Economic and Social Survey of Asia and the Pacific 2020
Towards sustainable economies

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ESCAP-SDPI Policy Dialogue
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Key messages

• COVID-19 exposes the vulnerabilities in our economies. The crisis should be taken as an opportunity to reorient our development model to enhance social justice and environmental sustainability.

• *Survey 2020* focuses on SDG12 (sustainable consumption and production) and how all stakeholders can help accelerate progress. UN Decade of Action calls for:
  
  • *Local action* – embedding the green transitions into policies, budgets and regulatory frameworks
  
  • *People action* – moving businesses towards cleaner production and consumers towards sustainable lifestyles
  
  • *Global action* – collectively raising our level of ambition and seeking for smart solutions
COVID-19 impact and policy response
COVID-19 impact comes through multiple channels

- **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)

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

- **LAYOFF WORKERS**
  - Lower earnings

- **PEOPLE**
  - People mobility to affect other countries
  - Higher demand for Healthcare

- **FINANCIAL MARKETS**
  - Stock markets and foreign exchange markets
  - Lower demand for Goods and Services

Affect commodity importers and exporters
Affect other countries’ manufacturers in supply chains

Source: ESCAP.
A collapse in external and domestic demand will result in a sharp output loss

GDP growth: Asia-Pacific developing countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2016</td>
<td>5.4</td>
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<tr>
<td>2017</td>
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<tr>
<td>2018</td>
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<td>2019</td>
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<tr>
<td>2020</td>
<td>5.0</td>
</tr>
<tr>
<td>2021</td>
<td>?</td>
</tr>
</tbody>
</table>

Forecasts in the 2019 Survey

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

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

Immediate measures

Fiscal policies
• Large and targeted fiscal measures to contain and respond to COVID-19… and to ease the shock to jobs and guarantee minimum living standards

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

Regional cooperation
• Consider establishing a regional or subregional public health emergency fund
• Coordinate debt relief or deferral of debt payments
Short- and long-term measures to help people

- Provide *immediate testing and treatment* to persons “at risk” at no cost
- Provide (or scale up existing) *immediate social protection measures* (or provide short-term relief)
- Establish *universal health coverage* and *universal social protection systems*
- Place *vulnerable groups* at the center of these systems
- Invest in *emergency preparedness*
- Strengthen *regional cooperation* in R&D for the benefit of all
**SDG3 (good health and well-being)** requires an additional investment of **$158 billion ($38 per person)** per year, including in health emergency preparedness.

### Additional investment needs in health emergency preparedness: Asia-Pacific developing countries

- **2020**: $100 millions
- **2021**: $200 millions
- **2022**: $300 millions
- **2023**: $400 millions
- **2024**: $500 millions
- **2025**: $600 millions
- **2026**: $700 millions
- **2027**: $800 millions
- **2028**: $900 millions
- **2029**: $1 billion
- **2030**: $1 billion

**Source:** ESCAP estimates, based on WHO SDG Health Price Tag.
Public spending on social protection remains low…

must be stepped up in the wake of COVID-19
Fiscal space to respond to COVID-19 and invest in people varies across the Asia-Pacific region

Fiscal balance

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

Note: The bars illustrate the median value for each group.
Fiscal space to respond to COVID-19 and invest in people varies across the Asia-Pacific region

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

Note: The bars illustrate the median value for each group.
Progress on the 2030 Agenda for Sustainable Development must continue and be accelerated
Asia-Pacific region is not on track to achieve the SDGs by 2030

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

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

Source: WID (accessed 3 October 2019)
Natural resource use and carbon emissions have more than doubled since 2000, and will continue to rise albeit at slower pace.

Domestic material consumption and CO2 emissions in Asia-Pacific region

How to meet human needs within planetary boundaries is a defining challenge of our time …
... which requires a revisit of prevailing consumption and production patterns

Consumption

Production
This is reflected in SDG12, whose progress can also support 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.

11.6 Environmental impact of cities
11.B Resource efficiency for disaster risk management
9.4 Upgrade infrastructure and retrofit industries
9.A Sustainable and resilient infrastructure in developing countries

Survey 2020 calls for behavioural change by all stakeholders

GOVERNMENTS

- Dependency on fossil fuels
- Underpricing of carbon

BUSINESSES

- Failure in accounting for externalities

CONSUMERS

- Ingrained consumption habits
- Lack of environmental awareness
Collective actions by all stakeholders!

Local action

Global action

People action

People action

GOVERNMENTS

Businesses

Cross-border cooperation

Consumers
Governments should embed sustainability in policymaking and decarbonize their economies.

- Remove fossil-fuel subsidies

Nearly 3% of Pakistan’s GDP is spent on fossil fuel subsidies. (IEA, 2018)

- 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).
Governments should embed sustainability in policymaking and decarbonize their economies.

- Adopt carbon pricing

**Carbon emissions reduction**

**Carbon tax revenue**

Governments should embed sustainability in policymaking and decarbonize their economies

- Adopt carbon pricing

Source: ESCAP, based on World Bank, ICAP, IETA data and national sources.
Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies
- Adopt carbon pricing

Pakistan

- Challenges: Growing energy demand fueled by inadequate energy infrastructure, inefficiency and price distortion in energy use
- Usage of fossil fuels to meet energy demand
- Pakistan is the 4th largest recipient of public finance from G20 countries for coal-fired plants in 2016-2017 (Overseas Development Institute)
Governments should embed sustainability in policymaking and decarbonize their economies

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

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

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

TCFD
Task Force on Climate-Related Financial Disclosures

NGFS
Network for Greening the Financial System
Steps taken to green Pakistan's financial system

- Introduction of green banking guidelines by the State Bank of Pakistan (SBP) in October 2017
- Partnership between IFC and SBP in 2018 on sustainable banking network (SBN)
- UNESCAP Project on Climate Finance: Innovative Climate Finance Mechanism for Financial Institutions
- Pakistan is not a member of NGFS nor TCFD
Collective actions by all stakeholders!
Businesses should internalize the externalities of their business operations

- 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%

... none of these signatories are from Pakistan.
Incorporate ESG considerations in making decisions and enhance climate-related risk disclosure

As of 2009, the Security and Exchange Commission of Pakistan (SECP) requires Corporate Social Responsibility (CSR) disclosure. The guidelines were updated to incorporate ESG in 2016.

TCFD Signatories

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

Businesses should internalize the externalities of their business operations

TCFD
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

People action
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

Al Karam Towel Industries is the only Pakistani company that has disclosed the use of carbon pricing.
Businesses should internalize the externalities of their business operations

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

...to give the eco-conscious investors such information to make decisions
Collective actions by all stakeholders!

Local action

GOVERNMENTS

People action

Businesses

Global action

Cross-border cooperation

People action

Consumers
Consumers need to move towards sustainable lifestyles

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<tr>
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Pakistan is the second-fastest growing plant-based diet country in the world.

**Countries with the biggest increase of vegetarians 2016-2017**

- **Nigeria**: +1,426,700
- **Pakistan**: +1,190,600
- **Indonesia**: +270,600
- **Philippines**: +238,500
- **Germany**: +212,000
- **Brazil**: +166,500
- **Turkey**: +163,700
- **Kenya**: +99,500
- **Thailand**: +90,200
- **Italy**: +86,700

Source: Statista | Data: Euromonitor International ©DW
Governments and businesses can help consumers move towards sustainable lifestyles through:

- Nudging

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

- Nudging
- Incentivizing the sharing of idle and underutilized resources
Collective actions by all stakeholders!

Local action

Global action

People action

People action

Businesses

Cross-border cooperation

GOVERNMENTS

Consumers

DECADE OF ACTION
Cross-border cooperation in the region is crucial to prevent inaction and raise ambitions

- Establish cooperation on regional climate-related policies
  - Harmonize climate-related standards among countries
  - Cooperate on climate-risk management
Global action

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

- Establish cooperation on regional climate-related policies
- Move towards decarbonization
  - Develop regional carbon markets
  - Scale up transboundary power trade
Cross-border cooperation in the region is crucial to prevent inaction and raise ambitions.

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

- Pakistan National Action Plan on SDG 12 Sustainable Consumption and Production was published in 2017
Pakistan Climate Act 2017: Provides legal and institutional framework for climate policy

Considering market-based climate policy instruments, including ETS
- Cooperated with UNFCC and the Institute for Global Environmental Strategies in 2019 to publish a study on carbon pricing
- Launched the National Committee on Establishment on Carbon Markets 2019 to assess the role and scope of carbon markets in delivering Pakistan’s NDC, identify opportunities and challenges in improving data, review existing carbon market designs and coordinate capacity-building activities

Reducing reliance on coal: Indicative Generation Capacity Expansion Plan (IGCEP) 2018-40
Collective actions by all stakeholders!

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People action
Takeaway messages

• COVID-19 pandemic can become a catalyst to change the development approach that prioritizes people and the planet… which is critical as the region is facing a climate emergency

• All stakeholders must act collectively at local, people and global levels:
  • Governments should prioritize sustainability and decarbonize their economies (local action);
  • Businesses should internalize the externalities of their business conducts and consumers should be more mindful of their lifestyles (people action); and
  • Countries should enhance global and regional cooperation towards more ambitious solutions (global action).