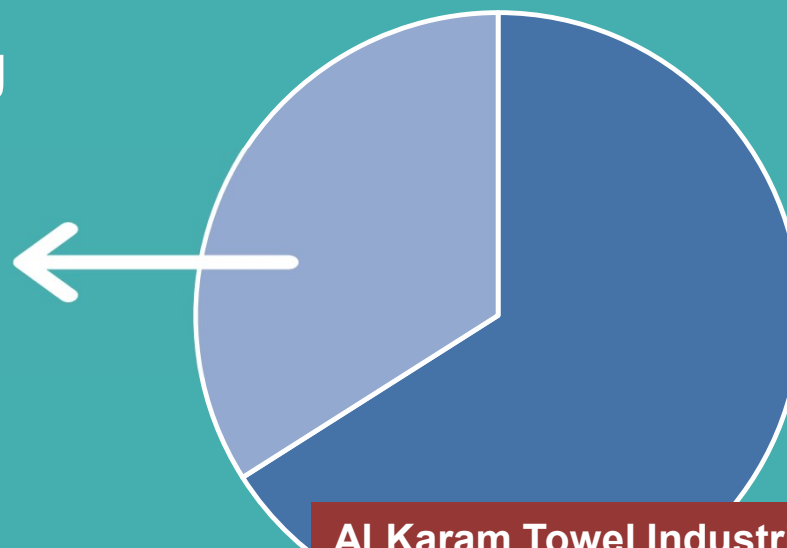


**People  
action**

- ❑ Incorporate ESG considerations in making decisions and enhance climate risk-related disclosure
- ❑ Adopt internal carbon pricing

**About 35%**

of companies that have disclosed the use of or plan to implement carbon pricing are in Asia-Pacific



**Al Karam Towel Industries is the only Pakistani company that has disclosed the use of carbon pricing.**

## **Businesses should internalize the externalities of their business operations**



**People  
action**

- ❑ Incorporate ESG considerations in making decisions and enhance climate-related risk disclosure
- ❑ Adopt internal carbon pricing

**...to give the eco-conscious investors  
such information to make decisions**



# Collective actions by all stakeholders!



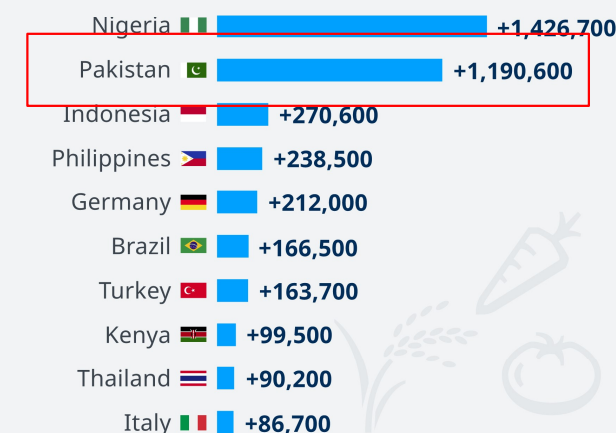
# Consumers need to move towards sustainable lifestyles



## People action

		
 <b>FOOD</b>	Plant-based diet and eating what you need	Animal-based diet and food waste
 <b>TRANSPORTATION</b>	Biking, ride-sharing and commuting on public transportation	Driving and excessive air travel
 <b>HOUSING</b>	Using energy-efficient appliances and reducing energy usage	Using energy-intensive appliances and consuming excessive energy
 <b>CLOTHING</b>	Reusing clothes and buying only what you need	Buying single-use clothes and discarding clothes that are in good condition

### Countries with the biggest increase of vegetarians 2016–2017



Source: Statista | Data: Euromonitor International ©DW

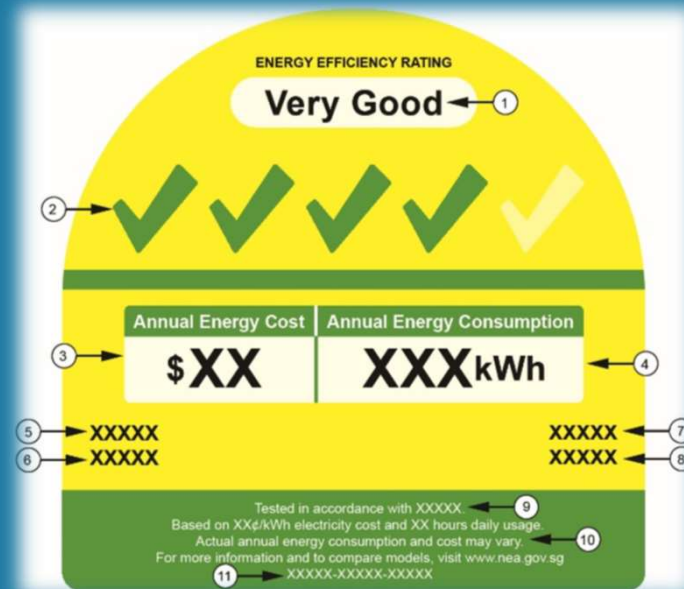
✓ **Pakistan is the second-fastest growing plant-based diet country in the world.**

**Governments and businesses can help consumers move towards sustainable lifestyles through:**



**People action**

☐ Nudging



Mandatory energy labels on electric appliances in Singapore

**Governments and businesses can help consumers move towards sustainable lifestyles through:**

- ❑ Nudging
- ❑ Incentivizing the sharing of idle and underutilized resources



**People  
action**



# Collective actions by all stakeholders!



**Global  
action**



**Cross-border cooperation in the region is crucial to prevent inaction and raise ambitions**



- ❑ **Establish cooperation on regional climate-related policies**
  - Harmonize climate-related standards among countries
  - Cooperate on climate-risk management



# Global action



## Cross-border cooperation in the region is crucial to prevent inaction and raise ambitions



- ❑ Establish cooperation on regional climate-related policies
- ❑ Move towards decarbonization
  - Develop regional carbon markets
  - Scale up transboundary power trade



# Global action



## Cross-border cooperation in the region is crucial to prevent inaction and raise ambitions



- ❑ Establish cooperation on regional climate-related policies
- ❑ Move towards decarbonization
- ❑ Implement 10-Year Framework of Programmes on SCP

- Pakistan National Action Plan on SDG 12 Sustainable Consumption and Production was published in 2017



# Pakistan

- ❑ **Pakistan Climate Act 2017:** Provides legal and institutional framework for climate policy
- ❑ **Considering market-based climate policy instruments, including ETS**
  - Cooperated with UNFCCC and the Institute for Global Environmental Strategies in 2019 to publish a study on carbon pricing
  - Launched the National Committee on Establishment on Carbon Markets 2019 to assess the role and scope of carbon markets in delivering Pakistan's NDC, identify opportunities and challenges in improving data, review existing carbon market designs and coordinate capacity-building activities
- ❑ **Reducing reliance on coal: Indicative Generation Capacity Expansion Plan (IGCEP) 2018-40**

# Collective actions by all stakeholders!



# Takeaway messages

- COVID-19 pandemic can become a catalyst to change the development approach that prioritizes people and the planet... which is critical as the region is facing a climate emergency
- All stakeholders must act collectively at local, people and global levels:
  - Governments should prioritize sustainability and decarbonize their economies (local action);
  - Businesses should internalize the externalities of their business conducts and consumers should be more mindful of their lifestyles (people action); and
  - Countries should enhance global and regional cooperation towards more ambitious solutions (global action).

# Economic and Social Survey of Asia and the Pacific 2020

**Towards sustainable economies**

Please visit

<https://www.unescap.org/publications/economic-and-social-survey-asia-and-pacific-2020>



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