Aligning post-COVID 19 recovery towards sustainable economies:
Recommendations for the Philippines and South East Asian countries

Ms. Jyoti Bisbey, United Nations ESCAP

9 June 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

- *UN ESCAP’s 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 South-east Asian countries

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

Progress of Goal 12 is stagnant in South East Asia

Snapshot of SDG progress in 2019: South East Asia region

SDG 12: Ensuring sustainable consumption and production patterns

8 Key Targets focusing on sustainable...

- Resource Management
- Business Practices & Reporting
- Green Public Procurement
- Market Mechanism
- Tourism
- 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

- **15.1** Use of ecosystems
- **15.3** Restoration of degraded land
- **15.9** Ecosystems and biodiversity in planning
- **14.2** Sustainably manage and protect marine and coastal ecosystems
- **13.2** Integrate climate change measures into national policies, strategies and planning
- **11.6** Environmental impact of cities
- **11.8** Resource efficiency for disaster risk management
- **9.4** Upgrade infrastructure and retrofit industries
- **9.a** Sustainable and resilient infrastructure in developing countries

*Source: One Planet Network, 2019.*
COVID-19 pandemic has brought shocks from both of the supply and demand sides…
...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

Summary of policy responses

Measures to contain COVID-19
Fiscal policies
Monetary policies

Asia-Pacific sub-regions
- East and North-East Asia
- North and Central Asia
- Pacific
- South and South-East Asia
- East Asia

Note: The database will be updated regularly. If there are any omissions, they will be included in subsequent versions.


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.
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

- USD 11.6bn emergency support for vulnerable groups including:
  - Cash support for 18 million poor households
  - Unemployment benefits
  - Wage subsidies for SME employees affected by quarantine
  - USD 1.2bn health care and medical response for COVID-19

- USD 324 mn affordable food program
- USD 104 mn housing subsidies
- USD 230 mn tax relief for hoteliers and restaurants
- CIT rate cut by 30%
- Credit Restructuring and financing for SMEs

- USD 19 bn, cash handouts for 6 months to temporary workers, contract workers, and self-employed persons
- Cash handout for 3 months to 3 million workers not covered by social security
- Reduction/deferral on rental, fee, service charge payment to gov & SOEs

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

Monetary policies: Targeted monetary easing to ensure overall financial sector health and support SMEs

Note: *For Viet Nam, its Central Bank cut benchmark policy rates by 50-100 basis points, effective on March 17. In the figure, the average policy rate cut is illustrated.
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.

- Stacked policy rate cuts accumulating 125 bps to a rate of 2.75%
- BSP purchases of Government securities
- One-month grace period on private and commercial rent, loans
- Regulatory reliefs to inject liquidity

- Stacked policy rate cuts of 50 bps to 4.5%
- Lowering reserve requirement ratios for banks
- Introduction of daily repo auctions
- Increase in the frequency of FX swap auctions for 1, 3, 6, and 12 months tenors from 3 times per week to daily

- Stacked policy rate cuts of 50 bps to 0.75%
- Reduction of contribution from financial institutions to the Financial Institutions Development Fund (FIDF) from 0.46 to 0.23 per cent
- Funding for commercial banks to provide low-interest loans to SMEs
- Setting up Corporate Bond Liquidity Stabilization Fund for corporate bond market investments

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)
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

... which requires collective actions by all stakeholders
Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies

**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), IMF (2019)

**Note:** Fossil-fuel subsidies or only post-tax. All pre-tax subsidies according to the definition of the IWF have been discontinued.
Governments should embed sustainability in policymaking and decarbonize their economies.

- Remove fossil-fuel subsidies


Source: UN Environment, Frankfurt School-UNEP Centre, BloombergNEF (2019)
Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies
- Adopt carbon pricing

Source: ESCAP, based on IMF (2019g)
Examples of decarbonisation efforts in ASEAN

- Energy subsidies reform: reducing subsidies from 3.3 percent of GDP on average from 2012-2014, to an average of 0.9 percent of GDP from 2015-2018

- A direct carbon tax has not been implemented in the Philippines yet and plans for doing so have been discontinued
- 2017 tax reform: Introduction of excise taxes on carbon intensive products (petroleum, cars, coal)
- Converting these taxes into carbon taxes leads to carbon prices between US$ 1.60 for coal and US$ 90 for gasoline

- Introduced carbon tax of $5/tCO2e from 2019 to 2023
- Plans to review carbon tax rate and increase it to between $10 and $15/tCO2e by 2030.

- Considering to implement a National Emissions Trading System (ETS)
- Pilot project: Voluntary Emissions Trading Scheme (Thailand V-ETS)
Governments should embed sustainability in policymaking and decarbonize their economies

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

Local action

The Bank of Thailand and Bank Negara Malaysia are members of NGFS.

The Bangko Sentral ng Pilipinas and Bank of Indonesia are not a member of NGFS.

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

Regulatory Incentives
- Supporting sustainability reporting, disclosure and transition through TCFD and NGFS
| **Sustainability-related guidelines** | **Stock Exchange of Thailand (SET) - 2010:** Sustainable reporting guidelines  
- 2012: Principles of Good Governance  
- 2017: Corporate Governance Code  
- Thai Bankers’ Association (TBA) and Bank of Thailand (BOT)  
- 2019: Sustainable Banking Guidelines- Responsible Lending | **BSP announced its sustainable finance framework, circular #1085 on **April 29, 2020 | **Securities Commission Malaysia (SC) - 2014:** Sustainable and Responsible Investment Sukuk Framework  
- **Bursa Malaysia Securities Berhad**  
- 2015: Sustainability Reporting Guide  
- **Bank Negara Malaysia (BNM)**  
- 2019: Value-based Intermediation Financing and Investment Impact Assessment Framework for Islamic banking | **Financial Services Authority of Indonesia  
- 2017: Issuance of specific regulation on sustainable finance – POJK 60 and guidelines on green bonds, sustainable banking and blended finance schemes |
<table>
<thead>
<tr>
<th>Partnerships with IFC</th>
<th>Capacity building and knowledge-sharing platforms</th>
</tr>
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<tbody>
<tr>
<td><strong>Partnership with IFC</strong></td>
<td><strong>Bangko Sentral ng Pilipinas and IFC on SBN (since 2013)</strong></td>
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<td><strong>UNEP Finance Initiative</strong></td>
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<td><strong>MOU between IFC and BOT to accelerate sustainable financing in Thailand (2019)</strong></td>
<td><strong>ACMF</strong></td>
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<td><strong>Bangko Sentral ng Pilipinas and IFC on SBN (since 2013)</strong></td>
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The national Securities and Exchange Commission has issued green bond standards in line with ASEAN guidelines in August 2018.

2019: ESG bonds totaled US$ 1.2 billion and are expected to reach US$ 2 billion in 2020.

2016: 1st green bond in the Philippines was issued by Aboitiz Power Cooperation.

The 2nd bond in the Philippines BDO Unibank launched a US$ 150 million green bond backed by the IFC.

This bond has financed exclusively renewable energy generation, saving over 270,000 tons of CO₂ per year.

… which requires collective actions by all stakeholders

Local action
GOVERNMENTS

Global action
Cross-border cooperation

People action
Businesses

People action
Consumers

DECADE OF ACTION

UN ESCAP
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 15%:

- Singapore: 31
- Thailand: 10
- Malaysia: 9
- Indonesia: 5
- Vietnam: 1

None in other ASEAN countries
Businesses should internalize the externalities of their business operations

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

Even though no Thai companies are TCFD signatories, Thailand has been listed as a regional leader in ESG reporting. Since 2015, Thai companies have been evaluated using the Thailand Sustainability Index (THIS).

*As of February 2020, there are over 1027 TCFD supporters.*
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%**

About 35% of companies that have disclosed the use of or plan to implement carbon pricing are in Asia-Pacific.

- As of 2017, 8 Thai companies have disclosed the use of or plan to implement carbon pricing.
- Ayala Land is the first and only Philippine company that has adopted internal carbon pricing.
- None from Indonesia and Malaysia.

People action
## Internal Carbon Pricing

<table>
<thead>
<tr>
<th>Thai Companies</th>
<th>Price (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTT</td>
<td>18.70</td>
</tr>
<tr>
<td>PTT Exploration &amp; Production Public Company Ltd.</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>Delta Electronics (Thailand) PCL.</td>
<td>Undisclosed</td>
</tr>
<tr>
<td>Indorama Ventures PCL</td>
<td>15.00</td>
</tr>
<tr>
<td>True Corporation</td>
<td>Undisclosed</td>
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<th>Philippine Company</th>
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Businesses should internalize the externalities of their business operations

- Incorporate ESG considerations in making decisions and enhance climate risk-related disclosure
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...to give the eco-conscious investors such information to make decisions
... which requires collective actions by all stakeholders

Local action
GOVERNMENTS

Global action
Cross-border cooperation

People action
Businesses

People action
Consumers
Consumers need to move towards sustainable lifestyles

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes (Check)</th>
<th>No (X)</th>
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<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>TRANSPORTATION</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>
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</tr>
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<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>
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**People action**

CO₂ Emissions (metric tons per capita)

Metro Manila is the most congested city in developing Asia (out of 279 cities).

Consumers need to move towards sustainable lifestyles

| People action | Launch of IFC’s green innovative green-building certification program, EDGE, in Indonesia in 2015  
| | IFC and the Green Building Council Indonesia aim to certify at least 20% of new construction projects by 2021, helping to cut annual greenhouse emissions by 1.2 million metric tons—the equivalent of taking almost 257,000 cars off the road. |

| **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 |

Source: IFC (2018)
Consumers need to move towards sustainable lifestyles

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- Founded in 2010, the Philippines Green Building Initiative developed a building rating system, grEEEn, as a collection of documents and tools to develop green building goals.
- The Philippines Green Building Initiative is one of three IFC's EDGE certifiers in the Philippines.

Source: IFC (2018)
## CLIMATE CHANGE RESILIENT PILOT HOUSE

### GREEEN KAMAGONG AWARD

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Energy Use Savings</td>
<td>53% to 92%</td>
</tr>
<tr>
<td>Renewable Energy Use</td>
<td>16.58%</td>
</tr>
<tr>
<td>Energy Utilization Index (EUI) in kWh/sqM/Yr</td>
<td>≤ 10.6</td>
</tr>
<tr>
<td>Annual Greenhouse Gas Emissions</td>
<td>≥ 0.48</td>
</tr>
<tr>
<td>Reduced (in CO2)</td>
<td>tCO2/Yr</td>
</tr>
<tr>
<td>Site Utilization &amp; Environmental Response</td>
<td>Sustainable</td>
</tr>
<tr>
<td>Material Use and Sourcing</td>
<td>Low Impact</td>
</tr>
<tr>
<td>Solid Waste Collection &amp; Segregation</td>
<td>Practiced</td>
</tr>
<tr>
<td>Annual Water Use Savings</td>
<td>≥ 23%</td>
</tr>
<tr>
<td>Passive Design (Daylighting &amp; Natural Ventilation)</td>
<td>Excellent</td>
</tr>
<tr>
<td>Thermal Comfort</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Indoor Air Quality</td>
<td>Acceptable</td>
</tr>
<tr>
<td>GREEEN Construction &amp; Building Operations</td>
<td>Practiced &amp; Documented</td>
</tr>
<tr>
<td>Climate Change Resiliency</td>
<td>Prepared</td>
</tr>
</tbody>
</table>

Source: Green Building Initiative (2015)
Governments and businesses can help consumers move towards sustainable lifestyles through:

- Nudging

Thailand
EGAT Energy consumption Rating scale

Mandatory energy labels on electric appliances in Singapore
Governments and businesses can help consumers move towards sustainable lifestyles through:

- Nudging
- Incentivizing the sharing of idle and underutilized resources
... 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
  - Scale up renewable and hydro transboundary power trade, where geographically feasible

Example: Mongolia aims to leverage its wind power resources to become a renewable energy exporter and build transmission networks across its borders.

ASEAN Examples: ASEAN Power Grid (APG), Partnership between the Lao PDR and Thailand on the Xayaburi Hydroelectric Power Project
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

- 3 core areas: Clean Energy, Green Procurement and Eco-Labeling and Cross Cutting SCP matters with focus on Clean Air legislation
- Establishment and implementation of green public procurement in Quezon City

Source: giz
NDC Progress for the Philippines is rated insufficient to reach the 1.5°C Paris Agreement limit.

The Philippines aim to reduce carbon emissions by 70% in 2030 compared to the business as usual scenario.

Source: climateactiontracker.com
Energy mix is dominated by fossil fuels, and the share of renewable energy has decreased by half.

Coal made up around half of all energy production in 2017.

...with share of renewable energy decreasing from 55% to 24% between 1990-2017.

...solar, wind and tide are a minor percentage...
... which requires collective actions by all stakeholders
SDGs and localization in Public Development Plan: Recommendations for Climate Change Commission

<table>
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<tbody>
<tr>
<td>• Reduce fossil fuel subsidies (throughout the supply chain) while implementing policies that are needed for a just transition</td>
</tr>
<tr>
<td>• Establish a National ETS and adopt carbon pricing</td>
</tr>
<tr>
<td>• Increase the share of renewable energies and prevent further coal gains</td>
</tr>
<tr>
<td>• Foster an enabling environment for green investments and efficiently implement the Sustainable Finance Framework into practice</td>
</tr>
</tbody>
</table>

<table>
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<th>People – Businesses</th>
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<tbody>
<tr>
<td>• Engage businesses in ESG disclosures</td>
</tr>
<tr>
<td>• Encourage businesses to adopt internal carbon pricing and participate in UNPRI, TCFD. Lead and inspire by joining the NGFS</td>
</tr>
<tr>
<td>• Work with BSP in establishing targets for sustainability, internal carbon pricing, full value chain emissions calculations</td>
</tr>
</tbody>
</table>
# Recommendations

## People – Consumers
- Widen green public procurement to public infrastructure development
- Adopt the use of behavioral nudges to encourage sustainable behaviors
- Promote energy rating systems and green building codes
- Mainstream eco-labeling in all consumer goods

## Global – Cross-border action
- Establish regional carbon market
- Increase cooperation on carbon pricing and green standards, export eco-labeling knowledge for harmonization across countries
- Harmonize plans on climate actions with international proposals and enable knowledge transfer
Takeaway messages

• COVID-19 pandemic can become a catalyst to change the development approach that prioritizes people and the planet in the Philippines… …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