Economic and Social Survey of Asia and the Pacific 2020

Aligning post-COVID 19 recovery towards sustainable economies

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Key messages

- Rapid economic growth in the region is coming at a cost to People and the Planet
  - Our region is not on track to achieve any of the SDGs
  - Region remains highly susceptible to disasters and climate risks
  - Material consumption is outpacing population and income growth
  - Current COVID-19 pandemic and economic crisis has exposed these vulnerabilities and lack of emergency preparedness
Key messages

- *Survey 2020* emphasizes sustainable consumption and production (SDG12), by...
- ...linking all stakeholders to act collectively and calls for UN Decade of Action:
  - *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
GDP growth-centric development approach has come with costs to PEOPLE and the PLANET.
Asia-Pacific region has continued to drive the world economic growth

Source: ESCAP and UN DESA.
Economic growth-centric development approach has contributed to income growth and poverty reduction...

Economic growth and its social impact in Asia and the Pacific

... however, the gains in poverty reduction are marginal if we raise our ambitions...


Note: LHS = left-handed side axis; RHS = right-handed side axis.
...and the distribution of income has been unequal

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

Source: WID (accessed 3 October 2019)
...while the costs to the PLANET have also been significant

Growth of resource use and CO₂ emissions in Asia and the Pacific, 2000-2019

Similar trends are observed in East and North-East Asia

Economic growth and its social and environment impact in East and North-East Asia

Similar trends are observed in East and North-East Asia

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

Source: World Inequality Database (accessed 23 May 2020)
Asia and the Pacific is off-track to achieve the 2030 Agenda, with Goal 12 regressing the most.

Snapshot of SDG progress in 2019: Asia-Pacific region

<table>
<thead>
<tr>
<th>2000 Progress</th>
<th>2019 Progress</th>
<th>Target 2030</th>
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<tbody>
<tr>
<td>1 No poverty</td>
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<td>2 Zero hunger</td>
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<td>3 Good health and well-being</td>
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<td>4 Quality education</td>
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<td>5 Gender equality</td>
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<td>6 Clean water and sanitation</td>
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<td>7 Affordable and clean energy</td>
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<td>8 Decent work and economic growth</td>
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<td>9 Industry, innovation and infrastructure</td>
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<td>10 Reduced inequalities</td>
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<td>11 Sustainable cities and communities</td>
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<td>12 Responsible consumption and production</td>
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<td>13 Climate action</td>
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<td>14 Life below water</td>
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<td>15 Life on land</td>
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<td>16 Peace, justice and strong institutions</td>
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<td>17 Partnership for the goals</td>
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*Regression since 2000, Progress since 2000, Insufficient indicators, Evidence strength

Progress of Goal 12 is stagnant in East and North-East Asia

Snapshot of SDG progress in 2019: East and North East Asia

SDG 12: Ensuring sustainable consumption and production patterns

8 Key Targets focusing on sustainable...

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Resource Management
- Business Practices & Reporting
- Tourism
- Green Public Procurement
- Market Mechanism
- Living
- Finance
Progress on Goal 12 can be an effective way to accelerate progress towards the 2030 Agenda

Synergies between Goal 12 and other Goals

2.3 Double agricultural productivity and incomes of small-scale food producers
2.4 Ensure sustainable food production systems and resilient agricultural practices

4.7 Education for sustainable development and sustainable lifestyles

6.3 Water quality
6.4 Water-use efficiency

7.2 Energy efficiency
7.3 Renewable energy

8.4 Global resource efficiency for sustained economic growth

9.4 Upgrade infrastructure and retrofit industries
9.9 Sustainable and resilient infrastructure in developing countries

10.11 Use of ecosystems
15.1 Restoration of degraded land
15.3 Ecosystems and biodiversity in planning

13.2 Integrate climate change measures into national policies, strategies and planning

14.2 Sustainably manage and protect marine and coastal ecosystems

11.6 Environmental impact of cities
11.8 Resource efficiency for disaster risk management

COVID-19 impact and policy response
COVID-19 impact comes through multiple channels

- **LOWER EARNINGS**
  - Lower demand for Goods and Services (Tourism, Hospitality, Civil Aviation)
  - Measures to Contain COVID-19 (e.g. travel restrictions, suspension of production, and lockdown of cities)
  - People mobility to affect other countries

- **FIRMS**
  - Lower demand for Commodities
  - Disruptions in Supply Chains
  - SMEs are more vulnerable

- **LAYOFF WORKERS**
  - Lower production
  - Lower earnings
  - Lower confidence

- **PEOPLE**
  - Higher demand for Healthcare

- **FINANCIAL MARKETS**
  - Stock markets and foreign exchange markets

- **SUPPLY SIDE CHANNEL**
- **DEMAND SIDE CHANNEL**
- **FINANCIAL MARKET CHANNEL**
- **CROSS-BORDER CHANNEL**

Source: ESCAP.
...significantly weighing on the region’s economic performance...

Source: ESCAP, based on DESA’s World Economic Forecasting Model (based on data and information available up to 27 April 2020).
What has been done and can be done?
Policy Responses to COVID-19 in Asia and the Pacific

Select a country or territory to view more information and a link to a summary of policy responses.

By Zhenqian Huang and Sweta C. Saxena
Policy responses to COVID-19 need to prioritize people over economic recovery

**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.

Size of fiscal support packages (as a share of GDP) by country grouping


*Note:* If a country announced a fiscal stimulus package but did not reveal its size, then it is not included in calculating the range and the median.
Policy responses to COVID-19 need to prioritize people over economic recovery

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

- Cash handouts of ¥100k to every resident
- Protection of job offers to new graduates

- Tax relief and waived social security contributions for businesses
- Exemption of a wide range of consumer services from VAT
- Increase of monthly child allowance to MNT 30,000 for three months
- Exemption from social insurance contribution for a period of six months for selected private enterprises and individuals
- Expansion of social security contribution relief with three-month payment deferrals and 30% contribution rate deductions for small business and low-income households

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

**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

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

**Source:** ESCAP, based on information available up to 13 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, and various national sources.
Policy responses to COVID-19 need to prioritize people over economic recovery

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
• Coordinate debt relief or deferral of debt payments
• Coordinate capital flows, e.g. through establishing currency swap lines
  • Multilateral swap agreement between ASEAN countries, China, Japan and Republic of Korea (Chiang Mai Initiative Multilateralization)
  • China: Bilateral swap agreement with Republic of Korea, Japan and Mongolia
  • Japan: Contribution to IMF's Catastrophe Containment and Relief Trust (CCRT) and Poverty Reduction and Growth Trust (PRGT)
Current economic slowdown should not deter policy actions to facilitate transition towards sustainable consumption and production
Business-as-usual cannot continue in the face of climate emergency...

Domestic material consumption and GHG emissions in 2020-2060, compared with 2020 levels

Source: ESCAP, based on methodology in UNEP International Resource Panel's *Global Resource Outlook 2019*. 
... which requires collective actions by all stakeholders

Local action

Global action

Cross-border cooperation

People action

GOVERNMENTS

Businesses

Consumers
Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies

In 2011, investments in the coal industry accounted for 11.5% of Mongolia’s Government budget.

- Fossil fuel subsidies (in 2018): $240 billion
- Investment in renewable (in 2018): $150 billion
- Average annual investment needed to achieve affordable and clean energy: $434 billion

Source: ESCAP (2020 and 2019), greenfiscalpolicy.org (2020)
Fossil fuel subsidies: Republic of Korea

- Republic of Korea heavily finances coal-related projects abroad
- Subsidy to coal production (2/3rd) and 1/3rd to transition & coal-fired power

Source: Overseas Development Institute (2019)
Fossil fuel subsidies: Japan

- Japan heavily finances coal-related projects abroad
- Subsidy for coal is limited and largely goes into coal production (with no meaningful budget for transition support)

Japan Government support (in USD million)

- Public Finance – Coal-fired power, 4,253
- Public Finance – Coal Production, 1,089
- Subsidy – Coal Production, 58
- Subsidy – Coal-fired power, 11

Source: Overseas Development Institute (2019)
Fossil fuel subsidies: **China**

- China is the world’s largest coal investor.
- In addition to international Public Finance, China also invests heavily in SOE coal-fired power and coal production.
- Government support for Transition support amounts to 0.011% of the overall support.

*Source: Overseas Development Institute (2019)*

**China Government support (in USD million):**

- Public Finance – Coal-fired power: 9,656
- SOE Investment – Coal-fired power: 7,911
- Subsidy – Coal Production: 71
- Public Finance – Coal Production: 163
- SOE Investment – Coal Production: 1,169
- Subsidy – Coal Consumption: 71

Relative total government support comparison:

- Subsidy — Coal Consumption: 71
- Public Finance — Coal-fired power: 9,656
- SOE Investment — Coal-fired power: 7,911
- SOE Investment — Coal Production: 1,169

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*UN ESCAP*
Governments should embed sustainability in policymaking and decarbonize their economies.

- Remove fossil-fuel subsidies
- Adopt carbon pricing

**Local action**

### Reductions in carbon emissions
- Mongolia: 60%
- India: 45%
- Philippines: 30%
- Hong Kong: 20%
- China: 15%
- Cambodia: 10%
- Japan: 5%
- Sri Lanka: 3%
- Myanmar: 1%
- Bangladesh: 0.5%
- Brunei Darussalam: 0%

Based on $35 per ton, Additional amount based on $70 per ton.

### Carbon tax revenue
- Mongolia: 4% of GDP in 2030
- Viet Nam: 3.5%
- Thailand: 3%
- China: 2.5%
- Republic of Korea: 2%
- Bangladesh: 1.5%
- Nepal: 1%
- Australia: 0.5%
- Japan: 0%
- New Zealand: 0%

Based on $35 per ton, Additional amount based on $70 per ton.

*Source: ESCAP, based on IMF (2019g)*
Raising ambitions on carbon pricing

No ETS has reached the required price range to meet NDC targets

- China is consolidating its subnational pilot schemes into a nationwide ETS
- As a first step towards a nationwide Japanese ETS, Tokyo ETS and Saitama ETS are linked together, meaning that credits can be transferred between these ETS.
- Japan also has a carbon tax
- We could not identify an ETS nor carbon tax in Mongolia
- Korea has a national ETS since 2010

Carbon price and emissions coverage in selected countries


Note: For China, average carbon price of eight subnational pilot schemes. For Japan, average price of Japan carbon tax and Tokyo ETS.
Governments should embed sustainability in policymaking and decarbonize their economies

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

**Investment Decisions**
- Align foreign direct investment decisions with green domestic investment standards

**Regulatory Incentives**
- Supporting sustainability reporting, disclosure and transition through TCFD and NGFS

**Financial Incentives**
- Specific lending terms for green projects
- Credit enhancements and government guarantees
- Tax breaks
Greening the financial system

The People's Bank of China is a member of the NGFS

Both the Bank of Japan and the Financial Services Agency (FSA, financial regulator) are NGFS members

Mongolia Financial Regulatory Commission (FRC) is a signatory of TCFD

Bank of Korea joined the NGFS in November 2019

The People's Bank of China and six other regulatory agencies issued national “Guidelines for Establishing the Green Financial System” in 2016, with the purpose of mobilizing (private) capital for green sectors.


Introduced the enVinance “Green Management Company Finance Support System” to promote Green Financing by commercial banks by collecting corporate environmental information.

Deep dive Green Bonds: China and Japan

- China is the second largest green bond market globally (USD 30.9 bn issued in 2018)
- Japan is the second largest green bond market in Asia-Pacific (USD 4.1 bn issued in 2018)
- The markets in both countries are rapidly growing: 22% year on year increase in Japan and 33% in China
- In both countries, financial corporates remain the backbone of green bond issuance

Source: Climate Bond Initiative (2019)
Republic of Korea has a “National Strategy for Green Growth” since 2009. The strategy has three goals:

- Promoting eco-friendly new growth engines
- Enhancing people’s quality of life
- Contributing to international efforts to fight Climate Change

The country uses 23 OECD green growth indicators to measure its success

Source: OECD
Deep dive: Mongolia’s Transition to Green Economy

- “National Green Development strategy”: environment, renewable energy and transportation projects like the Ulaanbaatar Metro Project
- Transition to a Green Economy is supported by the Government of Mongolia, private sector institutions (Mongolian National Chamber of Commerce and Industry) and MDBs
- However, overdependence on mineral sector; volatile export and FDI environment, leading to instability;
  - Infrastructure deficits especially in water, energy and transport

Source: United Nations Environment Programme, Mongolian Ministry of Environment and Green Development
... which requires collective actions by all stakeholders
Businesses should internalize the externalities of their business operations

- 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

- Incorporate ESG considerations in making decisions

Guidelines to integrate ESG into business functions:

Participation in PRI in Asia-Pacific is only \textbf{15\%}:

- China: 44
- Japan: 83
- Mongolia: None so far
- ROK: 8

\textit{Source}: UNPRI Signatories Register
Businesses should internalize the externalities of their business operations

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

TCFD Signatories

- Developed Asia-Pacific: 57%
- Developing Asia-Pacific: 34%
- Other regions: 9%

Japan: 265 (incl GPIF)
Republic of Korea: 7
China: 6
Mongolia: None so far
Businesses should internalize the externalities of their business operations

- 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

- Japan: 129 companies (2nd globally)
- China: 102 companies (4th globally)
- ROK: 50 companies (9th globally)
- Mongolia: None so far
Businesses should internalize the externalities of their business operations

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

...to give the eco-conscious investors such information to make decisions
... which requires collective actions by all stakeholders
Consumers need to move towards sustainable lifestyles

<table>
<thead>
<tr>
<th>Category</th>
<th>Action that Should Be Taken</th>
<th>Action that Should Not Be Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOOD</td>
<td>Plant-based diet and eating what you need</td>
<td>Animal-based diet and food waste</td>
</tr>
<tr>
<td>TRANSPORATION</td>
<td>Biking, ride-sharing and commuting on public transportation</td>
<td>Driving and excessive air travel</td>
</tr>
<tr>
<td>HOUSING</td>
<td>Using energy-efficient appliances and reducing energy usage</td>
<td>Using energy-intensive appliances and consuming excessive energy</td>
</tr>
<tr>
<td>CLOTHING</td>
<td>Reusing clothes and buying only what you need</td>
<td>Buying single-use clothes and discarding clothes that are in good condition</td>
</tr>
</tbody>
</table>

Share of passenger distance in Japan, 2017 and 2018

China, Japan and ROK have some of the most advanced public transportation networks in the world.
Governments and businesses can help consumers move towards sustainable lifestyles through:

**Nudging**

- Japan uses nudging as a tool to reduce CO₂ emissions
- Neighborhood electricity consumption data is included on electricity bills, nudging consumer to compete with their peers about who can use the least energy
- The Ministry of Environment established a dedicated Behavioral Sciences Team in 2017
Governments and businesses can help consumers move towards sustainable lifestyles through:

- Nudging
- Incentivizing the sharing of idle and underutilized resources
... which requires collective actions by all stakeholders
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
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
Deep dive regional carbon markets: Japan’s Joint Credit Mechanism

- Japan provides funding and technical support to Joint Credit Mechanism projects in other countries to reduce emissions.
- Both the host country and Japan receive credits for the GHG emission that count towards their reduction target.
- The program has 17 host countries, 9 from the Asia-Pacific region.

Source: Asian Development Bank (2016), Government of Japan
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 renewable power trade

Given its enormous wind power resources of 1,100 GW, Mongolia aims to become a renewable energy exporter. The Government promotes building an electric power transmission system between Russia and China through Mongolia.

Source: United Nations Environment Programme, Mongolian Ministry of Environment and Green Development
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
  - Foster collaborations between regional entities to promote SCP
Ministry of Environment, Japan aims to support the implementation of all six 10YFP programmes, with an emphasis on Sustainable Lifestyles and Education.

Financial assistance for project implementation in developing countries is planned.

Japan is a co-lead for the 10YFP programme on Sustainable Lifestyles and Education.

The programme aims to minimize the use of natural resources, emissions, waste and pollution while supporting equitable socio-economic development.
Global action

Republic of Korea is one of the two Asian-Pacific board members of 10YFP, together with Indonesia.

10YFP programme contribution: Republic of Korea

- Republic of Korea’s Ministry of Culture, Sports and Tourism is a co-lead for the 10YFP programme on Sustainable Tourism. The programme aims to:
  - Integrate SCP patterns in tourism policies
  - Enable collaboration among tourism stakeholders
  - Provide guidelines, instruments and solutions to mitigate tourism impacts
  - Enhance sustainable tourism investment and financing

Sustainable Tourism
Global action

10YFP programme contribution: China

- China contributed to the Consumer information programme with the “China Sustainable Consumption Research Programme”, supported by the 10YFP Trust Fund and the China Office of UN Environment.

- The programme focused on Chinese retailers.
Alternative forms of global action and cooperation: Mongolia

- Although not being part of a formal 10YFP programme, global action and cooperation still plays an integral part for Mongolia’s Sustainable Development

- Diversify economy and develop rural areas by promoting Ecotourism

- The Mongolian National Chamber of Commerce and Industry seeks to establish internationally recognized rules for labeling green products.

- A project with international partners on “Green Product development and labeling” is currently underway

- Partnerships with various MDBs on wind farms (with the EBRD and the Netherlands Development Finance Company-FMO) and combatting Ulaanbaatar’s air pollution (with the World Bank)
Japan’s 2016 Paris Agreement NDC target is rated as “highly insufficient” to stay within the 1.5°C limit.

Source: climateactiontracker.com

Japan’s NDC is to reduce emissions by 26% in 2030 compared to 2013.

Major issues are the reliance on coal for power generation and weak ambitions in reaching net-zero emissions. Significant positive progress has been made in the transport sector.
ROK’s 2016 Paris Agreement NDC target rated “highly insufficient” to stay within the 1.5°C limit and its current policy actions are rated as “critically insufficient”.

A major issue is the slow phase-out of coal-based power generation. Coal is set to account for a third of all power generation in 2030 while the Paris Agreement requires a complete phase-out.

Source: climateactiontracker.com
China’s 2016 Paris Agreement NDC target is rated as “highly insufficient” to stay within the 1.5°C limit. However, its current policies steer the country towards an improved “insufficient” rating.

China’s NDC is to peak emissions by 2030, reduce carbon intensity by 60 to 65% in 2030 compared to 2005, reach a non-fossil fuel share of 20% in 2030 and increase the forest stock by 4.5 million m³ by 2030.

Source: climateactiontracker.com
... which requires collective actions by all stakeholders

Local action

Global action

People action

People action

Cross-border cooperation

Businesses

GOVERNMENTS

Consumers

DECADE OF ACTION
### Recommendations

**Local - Government**

- Reduce fossil fuel financing and subsidies while implementing policies that are needed for a just transition
- Raise ambitions regarding carbon taxes and national ETS
- Greening financial system: Move beyond dialogues and take necessary regulatory and coordination actions on standardization and taxonomy as well as regional harmonization

**People – Businesses**

- Encourage businesses to adopt internal carbon pricing and participate in UNPRI, TCFD
- Promote ESG reporting and disclosure
# Recommendations

## People – Consumers

- Promote eco-labeling
- Continue using behavioral nudges to encourage sustainable behaviors
- Raise public awareness on sustainable lifestyles

## Global – Cross-border action

- Reconsider the consequences of cross-border investments in carbon-intensive products
- Commit to more ambitious actions to achieve NDC targets
- Increase cooperation on carbon pricing and green standards

Source: IEA
Takeaway messages

• Current challenging economic conditions could set back the East and North East Asia’s progress towards the 2030 Agenda...  
  ... but the good news is that East and North East Asia still has ample policy space to respond

• 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