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Current and emerging policy issues for inclusive and sustainable development in Asia and the Pacific: subregional perspectives

Subregional perspectives on current and emerging policy issues for inclusive and sustainable development in Asia and the Pacific

Note by the secretariat

Summary

Across Asia and the Pacific, Governments have adopted different approaches to addressing the economic, environmental and social challenges facing the region, such as climate change and the demographic and digital transitions. While the nature and magnitude of these challenges, and the solutions used to address them, vary depending on the geographical location, economic makeup, population size and overall outlook of each country, there are commonalities and opportunities for cooperation at the subregional level.

In the Pacific, small island developing States are particularly vulnerable to the impacts of climate change. Faced with economic disparities, debt vulnerabilities and digital exclusion, these States are in need of tailored solutions, including for climate finance. In East and North-East Asia, economic transitions, social inequalities and climate-induced disasters highlight the importance of regional cooperation, robust governance and innovative solutions. In North and Central Asia, priorities include economic diversification, climate resilience, management of transboundary resources, economic transformation and integrated climate policies that address water scarcity. In South and South-West Asia, Governments are focused on sustaining economic growth, reducing poverty and promoting gender equality. In South-East Asia, priorities include management of rapid urbanization, investment in digital infrastructure and enhanced climate resilience.

Lessons could be drawn from the ways in which each subregion has addressed challenges and taken advantage of opportunities. Regional and subregional cooperation and coordinated efforts could better enable the attainment of inclusive and sustainable development across Asia and the Pacific.

The Economic and Social Commission for Asia and the Pacific is invited to take note of the present document and provide guidance to the secretariat for its future work.

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I. Introduction

1. The impacts of climate change, including rising sea levels, extreme weather events, disruptions to agricultural production and damage to infrastructure, threaten livelihoods and economic stability. In addition to making efforts to build resilience, the Asia-Pacific region must quickly adapt to changing environmental conditions. At the same time, the region is experiencing significant demographic shifts, technological advancements and evolving trade dynamics. During this period of transformation, digital inclusion is crucial to enable everyone to participate in and benefit from the development of the region.

2. Shared challenges and priorities exist at the subregional level. In the Pacific, small island developing States are particularly vulnerable to the impacts of climate change. Faced with economic disparities, debt vulnerabilities and digital exclusion, these States are in need of tailored solutions, including for climate finance. In East and North-East Asia, economic transitions, social inequalities and climate-induced disasters highlight the importance of regional cooperation, robust governance and innovative solutions. In North and Central Asia, priorities include economic diversification, climate resilience, management of transboundary resources, economic transformation and integrated climate policies that address water scarcity. In South and South-West Asia, Governments are focused on sustaining economic growth, reducing poverty and promoting gender equality. In South-East Asia, priorities include management of rapid urbanization, investment in digital infrastructure and enhanced climate resilience.

3. Addressing these challenges will require integrated policies and coordinated efforts at the regional and subregional levels. The diverse range of demographic, economic and environmental situations across the region offer unique opportunities to share best practices and lessons learned for the purpose of addressing common challenges with tailored solutions. The present document contains a summary of the key socioeconomic trends in each subregion, as well as the challenges faced and the strategies and actions taken to address them.

II. Current and emerging policy issues for inclusive and sustainable development

A. Pacific

1. Overview of socioeconomic trends, challenges and opportunities

4. The Pacific is a subregion with unique strengths and opportunities. However, due to their intrinsic traits, such as small size, remote location and vulnerability to natural hazards and climate change, Pacific small island developing States face significant structural vulnerabilities that impede their development. Among all small island developing States, for example, there is an annual financing gap of $2 billion–$15 billion[1] to achieve the 2030 Agenda for Sustainable Development, which translates to $63–$477 per capita annually.

[1] United Nations Conference on Trade and Development, “The costs of achieving the Sustainable Development Goals”. Available at https://unctad.org/sdg-costing.

5. According to data on human development indicators from the Asia-Pacific SDG Gateway, there are notable disparities between developed and developing countries in the Pacific, with small island developing States underperforming on indicators relating to adult literacy rates, tertiary education completion rates and under-5 mortality rates. In addition, the subregional rates of noncommunicable diseases, such as heart disease, stroke, cancer and diabetes, exceed global averages. Furthermore, substantial portions of the population remain digitally excluded, with significant gender and urban-rural disparities. In terms of achieving the Sustainable Development Goals, the subregion has regressed in its progress towards Goal 11 (Sustainable cities and communities) and is at risk of further setbacks if infrastructure cannot accommodate changing populations and shifting demographics. Notably, urban areas have large youth populations, indicating a structural demographic shift.

6. Looking ahead, the short-term economic outlook for the subregion appears favourable, though concerns persist. The combined economies of Australia and New Zealand are expected to grow 2.1 per cent in 2025, compared with 1.1 in 2024,[2] and those of the Pacific small island developing States are expected to grow 4.1 per cent in 2025, up from 3.4 per cent in 2024.[3] Growth in Pacific small island developing States is driven by remittances and tourism, and signals suggest that tourism will continue to drive growth in the near term. Nevertheless, constrained fiscal capacity and significant debt challenges continue to exert pressure on sustainable economic development in the Pacific. This pressure is exacerbated by vulnerabilities to natural disasters, which affect Pacific small island developing States in particular, necessitating sustained international financial support and investment, complemented by reforms to public finance management to improve the efficiency and effectiveness thereof.

7. Simultaneously, the Pacific faces critical labour market challenges. Labour shortages and youth unemployment continue to be significant issues. Although there is a high representation of women in the workforce, gender gaps persist. Persons with disabilities also face challenges in the labour market.

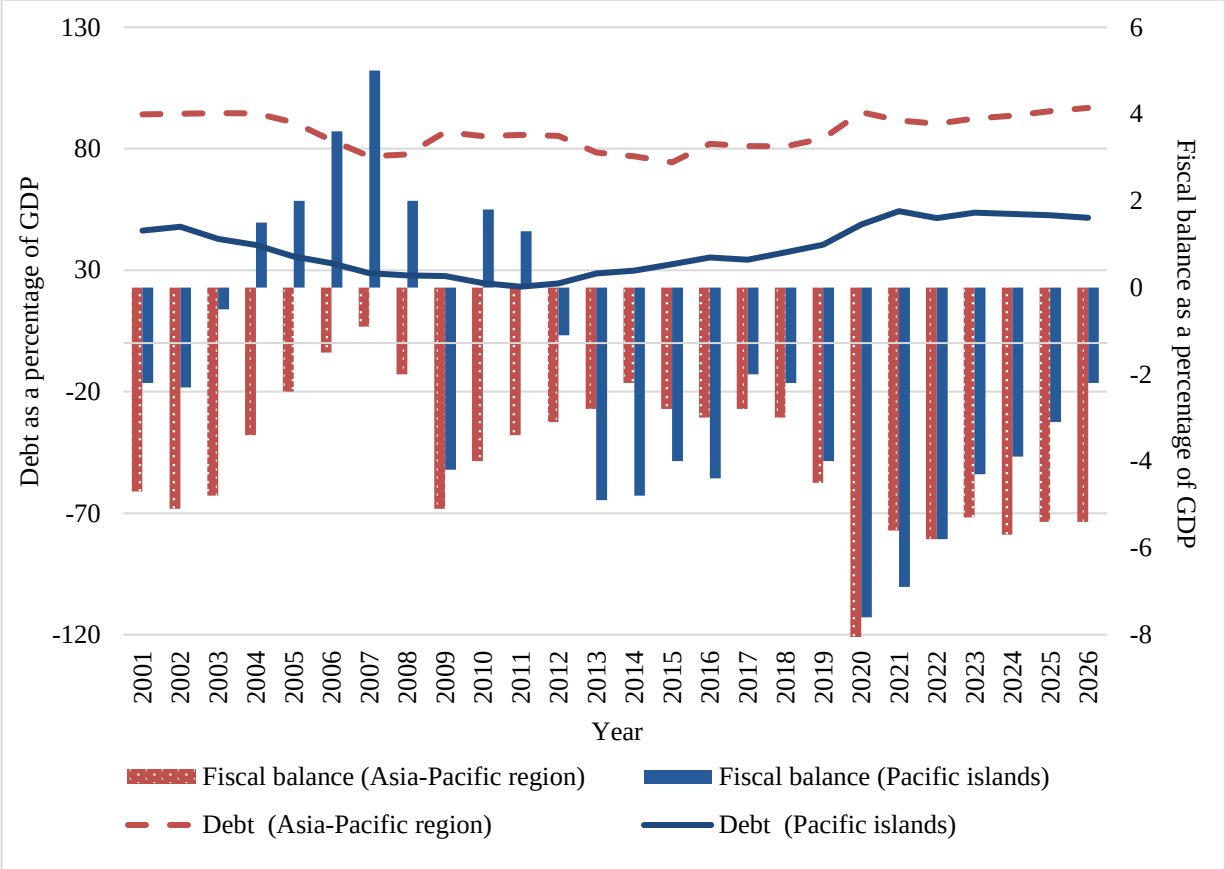
8. The inflation picture for Pacific small island developing States is mixed. Although global price growth is expected to slow in 2025, factors such as supply chain disruptions, rising wages, fuel supply constraints and weather-related events pose a risk to the current inflation trajectory, with inflation projected to come in at 4.1 per cent in 2025, up from 3.6 per cent in 2024. Monetary policy stances were varied across the subregion in 2024: accommodative in Solomon Islands; unchanged in Fiji and Tonga; and tightening in Papua New Guinea and Vanuatu. In Samoa, the policy interest rate was brought within the neutral target range. Continued tightening of interest rates may increase debt servicing costs, thereby intensifying fiscal pressures and threatening financial stability. Fiscal policy should therefore be synchronized with monetary policy and broader development policies to stabilize debt levels.

[2] International Monetary Fund (IMF), World Economic Outlook (October 2024) dataset. Available at www.imf.org/external/datamapper/datasets/WEO (accessed on 3 November 2024).

[3] Asian Development Bank, *Asian Development Outlook: September 2024* (Manila, 2024).

9. On a more positive note, Pacific small island developing States are performing better than the broader Asia-Pacific region in terms of fiscal balance and debt as a percentage of gross domestic product (GDP) (see figure I). In 2024, fiscal performance among Pacific small island developing States improved slightly due to economic growth, higher government income in some countries and fiscal consolidation. In the medium term, however, debt levels are expected to remain higher than they were before the coronavirus disease (COVID-19) pandemic. Fiscal weakness remains as revenues lag, signalling limited debt-carrying capacity.

Figure I
Fiscal balance and debt as a percentage of GDP



Source: IMF, World Economic Outlook (October 2024) dataset. Available at www.imf.org/external/datamapper/datasets/WEO (accessed on 3 November 2024).

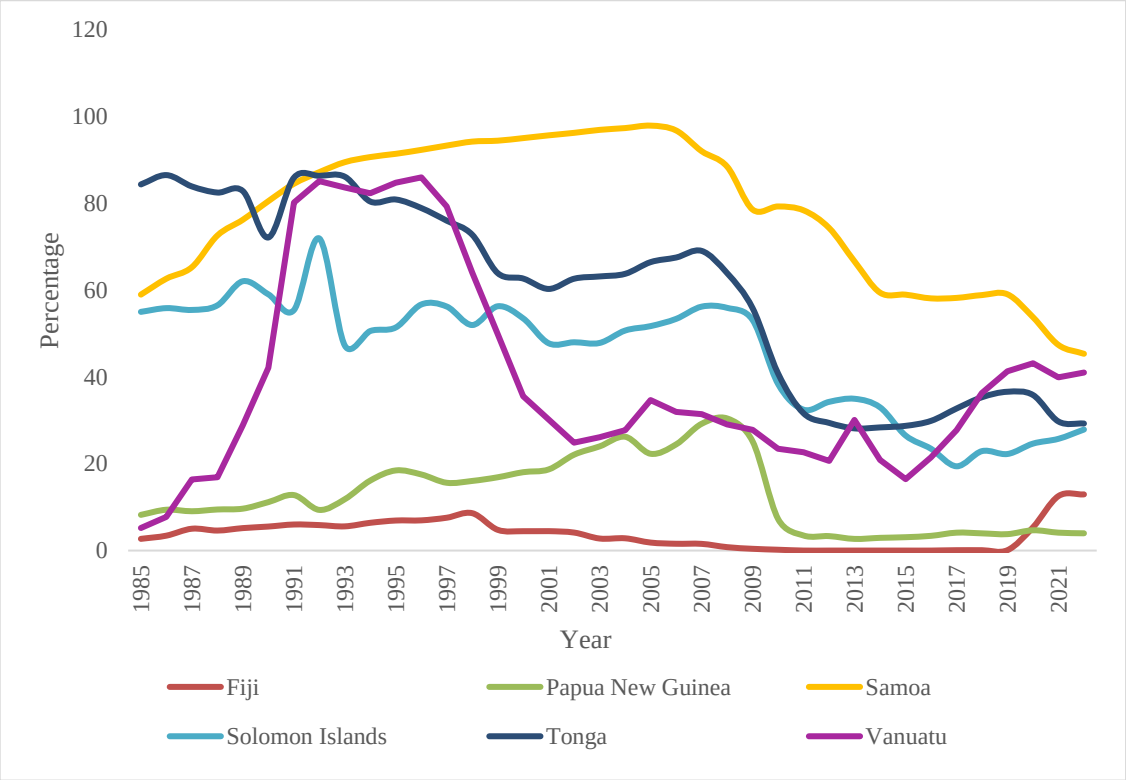
10. Even though debt performance may appear favourable when compared with the wider Asia-Pacific region, seven Pacific small island developing States – Kiribati, Marshall Islands, Papua New Guinea, Samoa, Tonga, Tuvalu and Vanuatu – are at high risk of debt distress, according to the list of low-income country debt sustainability analyses for countries eligible for Poverty Reduction and Growth Trust funding as at 31 October 2024 published by the International Monetary Fund.

2. High debt vulnerabilities

11. Small island developing States are highly susceptible to external shocks due to their small open economies. For recovery and reconstruction needs, these States often resort to expensive commercial financing as they have limited access to concessional financing for development, eligibility for which is based on gross national income per capita. Commercial credit rating

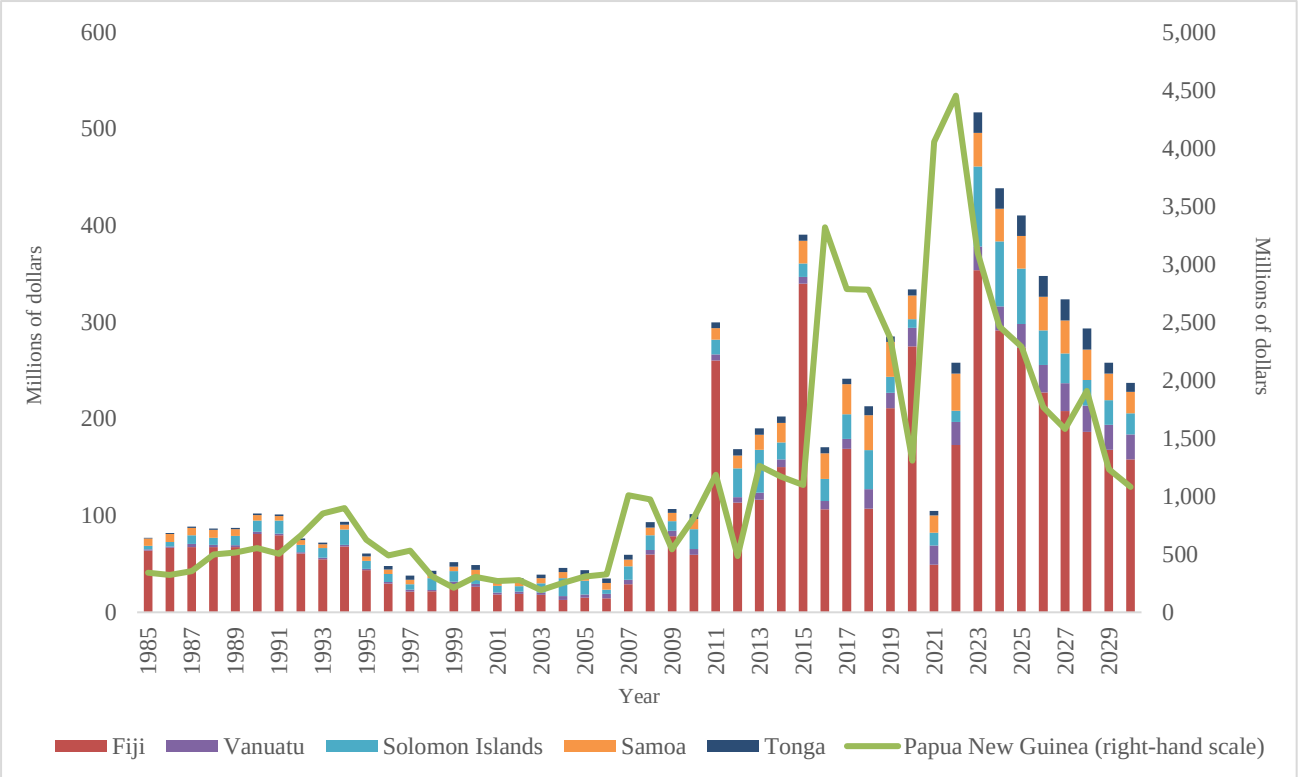
methodologies focus heavily on short-term liquidity risks, contributing to the low creditworthiness of these countries. This has resulted in growing reliance on non-concessional financing, which is characterized by higher borrowing costs and shorter maturities. In recent years, there has been a decline in concessional debt as a percentage of external debt among Pacific small island developing States (see figure II) but an increase in overall debt service (see figure III).

Figure II
Concessional finance as a percentage of external debt



Source: World Bank, International Debts Statistics databank. Available at https://databank.worldbank.org/source/international-debt-statistics (accessed on 18 November 2024).

Figure III
External debt service (historical and projected)



Source: World Bank, International Debts Statistics databank (see figure II).

12. Small island developing States have advocated the adoption and called for the operationalization of the multidimensional vulnerability index as a means of assessing vulnerability to external shocks based on criteria other than gross national income. According to the multidimensional vulnerability index, Pacific small island developing States are classified in the "very high vulnerability" group, which would facilitate debt restructuring and enable access to concessional finance to realize the 2030 Agenda.

13. Debt stress is further exacerbated by the allocation of financial resources to mitigation measures rather than adaptation measures. The subregion requires an estimated $2 billion annually to enhance resilience and adaptation to climate change and to facilitate a transition to renewable energy.[4] Climate-related disasters in Pacific small island developing States have caused fatalities and damage and had devastating impacts on peoples' lives, and the frequency and severity of such events are projected to increase under warming scenarios. Vanuatu, Tonga and Palau face the highest losses, in decreasing order, as a percentage of GDP.[5]

14. Two innovative financing options in the subregion are the Pacific Catastrophe Risk Insurance Company and the Pacific Resilience Facility of the Pacific Islands Forum. The Pacific Catastrophe Risk Insurance Company is a regional insurance company owned by the Cook Islands, Fiji, the Marshall Islands, Samoa and Tonga that provides post-disaster liquidity to support rapid

[4] Pacific Islands Forum, *2050 Strategy for the Blue Pacific Continent: Executive Summary for the Implementation Plan Baseline* (Suva, 2024).

[5] *Targeting Transformative Disaster Risk Resilience in the Pacific: Asia-Pacific Disaster Report 2024 for ESCAP Subregions* (ESCAP/5-TR/31).

relief and technical assistance.[6] The support is aimed at helping countries enhance their resilience to disaster and climate risks, thereby sustaining their development gains. Since 2014, five payouts have been issued, the most recent one being to the Government of Vanuatu in the amount of $1.2 million following the 7.3 magnitude earthquake that struck near Port Vila in December 2024. The Pacific Resilience Facility was established to offer Pacific-specific climate and catastrophe risk finance options.[7] The Facility will support climate adaptability, disaster preparedness, early response and community resilience. The Facility requires additional international funding to ensure its initial $500 million capitalization target is met by 1 January 2026.

3. Strengthening regional and subregional cooperation

15. Pacific small island developing States supported the call made by Uganda on behalf of the Group of 77 and China at the twenty-ninth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change for an ambitious new collective quantified goal on climate finance for developing countries. Through its project on the valuation of ecosystem goods and services in the Pacific and the co-organization of the Pacific Regional Debt Conference in 2022, the secretariat of the Economic and Social Commission for Asia and the Pacific (ESCAP) has assisted Pacific member States in exploring financing options. The secretariat has also produced debt policy papers, a public debt dashboard and an upgraded long-term public debt sustainability analysis proposal, and it assisted Fiji in assessing its access to urban climate finance and developing forestry accounts.

16. The Pacific subregional architecture is being reviewed, including with a view to establishing a more strategic and rationalized partnership mechanism. The ESCAP secretariat and the United Nations development system are collaborating with Pacific agencies to optimize synergies and policy coherence for the 2050 Strategy for the Blue Pacific Continent, in alignment with the Antigua and Barbuda Agenda for Small Island Developing States: A Renewed Declaration for Resilient Prosperity.

B. East and North-East Asia

1. Overview of socioeconomic trends, challenges and opportunities

17. The socioeconomic and geopolitical landscape in East and North-East Asia is complex. The subregion faces both immediate and long-term policy issues, notably related to economic transition, social inequalities, demographic changes and climate-induced disasters. Amid turbulence in the global economy, the countries in the subregion are grappling with long-standing socioeconomic challenges and emerging climate-related vulnerabilities.

18. The subregion is home to some of the world's largest economies. China is the second-largest global economy in terms of GDP, and Japan and the Republic of Korea consistently rank among the top 15. However, these economies face complex issues as they transition from high-speed growth to more sustainable, innovation-driven models.

[6] See https://pcric.org/.

[7] See https://forumsec.org/pacific-resilience-facility.

19. The Government of China is striving to become a global leader in green technologies and digital innovation, prioritizing reforms in digital infrastructure, artificial intelligence and green energy. While the economy faces challenges like overdependence on exports and demographic ageing, these reforms reflect an effort to overcome obstacles and achieve sustainable growth, even amid a global economic slowdown. The Governments of Japan and the Republic of Korea face challenges tied to demographic shifts, including low birth rates, ageing populations and labour shortages. Both Governments have been adopting policies to increase automation, enhance workforce participation, including for women and older persons, and encourage immigration. As for the Mongolian economy, which is driven by mining, urbanization and trade with China, it faces challenges such as a reliance on commodities, environmental degradation and urban overcrowding and will benefit from diversification through agriculture, tourism and renewable energy. Although the subregion has experienced economic growth, it has not been evenly distributed, resulting in rising inequality. For example, in China, millions have been lifted out of poverty, yet wealth disparities and inequalities persist. In addition, urban-rural divides are a significant concern in China and Mongolia. In Japan and the Republic of Korea, a high cost of living and stagnant wages have led to growing youth unemployment, fostering social unrest and widening the generational wealth gap. Social safety nets and welfare reforms remain crucial issues, in particular in ageing societies. The pension system in Japan and the healthcare reform in the Republic of Korea are key topics of national debate.

20. The increasing frequency and intensity of climate-induced disasters is a pressing emerging issue. The subregion is vulnerable to natural hazards such as typhoons, floods, droughts, earthquakes and wildfires. The urgency of addressing climate change in the subregion also highlights the need for an energy transition. The Governments of Japan and the Republic of Korea have set ambitious net-zero targets to be achieved by 2050, while the Government of China aims to reach carbon neutrality by 2060. The Government of Mongolia is focusing on reducing reliance on coal, which dominates the energy mix, by expanding renewable energy sources like wind and solar and exploiting the abundance of natural resources. Achieving these goals requires transforming the energy infrastructure, investing in energy efficiency and renewable energy and reducing reliance on coal, a challenge that is fraught with political and economic complexities.

21. Cooperation is critical to addressing these multifaceted challenges. In response to climate-induced disasters and broader environmental threats, collaboration is being used to implement policies that can help mitigate risks and build resilience. For example, the Trilateral Cooperation Secretariat, established between China, Japan and the Republic of Korea, is focused on climate change response and green technology innovation. In the face of increasing climate risks, these countries have strengthened cooperation in sectors such as disaster risk management, renewable energy and joint disaster recovery efforts.

22. Looking forward, the subregion will need to balance socioeconomic development with climate resilience. Addressing socioeconomic development challenges requires robust governance and innovative solutions to tackle inequalities, improve labour markets and transition to green economies. At the same time, mounting climate-related risks demand an integrated approach that combines disaster management, mitigation and adaptation strategies. Strengthening cooperation through subregional organizations and fostering knowledge-sharing on climate resilience will be key in ensuring that the subregion can navigate both its socioeconomic and environmental futures.

2. Disasters and climate change

23. Disasters have resulted in a heavy burden for East and North-East Asia, causing nearly 500,000 fatalities, affecting over 3 billion people and resulting in $2 trillion in damages over the past five decades – accounting for 68 per cent of the region's total disaster-related economic losses.[8] The subregion incurs an average annual loss of $510 billion, which is projected to increase by 5 per cent to $538 billion under a scenario where the global average temperature increases to 2°C above pre-industrial levels. Drought risk is expected to intensify in northern and western China, while heatwaves are emerging as a critical threat across Mongolia and northeastern China, with cascading risks for the Democratic People's Republic of Korea, Japan and the Republic of Korea. Adaptation costs are projected to account for 0.8 per cent of GDP by 2050.

24. Disasters have profound impacts on critical infrastructure, economic stability, public health and social systems, exacerbating vulnerabilities, especially in rapidly urbanizing regions with limited capacity to respond to disasters. Urban areas, especially coastal and low-lying cities, are highly vulnerable to rising sea levels, storm surges and flooding, which can disrupt transport systems and damage infrastructure, resulting in costly repairs and undermining long-term urban resilience and economic sustainability.

25. Heatwaves are becoming more frequent and intense due to climate change, which exacerbates health risks, in particular for vulnerable populations. Rising temperatures also strain energy systems, as a result of increased electricity demand for cooling, and contribute to higher emissions levels.

26. In 2023, around 4.8 million people were internally displaced by natural disasters, [9] and climate-induced disasters disproportionately affect marginalized populations, such as low-income groups, migrants and older persons. Disasters can lead to displacement, creating humanitarian crises and escalating social inequalities. Economic opportunities, healthcare and education services are often disrupted, making recovery more difficult.

27. Urban areas rely on nearby ecosystems for essential services, including water supply, food production and waste management. Climate-induced disasters threaten these services, disrupting agricultural production and access to food, which further affects urban resilience and social stability.

28. The subregion is home to thriving geospatial analytics markets and creators of innovative space applications for sustainable development.[10] Japan has long been a leader in disaster preparedness, integrating nature-based solutions into its urban infrastructure. In addition, the Government promotes green urban planning that emphasizes disaster-resilient housing and community designs. In the Republic of Korea, there has been a focus on creating sustainable urban environments that help mitigate the urban heat island effect and ensure long-term resilience to climate change. The

[8] *Asia-Pacific Disaster Report 2023: Seizing the Moment – Targeting Transformative Disaster Risk Resilience* (United Nations publication, 2023).

[9] Internal Displacement Monitoring Centre, IDMC Data Portal. Available at www.internal-displacement.org/database/displacement-data/ (accessed on 1 December 2024).

[10] *Geospatial Practices for Sustainable Development in East and North-East Asia 2024: A Compendium* (United Nations publication, 2025).

Government of China has been implementing its sponge city initiative – an urban planning model that promotes the use of porous surfaces, green rooftops and urban wetlands – to address flooding and water management issues in urban areas. In Hong Kong, China, natural features have been used to complement urban infrastructure. Mangrove wetlands have been restored along the coastline, which helps absorb storm surges and prevent coastal erosion, thereby reducing the city's vulnerability to typhoons and rising sea levels.

29. The Trilateral Cooperation Secretariat is focused on addressing common climate challenges. The Governments of China, Japan and the Republic of Korea collaborate on research, knowledge exchange and the development of joint projects to improve disaster response and reduce the environmental footprint of urban areas.

3. Strengthening regional and subregional cooperation

30. Subregional cooperation is essential to tackle climate-induced disasters effectively, and subregional entities must play an active role in fostering cooperation. A focus of the trilateral partnership between the Governments of China, Japan and the Republic of Korea, facilitated under the Trilateral Cooperation Secretariat, is to identify and implement cooperation projects on sustainable development. The partnership's "Trilateral + X" approach ensures that the benefits of cooperation are extended to other countries. Through this approach, the three States will work with Mongolia on reducing sand and dust storms in the subregion. In a broader context, the North-East Asian Subregional Programme for Environmental Cooperation could be utilized to further strengthen joint actions on environmental issues, in synergy with activities carried out by the ESCAP secretariat, such as on early warning and alert systems in typhoon-prone regions and impact-based forecasting.

31. At the regional level, East and North-East Asian countries are active providers of technical cooperation on space applications in areas such as crop monitoring and air pollution monitoring. Through regional cooperation, data and tools may be further leveraged to scale up the impacts of space applications for sustainable development.[11]

32. Furthermore, encouraging subregional research collaborations on climate change and disaster resilience is crucial. Networks of experts and research institutes in the subregion can share knowledge on innovative technologies that can help to build a more robust foundation for long-term adaptation. Further support for such efforts, such as through the organization of joint training and capacity-building programmes for government officials, emergency responders and local communities, will bolster disaster response capabilities across the subregion.

C. North and Central Asia

1. Overview of socioeconomic trends, challenges and opportunities

33. North and Central Asia demonstrated remarkable economic resilience in 2024. Given the fluctuation of commodity prices, economic diversification remained a top priority. Among oil-exporting countries, growth was driven by robust public and private investments in Azerbaijan and the Russian Federation and by credit expansion in Kazakhstan. Among oil-importing countries, strong

[11] Ibid.

economic expansion was supported by robust construction activity in Kyrgyzstan, Tajikistan and Uzbekistan and by growth in transport, trade, tourism and services in Armenia, Georgia, Kyrgyzstan and Uzbekistan.

34. Disasters in North and Central Asia have caused over 64,000 fatalities, affected the lives of 20 million people and resulted in an estimated $23 billion in damages over the past five decades.[12] Critical risk areas include the Aral Sea basin and northern Kazakhstan, where intensifying drought, flood and heatwave risks threaten agriculture, energy and biodiversity. These multi-hazard risks extend to Turkmenistan and Uzbekistan, where emerging climate risk hotspots exacerbate vulnerabilities. Although adaptation costs for Armenia and Azerbaijan would increase as a percentage of GDP under a scenario where the global average temperature increases to 2°C above pre-industrial levels, such costs would remain far lower than the annual economic losses expected from climate change impacts.[13]

35. As the subregion faces increasing climate risks, there is an urgent need to build resilience. The frequency and severity of climate-related disasters, droughts in particular, have increased in recent years. For example, due to the impacts of frost and drought in the Russian Federation, the wheat harvest is expected to decline from 92.8 million tons in 2023 to 83 million tons in 2024.

36. A long-term decline in water availability and soil fertility presents transboundary risks to all countries in the subregion, threatening food and energy security. In Central Asia, decreasing water volumes from melting glaciers during crop-growing seasons jeopardize agricultural production. Reduced glacier water volumes also threaten the electricity supply in Kyrgyzstan and Tajikistan, where around 90 per cent of electricity is generated by hydropower.

37. The ecological degradation of the Aral Sea and the Caspian Sea highlights the interlinked challenges between climate change, water and land. While restoration efforts have partially increased water volume and improved water quality in the Aral Sea, increased evaporation caused by warmer temperatures remains a long-term issue, leaving the basin vulnerable to desertification. Water levels in the Caspian Sea are projected to fall by up to 18 metres by the end of the century, causing declining fish stocks, soil salinization and biodiversity loss. Coastal communities are particularly vulnerable to these climate-related stresses. On the margins of the twenty-ninth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, representatives of the Caspian littoral States – Azerbaijan, the Islamic Republic of Iran, Kazakhstan, the Russian Federation and Turkmenistan – issued a declaration in which they stressed the urgent need for joint action to protect the Caspian Sea environment and ecosystem.

38. To address these interconnected challenges, integrated policies for climate change adaptation and mitigation will be needed for the long-term economic development of the subregion. Climate-related disasters pose physical risks to the agricultural, mining, and oil and gas sectors, causing direct losses for commodity exporters and indirect losses for importers through increased costs. Carbon tariffs and non-tariff measures could also have a disproportionate impact on carbon-intensive exports, such as those in the

[12] *Targeting Transformative Disaster Risk Resilience in North and Central Asia: Asia-Pacific Disaster Report 2024 for ESCAP Subregions* (ESCAP/5-TR/28).

[13] Ibid.

metal, oil, electricity and chemical industries. The implementation of such trade policies by advanced economies may worsen the trade balances of commodity-dependent countries, such as Kazakhstan, Tajikistan and Uzbekistan. Falling export revenues will limit fiscal space for social spending and other investments needed to achieve the Sustainable Development Goals, which may reverse the progress made on poverty and inequality reduction. While fiscal policy may offset some losses in government revenues, economic transformation is essential for long-term success.

39. Given the interconnected challenges facing the subregion, green economic transformation provides a path forward to address environmental and economic vulnerabilities. Countries in the subregion, in particular landlocked developing countries, are firmly committed to cooperation, with progress being made on initiatives in the areas of water resource management, transport corridors, trade and economic integration. In November 2024, the States members of the United Nations Special Programme for the Economies of Central Asia [14] re-affirmed their commitment to sustainable green development through the Dushanbe Declaration, which was focused on water, energy, transport, trade, investment and digitalization, among others. The ESCAP secretariat and subregional organizations, such as the Eurasian Economic Union and the Shanghai Cooperation Organization, continue to cooperate on key issues, including the digitalization of transport and climate-smart agriculture.

2. Climate change strategies

40. The Governments of all countries in the subregion have developed plans, programmes and strategies to address climate change and undertake structural reforms. However, achieving green economic transformation in the subregion requires a comprehensive approach involving the coordination of government agencies, cross-sector collaboration and targeted resource allocation.

41. Several Governments in the subregion have established inter-agency coordination councils on climate change and the green economy. In Kazakhstan, in 2024, the council on the transition to a green economy, chaired by the Prime Minister, instructed local authorities to incorporate green economic indicators into regional development plans.

42. In Georgia, the national climate change strategy includes sectoral priorities for the transformation of key industries and sets out financing, monitoring and evaluation mechanisms. The long-term low-emission development strategy, adopted in 2023, is aligned with the Paris Agreement and addresses the Sustainable Development Goals. In it, priorities are highlighted in the energy, building, transport, industrial and agricultural sectors, among others, and barriers to climate financing are identified. It also sets out periodic monitoring, reporting and verification procedures.

43. Another important tool for driving green economic transformation is green budget tagging, which Governments can use to identify climate-related expenditure gaps and encourage government agencies to integrate resource mobilization into plans and budgets. In 2024, the Government of Kyrgyzstan, with support from the World Bank, established a comprehensive framework

[14] The States members of the United Nations Special Programme for the Economies of Central Asia are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

for implementing green budget expenditure tagging in line with its fiscal policy directions for 2024–2028.

44. The growth of the green bond market in the subregion is an important development in terms of resource mobilization for green economy and climate goals. Issuances of both public and private bonds have broken new ground, with Uzbekistan issuing its first green sovereign bond in 2023 and the first Azerbaijani green financial bond being issued in 2024.

45. Governments in the subregion are increasingly promoting green and sustainable development through multilateral mechanisms. At its nineteenth session, held in Dushanbe on 28 November 2024, the Governing Council of the United Nations Special Programme for the Economies of Central Asia adopted an initiative setting out, among other things, a multilateral green strategy that is focused on water, energy, ecology and agriculture.[15]

46. Regional organizations have responded to requests from member States for multilateral cooperation on green economic transformation. The Eurasian Economic Union initiative on developing guidelines for the implementation of green economy principles is aimed at balancing environmental targets with social and economic development goals. It emphasizes leveraging the best available technologies to create synergies among businesses, investors and innovators, regardless of national origin. At the Shanghai Cooperation Organization Forum on Green Development in 2024, an initiative on building a green partnership for sustainable development was launched, with calls for enhanced cooperation on ecological security, climate adaptation and the implementation of the Kunming-Montreal Global Biodiversity Framework, adopted at the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity.

3. Strengthening regional and subregional cooperation

47. Given the interconnected challenges facing the subregion, regional cooperation is vital for advancing green economic transformation. Joint hydrometeorological and ecological research on transboundary waters can provide a shared scientific basis for coordinating the management of transboundary water and conservation policies. Regional organizations, such as the International Fund for Saving the Aral Sea, are well positioned to address the transboundary effects of climate change and coordinate adaptation efforts. The thematic working group on innovation and technology for sustainable development of the United Nations Special Programme for the Economies of Central Asia provides a platform for member States to discuss and cooperate on issues related to innovation and technology in support of achieving the 2030 Agenda (Goals 8, 9, 13 and 17 in particular). The fifth session of the working group, which was organized by the secretariats of ESCAP and the Economic Commission for Europe and hosted by the Government of Kyrgyzstan, was held in Bishkek on 27 June 2024.[16]

[15] ESCAP and Economic Commission for Europe, “SPECA concept of development until 2030”. Available at www.unescap.org/sites/default/d8files/event-documents/ANNEX%20IV.%20SPECA%20Concept%20of%20Development%20until%202030_ENG.pdf.

[16] See www.unescap.org/sites/default/d8files/event-documents/Report%205th%20session%20SPECA%20WG%20on%20ITSD_ENG%20for%20event%20page_1.pdf.

48. Strengthening regional cooperation and economic integration is essential to diversify economies in the subregion. Coordinated efforts to establish green economic corridors, through initiatives on renewable energy, energy-efficient technologies and climate-smart agriculture, can reduce fossil fuel dependence, address climate-related trade barriers and foster sustainable green growth.

49. Through coordinated regional cooperation and integration, the subregion can leverage economies of scale for faster green economic transformation. Aligning national climate and development policies can create positive spillover effects, enhance competitiveness and attract sustainability-focused investors.

D. South and South-West Asia

1. Overview of socioeconomic trends, challenges and opportunities

50. Overall economic growth for South and South-West Asia moderated slightly from 6 per cent in 2022 to 5.5 per cent in 2023 amid weaker exports and consumption as a result of high inflation. According to advance estimates, the subregional growth rate is expected to further moderate to 5.2 per cent in 2024. The average inflation rate for the subregion was the highest among all the subregions, with four countries experiencing double-digit rates. India is the bright spot in terms of economic growth for the subregion and the broader Asia-Pacific region. Many parts of the subregion are still recovering from the impact of the COVID-19 pandemic and other global crises and are faced with persistent development obstacles that hinder efforts in reducing poverty, creating job opportunities for youth and building environmental and climate resilience. Notwithstanding certain advancements, a significant segment of the population continues to live below the poverty line, especially in rural and remote locations in mountain areas and at land borders. Gender inequality persists in the social, economic and political spheres, leaving many women and girls vulnerable and excluded from development opportunities. Urban areas face population pressures that lead to overcrowding and overstretched infrastructure and services.

51. Many urban areas lack adequate road and housing infrastructure, public transport, sanitation and waste management. This inadequacy exacerbates issues like traffic congestion and pollution and poses challenges for rural-to-urban migration within countries. In addition, environmental degradation poses a serious threat as urban expansion often encroaches on natural habitats, leading to biodiversity loss and water pollution. Economic disparities challenge urban development, and wealth inequality results in uneven access to resources and services, further marginalizing poorer communities. Furthermore, governance issues, including corruption and uncoordinated planning and implementation, hinder sustainable urban growth. Addressing these challenges requires coordinated efforts from government, the private sector, civil society and local communities to create inclusive and resilient urban environments.

52. Disasters in South and South-West Asia have resulted in over 1 million fatalities and $485 billion in damages over the past five decades, with an estimated average annual loss of $240 billion under a scenario where the global average temperature increases to 2°C above pre-industrial levels.[17] From

[17] *Targeting Transformative Disaster Risk Resilience in South and South-West Asia: Asia-Pacific Disaster Report 2024 for ESCAP Subregions* (ESCAP/5-TR/38).

1970 to 2024, Bangladesh recorded the highest cumulative number of disaster-related fatalities in the subregion, with over half a million deaths recorded in the past five decades, followed by India with over 190,000 deaths. During the same time frame, on average, 43 million people in India were affected by disasters annually. Flood risks in densely populated areas, such as the Ganges and Brahmaputra basins, remain significant, while heatwave and drought risks are increasing in Afghanistan, Nepal and Pakistan. Adaptation costs, which are currently estimated to be 0.6 per cent of the subregional GDP per year, remain a critical issue for countries like Afghanistan and Nepal, where economic losses are disproportionately high compared with available resources.

53. The subregion is especially susceptible to severe meteorological and geophysical phenomena, such as heavy and long rains, glacier lake outburst floods, flash floods, heatwaves, droughts, dust storms, tsunamis and earthquakes. Policymakers and implementing agencies are encouraged to prioritize climate resilience policies that include a focus on sustainable farming practices, investment in renewable energy and comprehensive disaster management plans.

54. Amid these adversities, emerging economies in the subregion are progressively prioritizing sustainable development. Institutions like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the South Asian Association for Regional Cooperation seek to improve collaboration in commerce, infrastructure development and investment in renewable energy projects. Improving transport networks and digital infrastructure can enhance connection, enable commerce and investment and promote mutual economic development. Advanced multi-hazard early warning systems, such as those provided through the WMO/ESCAP Panel on Tropical Cyclones and the Indian Ocean Tsunami Warning and Mitigation System, have also proven efficient in protecting sustainable development gains in high-risk geographies.

55. The digital economy in the subregion is swiftly advancing, with nations such as India at the forefront of technology use. Governments are urged to invest in digital infrastructure to facilitate e-governance, optimize service delivery and augment transparency. There is an urgent need to tackle the digital divide to ensure equitable access to technology. The digital divide exacerbates gender inequalities. While technological progress may be swift in urban areas, rural residents frequently lack access to basic Internet services. This inequality restricts access to education, employment and engagement in the digital economy.

56. It is essential to address the growing levels of rural-to-urban migration as individuals pursue better economic prospects in metropolitan areas. The trend exerts significant strain on urban infrastructure and services, including those relating to housing, transportation and public services.

57. Gender equality remains a significant concern, with women encountering obstacles in the areas of education, work and political representation. Policies designed to empower women through education and business are crucial for inclusive socioeconomic development.

2. Urban development

58. The subregion faces numerous urban development challenges, including rapid urbanization, inadequate infrastructure, environmental deterioration and socioeconomic inequality. Addressing these interconnected

challenges requires a multifaceted strategy. While energy intensity is increased by poorly controlled urbanization and industrialization, it can be mitigated and reduced by improved urban design and management.

59. One of the most pressing concerns is the rapid speed of urbanization, with cities like Dhaka, Karachi and Mumbai experiencing population booms that exceed their infrastructural capacities. Governments need policies that systematically incorporate sustainable development practices. Combining land use planning with transportation planning can help to efficiently manage expansion. In several countries, smart city programmes are being implemented that enhance urban infrastructure through the application of technology and improved governance.

60. In many cities, there is an inadequate supply of public transport, housing and sanitation amenities. Reducing pollution and traffic congestion is a pressing need that cities are taking measures to address. Dhaka, for instance, has introduced a bus rapid transit system, which provides effective options for public transport while reducing traffic congestion.

61. Addressing environmental concerns is of critical importance in metropolitan areas, where industrial activities contribute to air and water contamination. Putting in place stringent environmental rules is one way to mitigate the impacts. For example, in Nepal, regulations have been implemented that encourage the use of renewable energy sources and green building standards for reducing carbon footprints. Enhancing green spaces in cities can improve air quality, reduce the urban heat island effect and provide residents with spaces for rest and recreational activities.

62. Social inequality remains a challenge in urban settings, and inclusive policies that empower people are essential. In Sri Lanka, for instance, community-driven development initiatives have been launched that enable local residents to participate in urban planning decision-making processes. Not only does this strategy help meet the everyday needs of residents, but it also enhances their sense of ownership of the process.

63. Throughout the subregion, there are successful approaches that can serve as examples for countries and cities. In India, the Smart Cities Mission is aimed at establishing 100 smart cities by utilizing technology to improve service delivery and infrastructure management. In Bangladesh, the Urban Resilience Project is focused on strengthening urban infrastructure and encouraging community participation to mitigate climate change impacts. Urbanization positively correlates with digitalization, driving growth in energy demand from data centres. Urban centres are also where digital technology activities are concentrated, for instance, those related to the development of generative artificial intelligence, the digitalization of industrial and manufacturing sectors, and increasing digital trade and economic activities. These activities, whose growth is associated with growing prosperity, will accelerate demand for data centres and digital infrastructure. Smart, energy-efficient policies are crucial for reducing the energy intensity of activities related to digitalization and improving overall domestic energy security.

64. Enabling and empowering communities and stakeholders, including women, to participate in policy formulation, implementation and monitoring is essential for effective results. The ESCAP secretariat has facilitated multi-stakeholder dialogues to find solutions to issues such as cross-border connectivity and air pollution. Partnerships with subregional and other development organizations, including United Nations system entities, think

tanks and private sector and civil society organizations, are essential in supporting governments in adopting whole-of-society approaches to address complex and interconnected urban development issues.

3. Strengthening regional and subregional cooperation

65. Subregional collaboration through the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the South Asian Association for Regional Cooperation can help countries overcome common obstacles to sustainable development. South-South cooperation can support knowledge-sharing, capacity-building and joint initiatives and investments.

66. Addressing transboundary and cross-border issues is another important area for cooperation. Improving cross-border trade requires Governments to harmonize legislation and standards, simplify customs procedures and lower tariffs. Removing trade barriers and encouraging electronic document filing can reduce transaction costs and save time. The ESCAP secretariat has co-organized multi-stakeholder consultations with the secretariats of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the South Asian Association for Regional Cooperation on removing bottlenecks for cross-border connectivity. The Intergovernmental Agreements on the Asian Highway Network, the Trans-Asian Railway Network and Dry Ports can serve as a basis for the establishment and development of international transport corridors for goods and people.

67. Regional collaboration is needed to set emission guidelines, monitor air quality and reduce the plastic water pollution that flows downstream, affecting river and coastal communities, and into the ocean. Collaborative research can help identify pollution sources and design and adopt environmentally sustainable technologies and practices.

68. Digital literacy and access to technology are crucial for women's economic empowerment across the subregion. Partnerships with technology companies can facilitate digital skills mentorship. Supportive online groups can help women share resources and experiences.

E. South-East Asia

1. Overview of socioeconomic trends, challenges and opportunities

69. South-East Asia is undergoing rapid and transformative socioeconomic changes, presenting both challenges and opportunities for advancing sustainable development. Driven by shifting demographics, rapid urbanization and evolving economic landscapes, these changes require forward-looking policies that prioritize inclusive growth, the development of resilient infrastructure and the strategic harnessing of digital transformation.

70. In recent decades, considerable progress has been made in the subregion in areas such as poverty reduction, environmental protection and access to essential services. This progress has been supported by initiatives aimed at fostering sustainable urban development and production and integrating digital technologies into key sectors. Lessons learned in disaster risk reduction following the devastating 2004 Indian Ocean tsunami have also led to two decades of concerted progress and global leadership in resilience-building. However, the subregion's current average annual loss from disasters of $150 billion is projected to escalate under warming scenarios, driven by risks of intensifying floods, heatwaves and tropical cyclones. Nearly 100 per cent of the agricultural production value of Cambodia and Myanmar

is threatened by high flood risks, and increasingly severe heatwaves and droughts are likely to affect the Lao People's Democratic Republic, Thailand and Viet Nam.[18]

71. Gender equality has emerged as a cornerstone of inclusive growth, with regional programmes being launched to empower women through improved access to education, economic resources and policy support. In addition, efforts to strengthen labour rights and social protections for vulnerable populations are gaining traction, with the aim of ensuring that the benefits of economic growth reach a more diverse array of communities. Environmental sustainability remains a top priority, with an emphasis on sustainable resource management, pollution control and investments in renewable energy, all of which contribute to enhanced climate resilience.[19]

72. The young demographic profile of the subregion presents a significant opportunity for economic growth. Investing in education and skills development is crucial to align the workforce with a rapidly changing labour market. Simultaneously, an ageing population requires a robust healthcare system, social security and innovations like assistive technologies. Digital solutions, such as e-learning platforms and telehealth services, are essential to address these demographic shifts. With up to 50 per cent of the workforce needing reskilling by 2025, comprehensive educational reforms and targeted skills development programmes are vital to prepare the labour force for future challenges. Policies that promote workforce adaptability and reskilling will be essential to ensure equitable economic opportunities.[20]

73. Urbanization drives economic growth in the subregion but also brings challenges like inadequate housing and pollution. Sustainable urban planning is crucial as urban areas house key sectors such as manufacturing and technology. Digital technologies, such as intelligent transport systems, and green infrastructure projects are being used to address these challenges. Among States members of the Association of Southeast Asian Nations (ASEAN), smart transport systems are being introduced to reduce congestion, improve air quality and optimize public transport, enhancing the liveability and sustainability of urban areas. Smart city initiatives help build more resilient, sustainable urban communities, while subregional collaboration facilitates solutions to transboundary issues such as natural hazards (tsunamis and tropical storms, for example), air pollution and waste management.[21]

74. Governments in the subregion are addressing transboundary air pollution through partnerships like the pan-Asia partnership for geospatial air pollution information. Under the partnership, the Governments of six South-East Asian countries have enhanced their capacity to use satellite-derived data for their air pollution monitoring programmes by installing remote sensing instruments, training staff and studying data for evidence-based policymaking. The partnership accelerates progress in monitoring and managing air pollution by facilitating the sharing of research, experiences and techniques.

[18] *Targeting Transformative Disaster Risk Resilience in South-East Asia: Asia-Pacific Disaster Report 2024 for ESCAP Subregions* (ESCAP/5-TR/35).

[19] See www.unescap.org/events/2024/eighth-south-east-asia-multi-stakeholder-forum-advancing-sustainable-and-inclusive.

[20] *Asia-Pacific Digital Transformation Report 2024* (United Nations publication, 2024).

[21] *Economic and Social Survey of Asia and the Pacific 2024: Boosting Affordable and Longer-Term Financing for Governments* (United Nations publication, 2024).

75. The economic outlook for the subregion remains strong, buoyed by the recovery of global exports and resilient, investment-driven growth. The subregional digital economy is poised for a remarkable expansion, with projections showing it will grow threefold by the end of the decade, from approximately $300 billion to nearly $1 trillion by 2030. This growth is underpinned by forward-looking policies that foster innovation, digital infrastructure and connectivity. With a potential $2 trillion in value to be unlocked, the digital economy offers a wealth of opportunities, including new business models, job creation and improved access to services. The subregion is well positioned to capitalize on the global digital transformation, driving economic growth and creating new avenues for sustainable development across diverse sectors.[22]

76. Collaboration with subregional organizations, such as ASEAN, is essential for addressing socioeconomic challenges in the subregion. By strengthening subregional cooperation, these partnerships support greater connectivity, enhance competitiveness and promote deeper integration, helping to build more resilient and dynamic economies. Through joint initiatives and collective action, subregional organizations play a key role in supporting sustainable growth and unlocking new opportunities.

2. Digital transformation

77. Digital transformation is critical in addressing the socioeconomic challenges of the subregion. As digital technologies are integrated across sectors, they create significant opportunities for economic growth, social inclusion and environmental sustainability. Subregional frameworks such as the ASEAN Economic Community Blueprint 2025 and the ASEAN Digital Integration Framework promote connectivity, enhance competitiveness and foster regional cooperation.[23]

78. A significant priority in the subregion is closing the digital divide. Ensuring affordable and reliable Internet access, especially in underserved areas, is essential for enabling all communities to participate in the digital economy. An example of work being done in this area is the Asia-Pacific Information Superhighway initiative, administered by the ESCAP secretariat, which is focused on expanding broadband connectivity and reducing regional disparities, thus ensuring greater inclusivity and equal access to economic opportunities. The secretariat also supports member States in developing digital economies by providing technical assistance, policy advice and knowledge-sharing platforms to help countries leverage digital tools for sustainable development.

79. Alongside improving connectivity, digital transformation is reshaping industries and the workforce in the subregion. ASEAN, for example, has put forward initiatives emphasizing reskilling to address job displacement caused by automation. By equipping the workforce with essential digital skills, the subregion is preparing for the future economy. The ASEAN Digital Masterplan 2025 outlines a vision to improve digital infrastructure, reduce regional

[22] ASEAN, “Digital Economy Framework Agreement (DEFA): ASEAN to leap forward its digital economy and unlock US$2 Tn by 2030”, 19 August 2023.

[23] ASEAN, “ASEAN Digital Integration Framework”. Available at https://asean.org/wp-content/uploads/2020/12/Adopted-ASEAN-Digital-Integration-Framework.pdf.

disparities and foster inclusive economic growth.[24] This is crucial for industrial development and for transitioning the labour force from low-skilled, low-value labour to high-skilled, high-value labour, as key South-East Asian economies aim to become bigger players in the advanced digital technology manufacturing sector and develop research and development capacity.

80. Digital transformation is also having a profound impact on urban development. Smart technologies are revolutionizing cities, making them more efficient, sustainable and resilient. These innovations are transforming urban infrastructure, improving traffic management, reducing congestion and enhancing the quality of services. By integrating advanced digital solutions, local governments are becoming more responsive to the needs of their populations. The ASEAN Smart Cities Network plays a key role in facilitating collaboration among local governments across the subregion, enabling them to adopt innovative digital solutions that address a range of urban challenges.[25] Smart city policies should be comprehensive and incorporate energy efficiency strategies and targets into urban and regional planning.

81. For micro-, small and medium-sized enterprises, digital platforms can serve as valuable tools to enhance market access, improve productivity and build resilience. E-commerce and digital finance platforms enable these enterprises to reach new customers and access financial services, thereby promoting economic inclusion and helping businesses to thrive in an increasingly digital world.[26]

82. The rise of digital trade and data commoditization is reshaping the economic landscape, creating new opportunities and challenges. Existing tax systems, built around physical transactions, must be adapted to the growing digital economy. The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, adopted by ESCAP in its resolution 72/4, is aimed at making trade more efficient and transparent by enhancing the electronic exchange of trade-related data and documents across borders, accelerating the implementation of digital trade facilitation measures, reducing trade costs by 10–30 per cent and improving trade compliance. The Agreement entered into force on 20 February 2021 after the required number of instruments of ratification, acceptance, approval or accession were deposited. Among South-East Asian countries, it has been acceded to by the Philippines and Timor-Leste, and Cambodia is in the process of completing its domestic procedures. Another significant initiative in this area is the ASEAN Digital Economy Framework Agreement, which is currently being negotiated with the aim of simplifying trade regulations, reducing transaction costs and facilitating cross-border data flows. The agreement will support digital trade in the subregion, enhancing economic connectivity and providing new business opportunities.[27]

3. Strengthening regional and subregional cooperation

83. Subregional cooperation is essential for addressing socioeconomic challenges and advancing sustainable development. Frameworks like the Joint Declaration on Comprehensive Partnership between the Association of

[24] ASEAN, *ASEAN Digital Masterplan 2025*. Available at https://asean.org/wp-content/uploads/2021/09/ASEAN-Digital-Masterplan-EDITED.pdf.

[25] ASEAN, “ASEAN Smart Cities Network”. Available at https://asean.org/wp-content/uploads/2024/10/2024-ASCN-ME-Report-Final_25Sep2024-for-public.pdf.

[26] *Economic and Social Survey of Asia and the Pacific 2024*.

[27] ASEAN, “Digital Economy Framework Agreement (DEFA)”.

Southeast Asian Nations and the United Nations and the plan of action to implement that Joint Declaration for the period 2021–2025 lay the foundation for coordinated efforts across multiple sectors. These frameworks promote cooperation on key issues such as economic integration, social inclusion and environmental sustainability, enabling ASEAN and ESCAP to align actions and achieve shared goals effectively.

84. Central to this cooperation is the need for coordinated action on digital transformation, infrastructure development and climate resilience. By aligning policies across countries, the subregion can maximize its collective impact, ensuring that growth is inclusive and resilient. Public-private partnerships are an important means of leveraging public and private sector expertise to implement large-scale, impactful projects, in technology and infrastructure in particular.

85. Strengthening digital infrastructure and improving cross-border connectivity are ways to bridge the digital divide, empowering underserved communities to participate fully in the digital economy. Cross-border collaboration supports the sharing of resources, drives innovation and creates new pathways for inclusion. Capacity-building initiatives and South-South cooperation provide countries with the tools needed to address shared challenges, strengthening the collective ability of countries in the subregion to innovate and adapt for sustainable growth.

III. Issues for consideration by the Commission

86. The Commission may wish to note the priorities of the five subregions, consider how regional cooperation could be strengthened to support the attainment of sustainable development and provide guidance to the secretariat for its future work.