

Economic and Social Survey of Asia and the Pacific 2020

Aligning post-COVID 19 recovery towards sustainable economies

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**Macroeconomic Policy and Financing for
Development Division**

28 May 2020



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

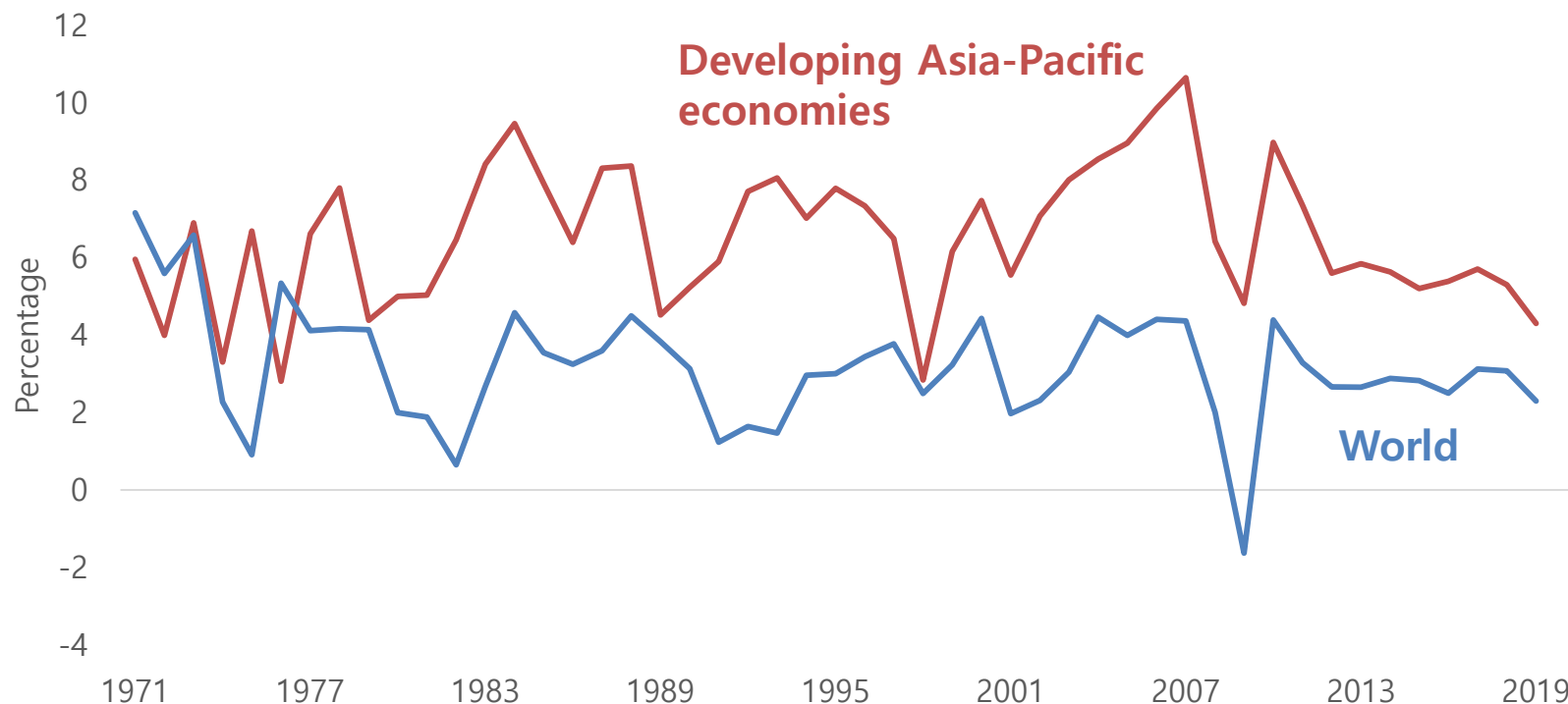
Key messages

- *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

A pair of hands is shown holding a glowing, translucent globe of the Earth. The globe is illuminated from within, showing continents and oceans in a warm, golden-brown hue. The background is a dark, deep space filled with numerous small, bright stars and a soft, warm light source, possibly the sun, creating a lens flare effect. The hands are positioned at the bottom, with fingers gently cupping the globe. The overall composition is centered and evokes a sense of global responsibility and care for the planet.

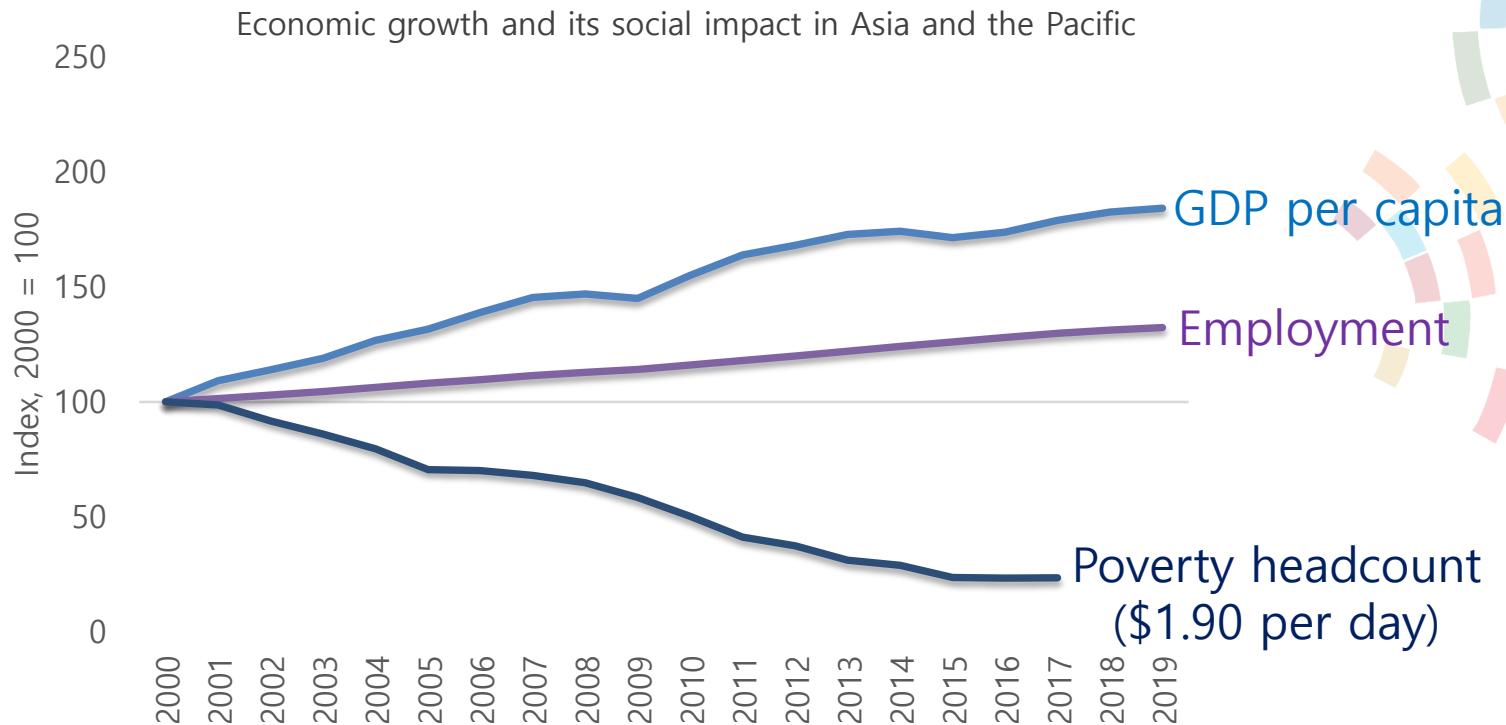
**GDP growth-centric development approach
has come with costs to
PEOPLE and the PLANET**

Asia-Pacific region has continued to drive the world economic growth



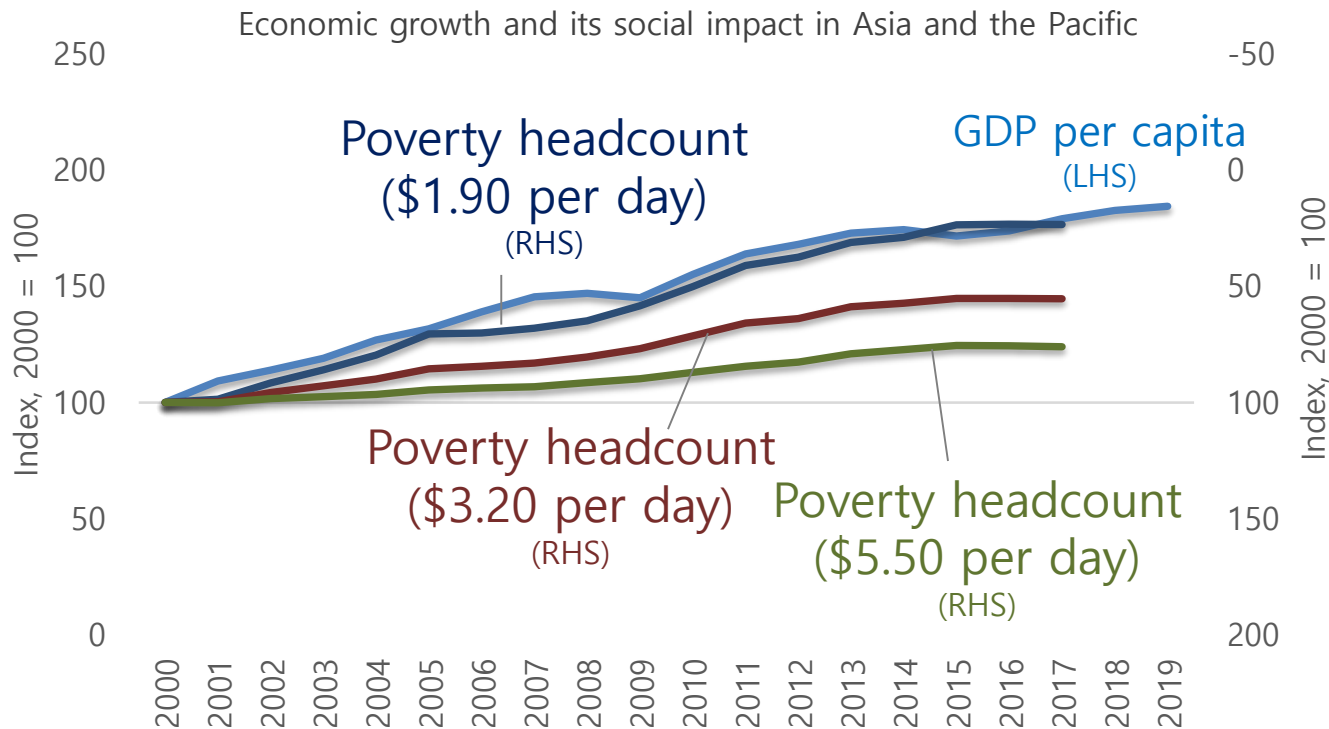
Source: ESCAP and UN DESA.

Economic growth-centric development approach has contributed to income growth and poverty reduction...



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 (accessed on 13 February 2020).

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

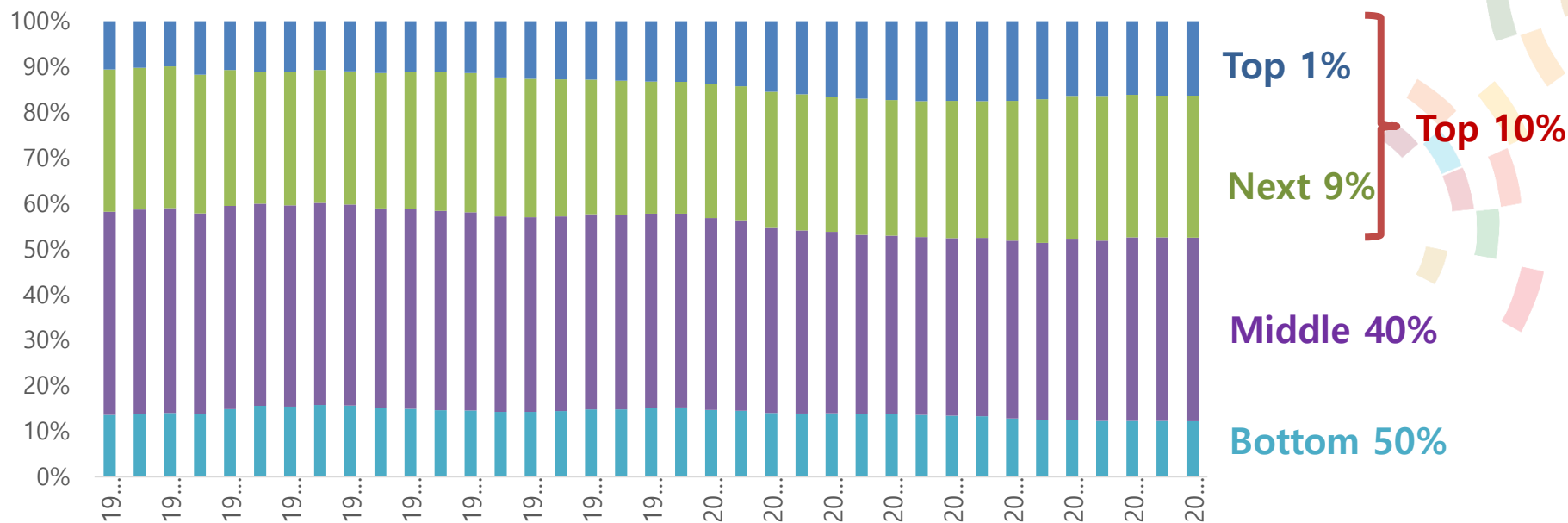


Source: ESCAP data portal (accessed on 4 December 2019); ESCAP calculation based on World Bank, PovcalNet, available at <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed on 13 February 2020); IMF, World Economic Outlook database, October 2019 (accessed on 4 December 2019); Global Carbon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

Note: LHS = left-handed side axis; RHS = right-handed side axis.

...and the distribution of income has been unequal

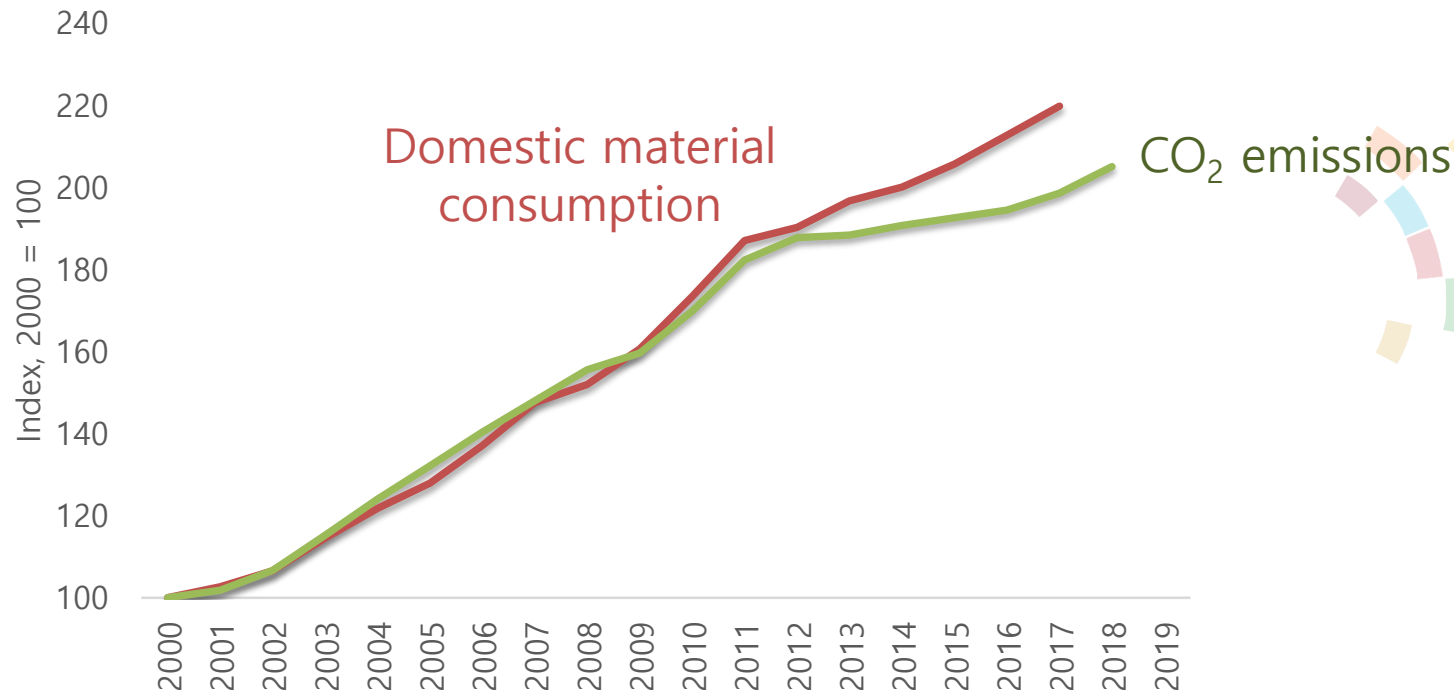
Share of income (pre-tax national income) by income groups in Asia



Source: WID (accessed 3 October 2019)

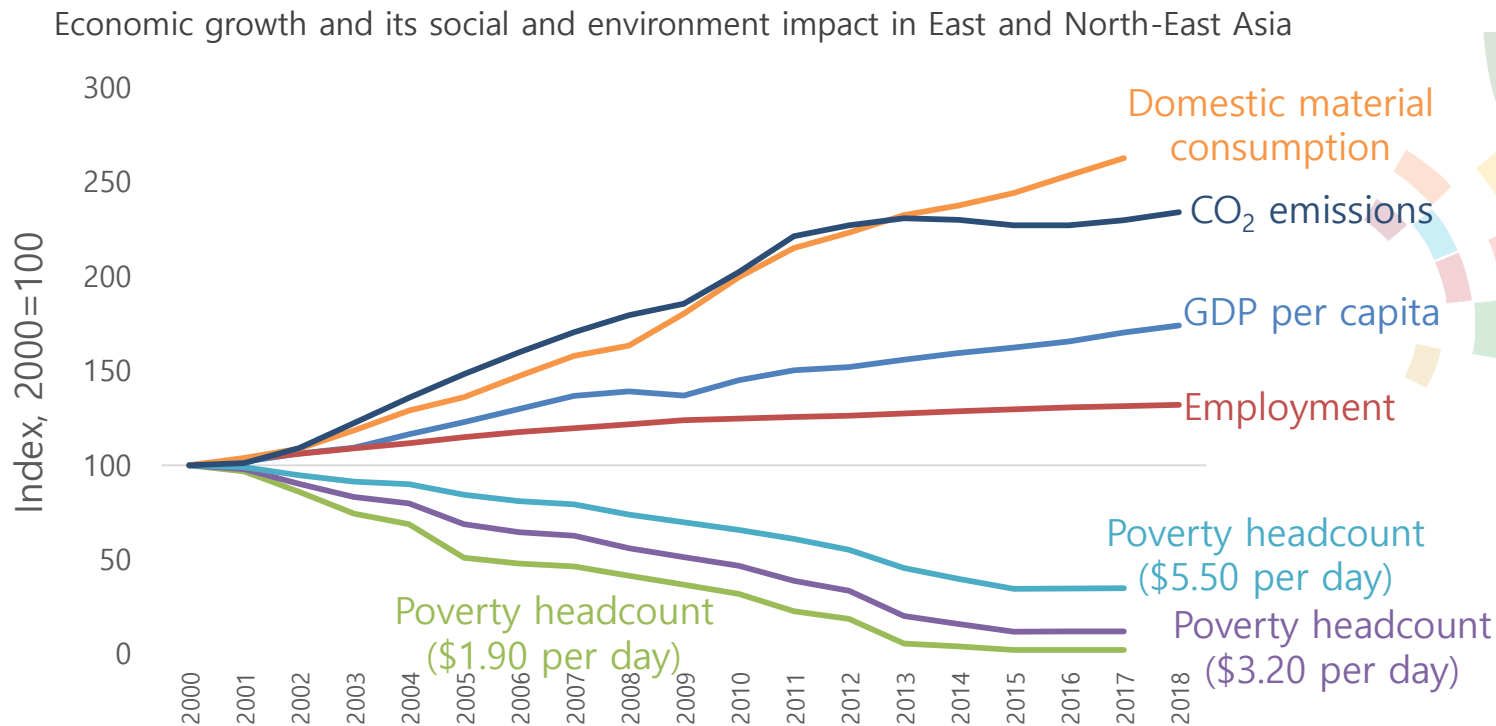
...while the costs to the **PLANET** have also been significant

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



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 (accessed on 13 February 2020).

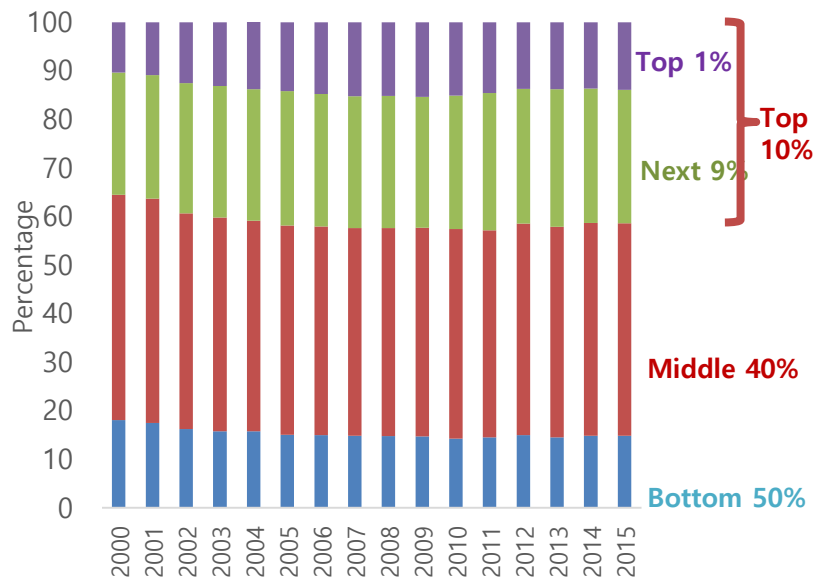
Similar trends are observed in East and North-East Asia



Source: ESCAP data portal (accessed on 4 December 2019); ESCAP calculation based on World Bank, PovcalNet, available at <http://research.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 (accessed on 13 February 2020).

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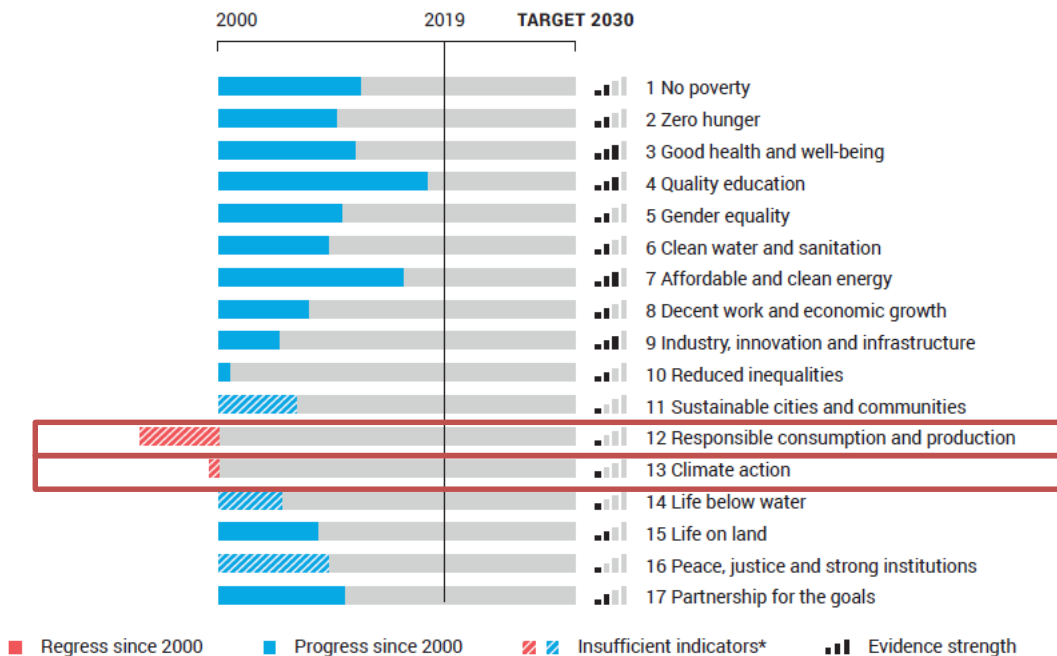
Share of income (pre-tax national income) by income groups in China



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



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

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

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



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

SDG 12: Ensuring sustainable consumption and production patterns

8 Key Targets focusing on sustainable...



Resource Management



Business Practices
& Reporting

TOURIST

Tourism



Finance



Green Public Procurement



Market Mechanism



Living

Progress on **Goal 12** can be an effective way to accelerate progress towards the **2030 Agenda**

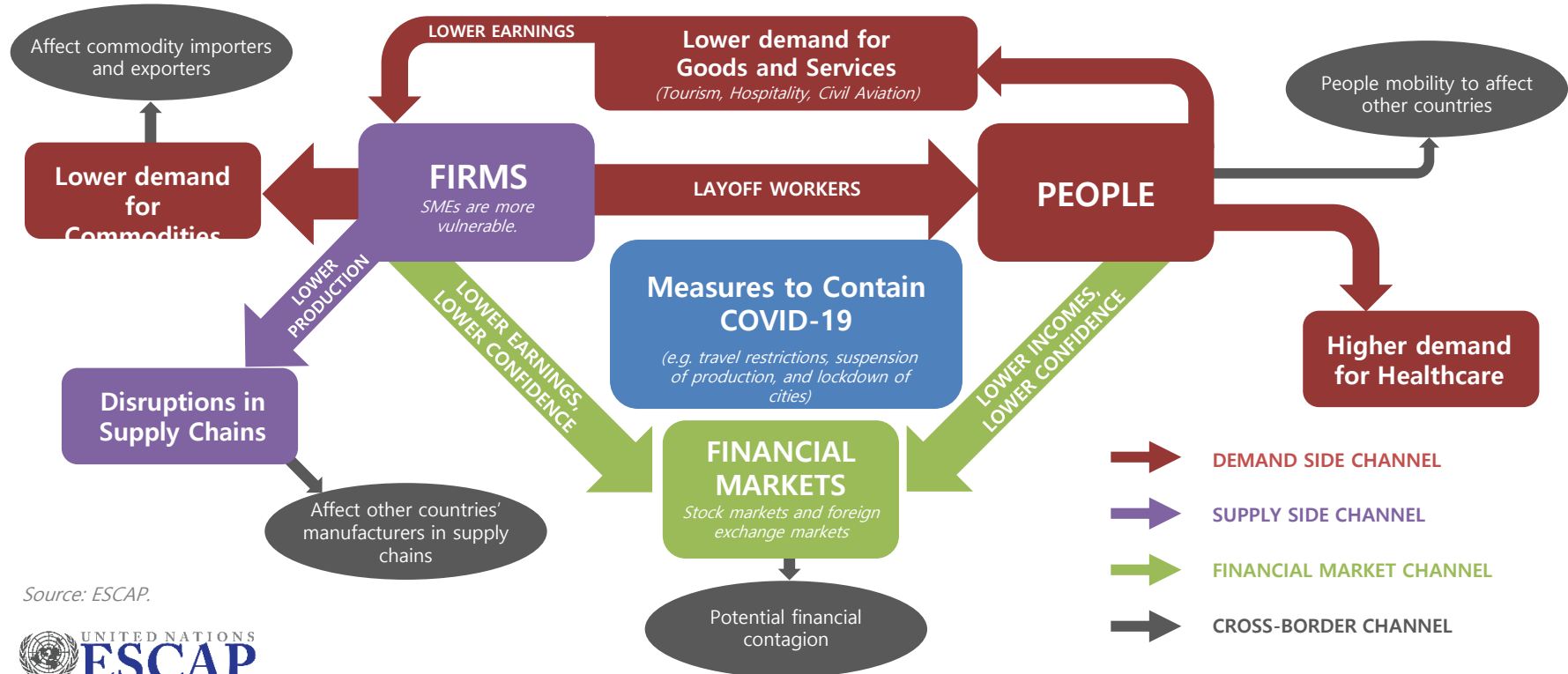
Synergies between Goal 12 and other Goals



Source: One Planet Network, 2019.

COVID-19 impact and policy response

COVID-19 impact comes through multiple channels



Source: ESCAP.

...significantly weighing on the region's economic performance...

Downgrade of GDP growth in Asia and the Pacific



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

Summary of policy responses

Measures to contain COVID-19

Fiscal policies

Monetary policies

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

[Read the related Policy Brief](#)



Asia-Pacific subregions

- East and North-East Asia
- North and Central Asia
- Pacific
- South and South-West Asia
- South-East Asia

Note: The database will be updated regularly. If there are any errors, they will be corrected in successive version.

Source: ESCAP based on information available up to 13 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, UNESCO COVID-19 Impact on Education, Oxford COVID-19 Government Response Tracker, and various national sources and news.

Disclaimer: The designations employed and the presentation of material on this map do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.



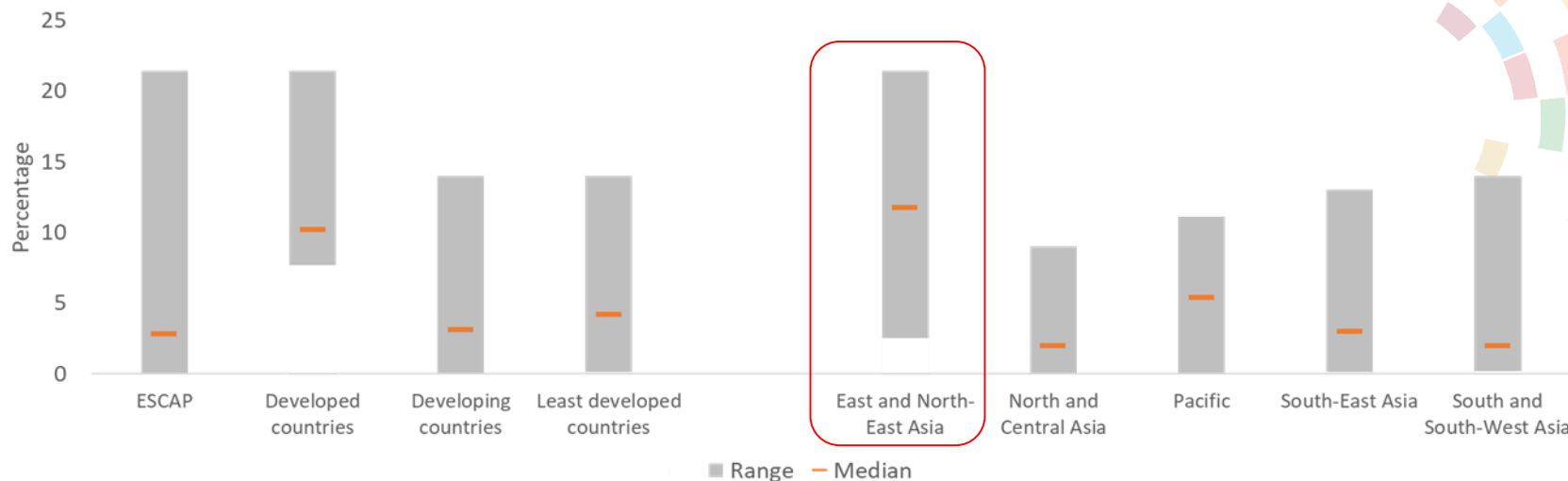
Combating COVID-19 in Asia and the Pacific: Measures, Lessons and the Way Forward

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



Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, and various national sources.

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



- Cancellation of a wide range of consumer services from VAT
- Tax relief and waived social security contributions for businesses



- 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



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



- Expansion of social security contribution relief with three-month payment deferrals and 30% contribution rate deductions for small business and low-income households

Source: ESCAP, based on information available up to 13 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, 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



- Policy injection of RMB 3.33 trillion (gross) into the banking system via open market operations
- Expansion of re-lending and re-discounting facilities
- Reduction of rates such as 7-day and 14-day reverse repo rates and 1-year medium-term lending facility (MLF) rate



- Policy rate cuts by 200 bps
- Allowed deferrals of principal and interest payments up to 12 months for existing consumption loan borrowers
- Temporal suspension of mineral exports to China



- Targeted provision of liquidity through an increase in the size and frequency of Japanese government bond purchases etc
- Establishment of currency swap lines with the US Federal Reserve



- Policy rate cuts by 50 bps
- Establishment of USD 60 billion bilateral currency swap agreement with the US Federal Reserve for at least 6 months

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)

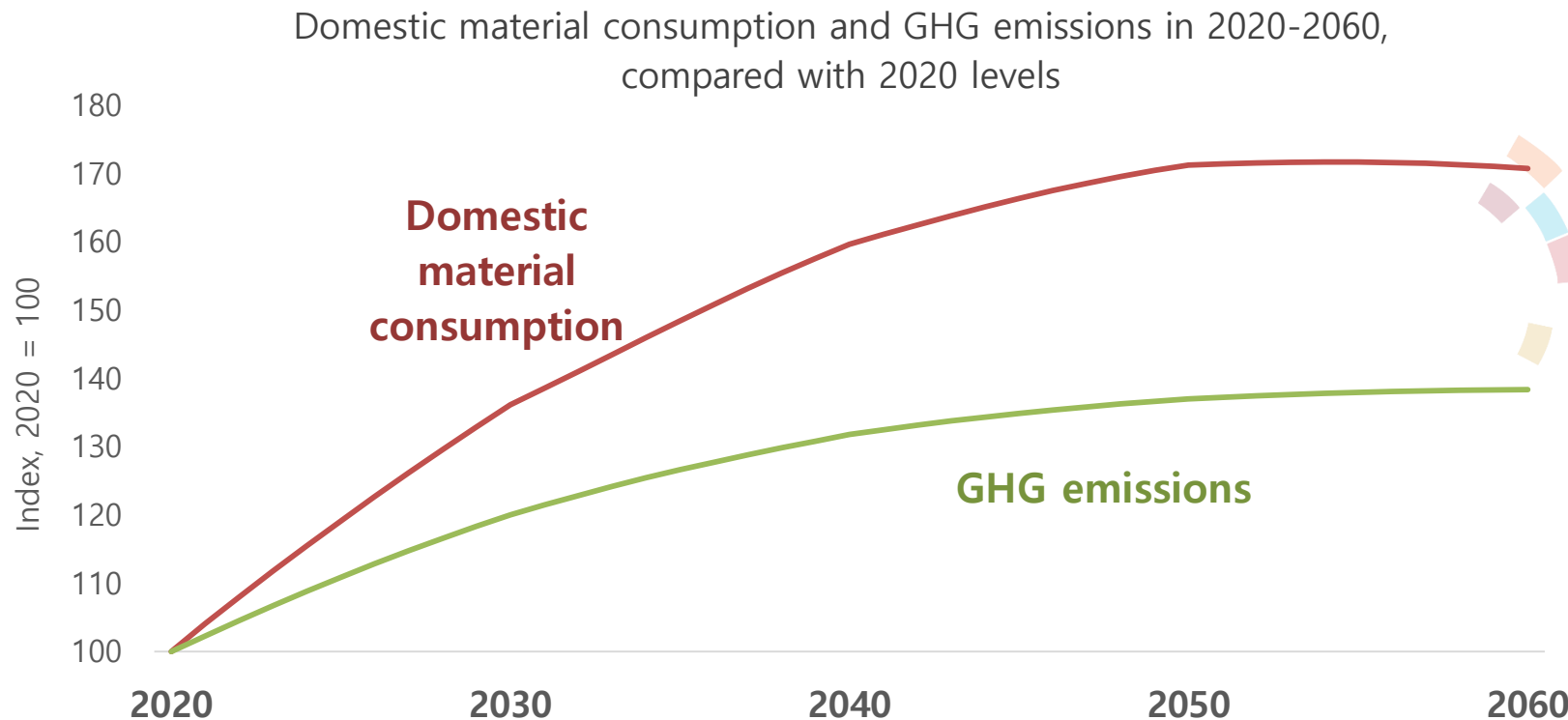
- China: Bilateral swap agreement with Republic of Korea, Japan and Mongolia

- 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...



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

... which requires collective actions by all stakeholders



Local action



Governments should embed sustainability in policymaking and decarbonize their economies

☐ **Remove fossil-fuel subsidies**

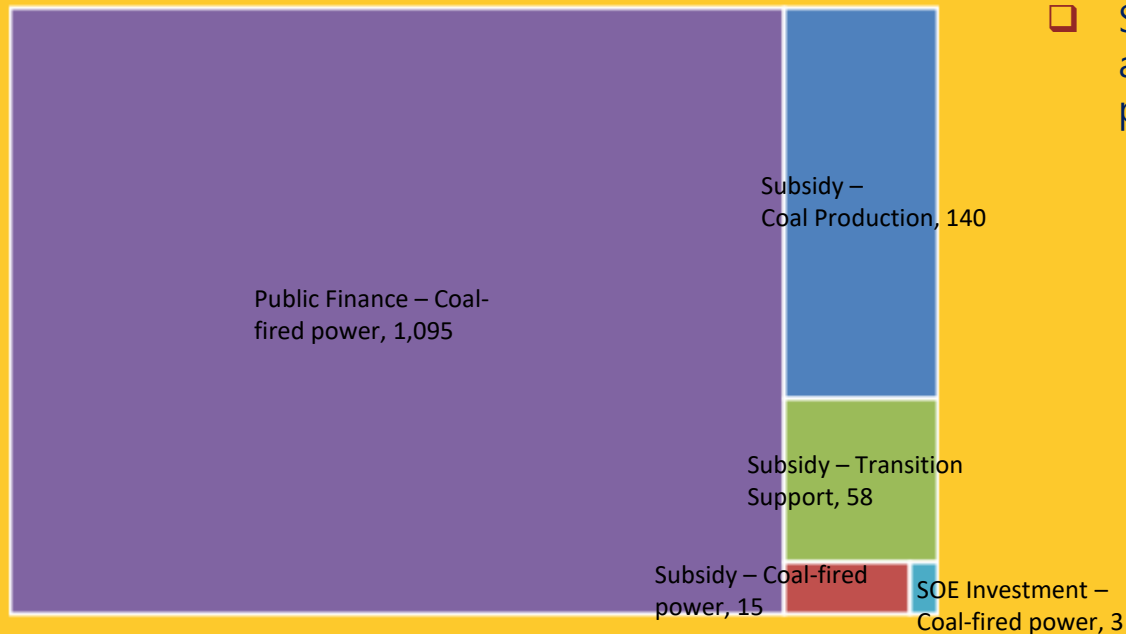


Local action



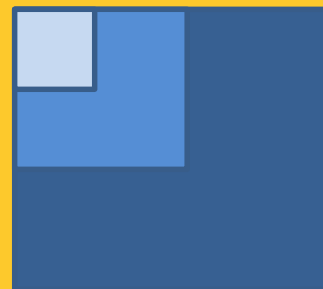
Fossil fuel subsidies: Republic of Korea

ROK Government support (in USD million)



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

Relative total government support comparison



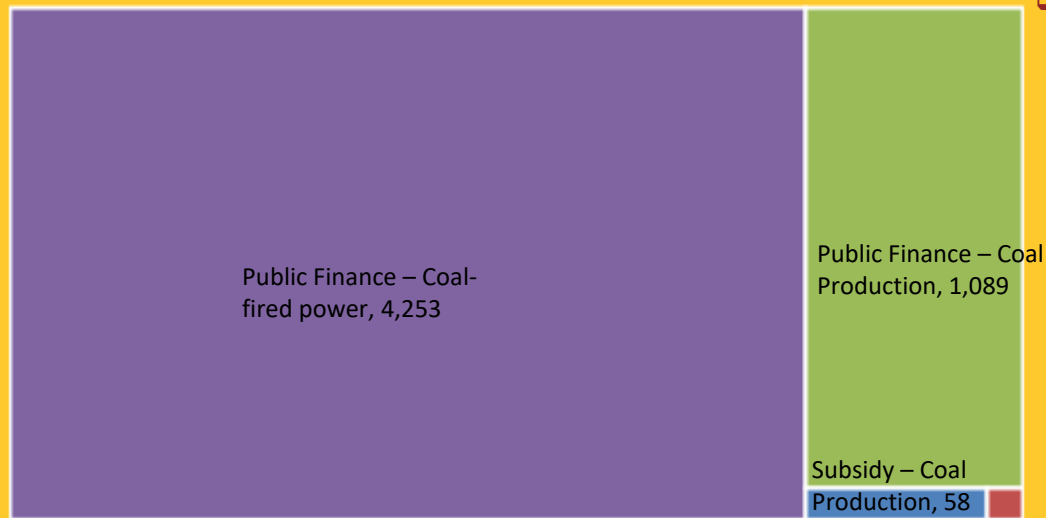
Source: Overseas Development Institute (2019)

Local action



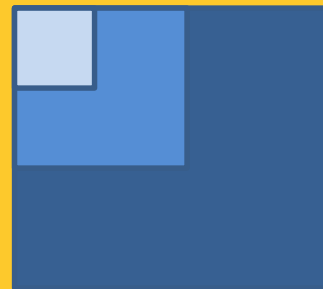
Fossil fuel subsidies: Japan

Japan Government support (in USD million)



- ❑ 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)

Relative total government support comparison

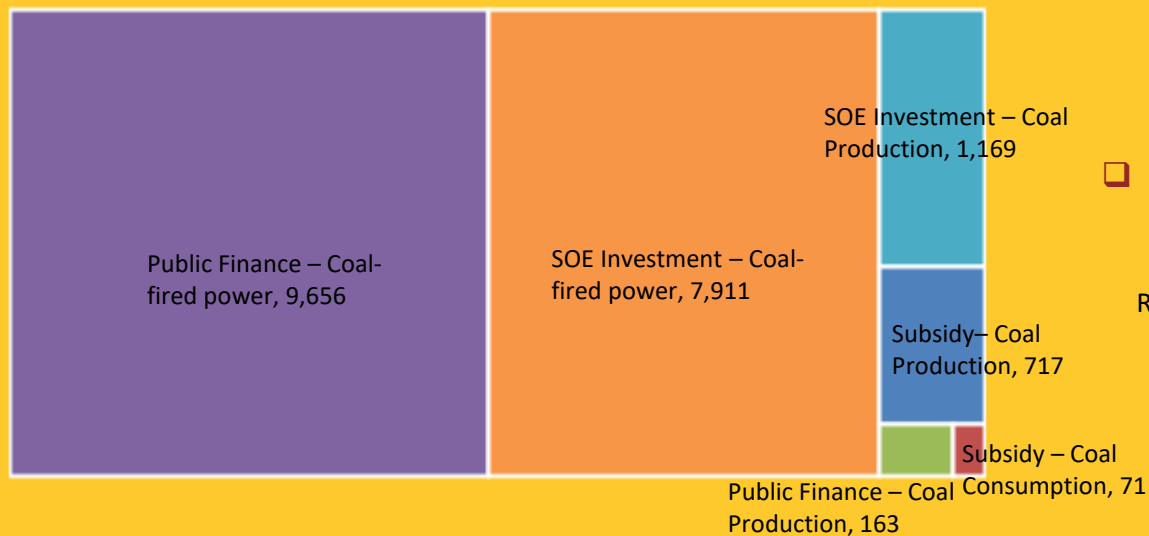


Local action



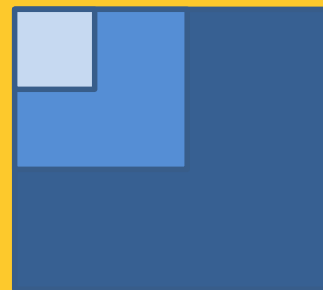
Fossil fuel subsidies: China

China Government support (in USD million)



- ❑ 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

Relative total government support comparison

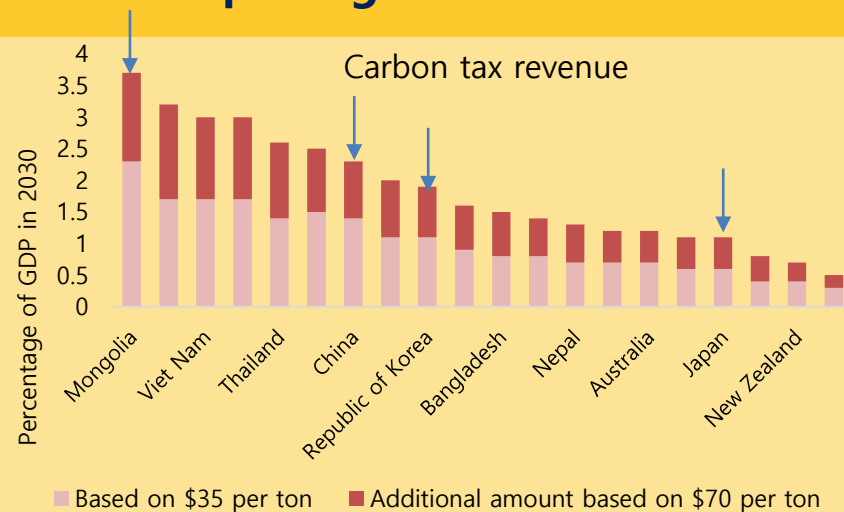
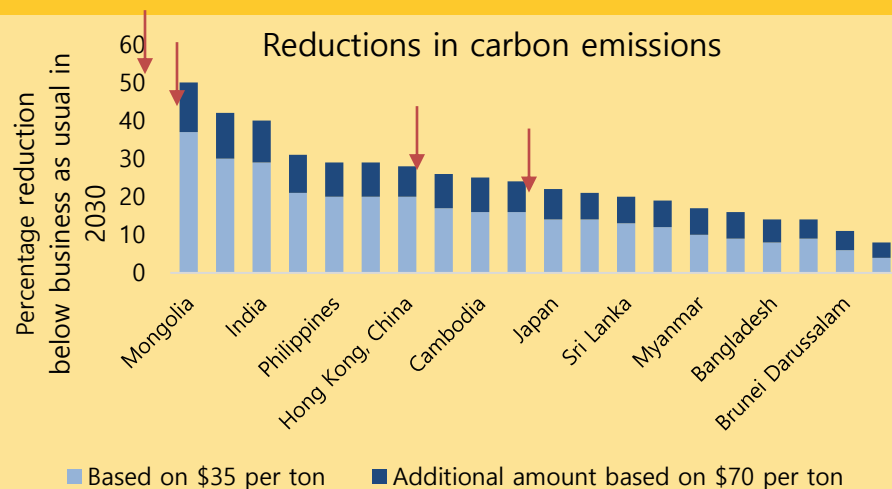


Local action



Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies
- Adopt carbon pricing



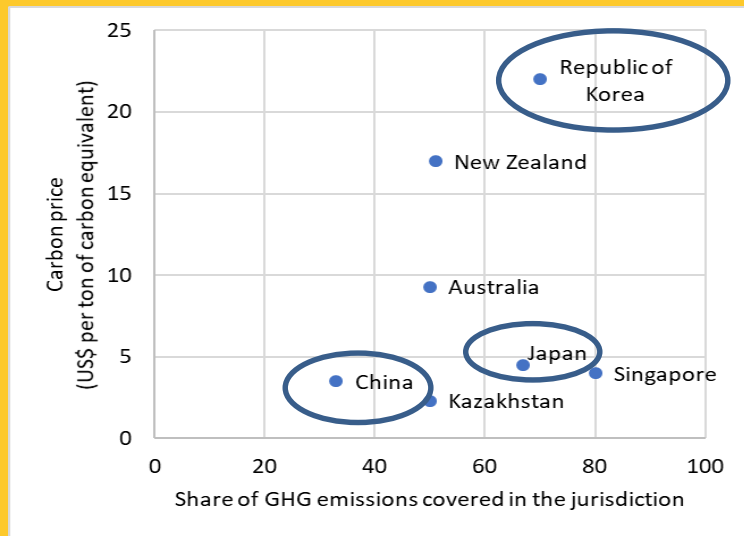
Local action



Raising ambitions on carbon pricing

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

Carbon price and emissions coverage in selected countries



- 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

Source: ESCAP based on World Bank, *State and Trends of Carbon Pricing 2019*; Australian Government, Clean Energy Regulator, "ACCU market update – December 2018"; IETA, *Kazakhstan: an emission trading case study*, 2016.

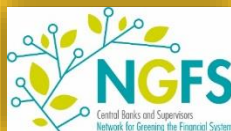
Note: For China, average carbon price of eight subnational pilot schemes. For Japan, average price of Japan carbon t

Local action



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

Local action



Greening the financial system



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

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.



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

The Ministry of Environment issued the "Principles for Financial Action towards a Sustainable Society" in 2012. The FSA adopted a strategy on SDG in 2018.



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

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



Bank of Korea joined the NGFS in November 2019

Local action



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

Local action



Deep dive: ROK's Green Growth Strategy



- ❑ 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

Local action



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

... which requires 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%

China: 44

Japan: 83

Mongolia: None so far

ROK: 8

Businesses should internalize the externalities of their business operations



People action

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

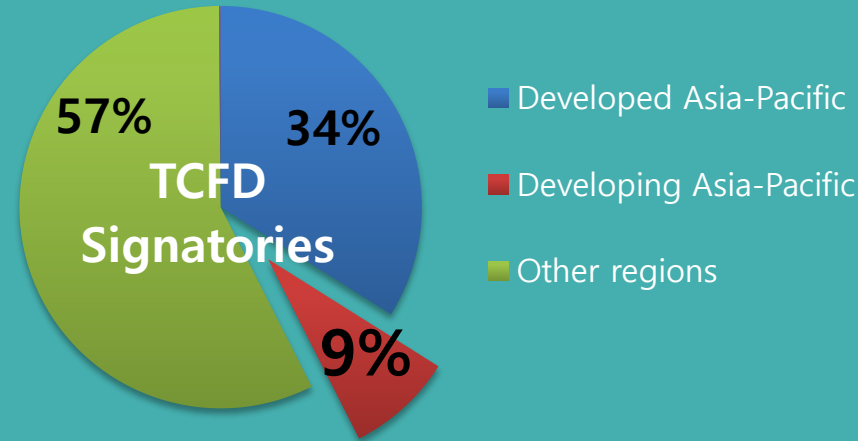


Japan: 265 (incl GPIF)

Republic of Korea: 7

China: 6

Mongolia: None so far



Businesses should internalize the externalities of their business operations

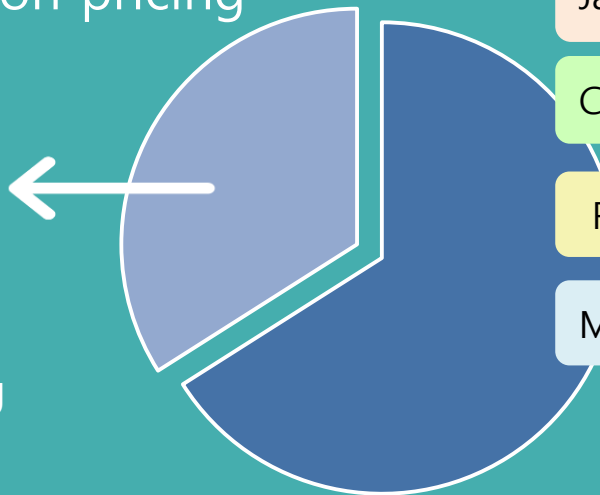


People action

- ❑ 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



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



**People
action**

- ❑ 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

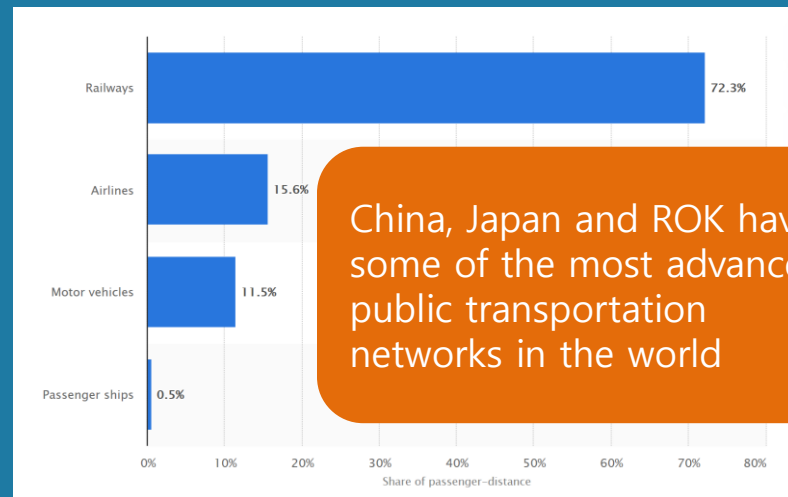


Consumers need to move towards sustainable lifestyles



People action

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

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

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



**People
action**

Nudging



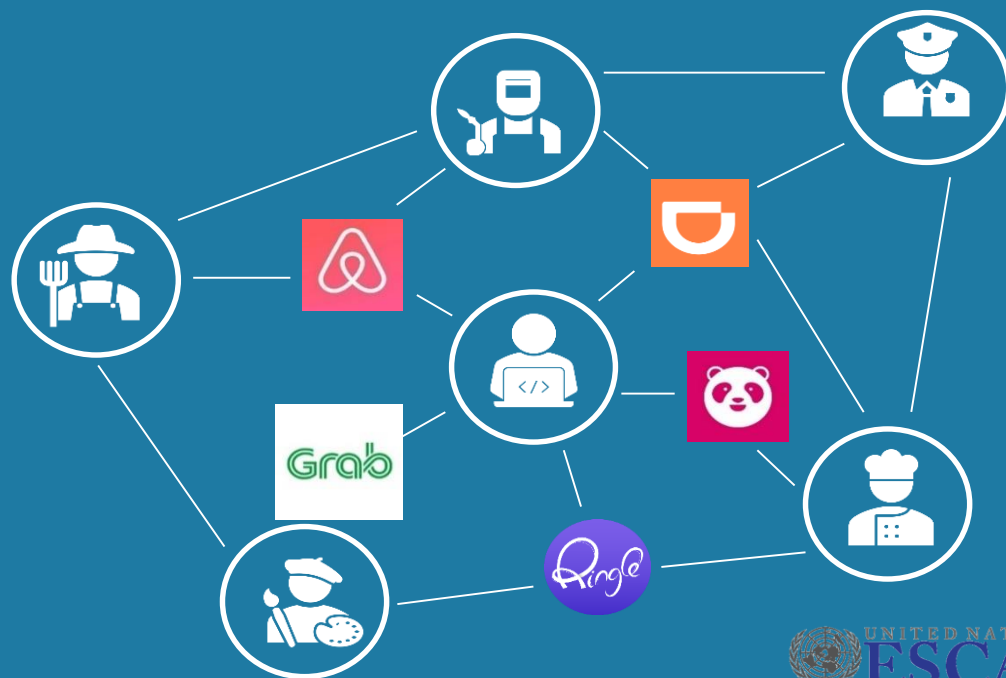
- ❑ Japan uses nudging as a tool to reduce CO₂ emissions
- ❑ Neighborhood electricity consumption data is included on electricity bills, nudging consumer to compete with their peers about who can use the least energy
- ❑ The Ministry of Environment established a dedicated Behavioral Sciences Team in 2017

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



People action

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



... which requires 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

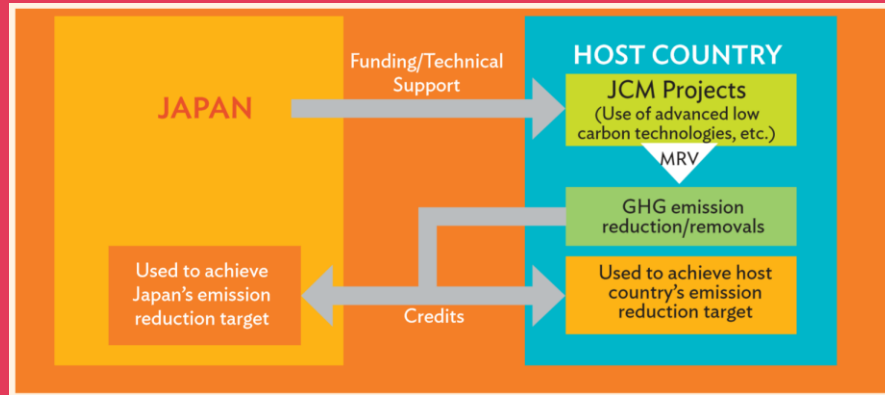


- ❑ Establish cooperation on regional climate-related policies
- ❑ Move towards decarbonization
 - Develop regional carbon markets

Global action



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

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.

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
 - Foster collaborations between regional entities to promote SCP

Global action



10YFP programme contribution: Japan

Sustainable Lifestyles and Education

- ❑ 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



10YFP programme contribution: Republic of Korea

Sustainable Tourism

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



- 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

Global action



10YFP programme contribution: China

Consumer information programme



- ❑ 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

Global action

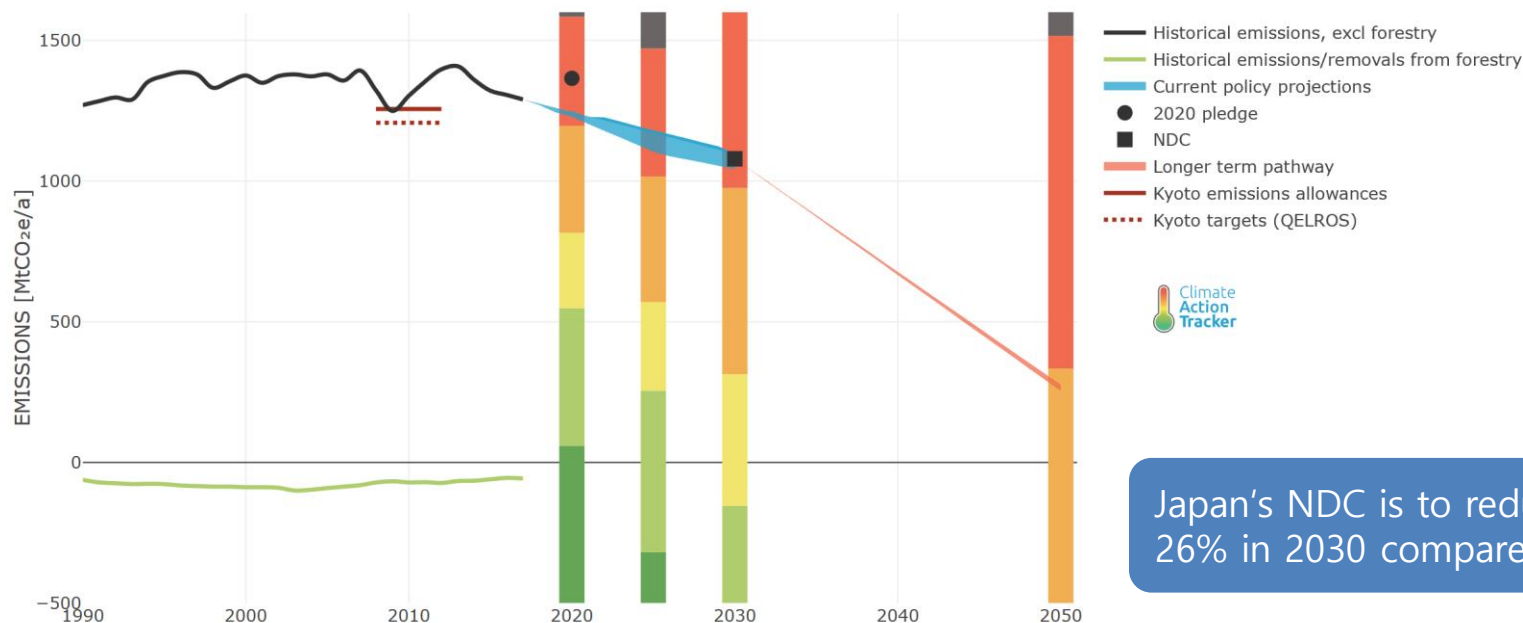


Alternative forms of global action and cooperation: Mongolia

- ❑ 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)



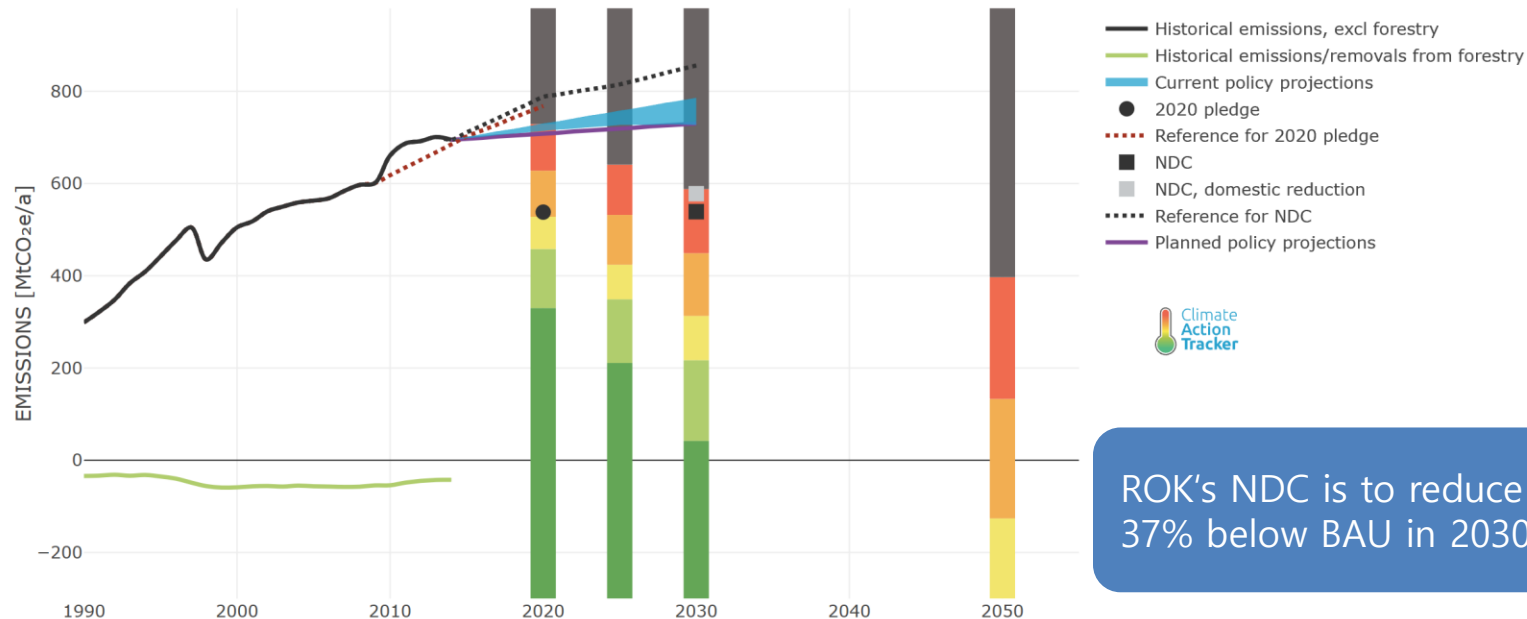
Japan's 2016 Paris Agreement NDC target is rated as "highly insufficient" to stay within the 1.5°C limit.



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.

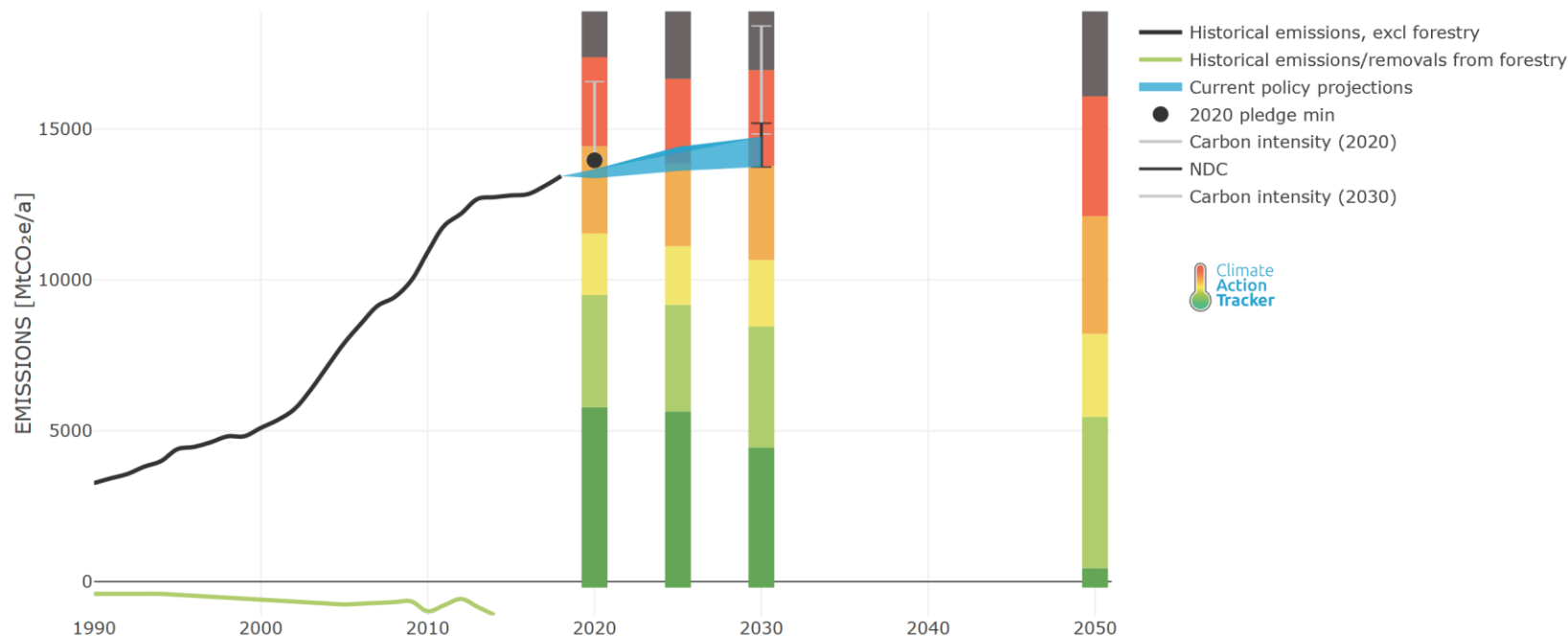
ROK's 2016 Paris Agreement NDC target rated "highly insufficient" to stay within the 1.5°C limit and its current policy actions are rated as "critically insufficient"



ROK's NDC is to reduce emissions by 37% below BAU in 2030

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

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

... which requires collective actions by all stakeholders



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



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).

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Towards sustainable economies

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