

Economic and Social Survey of Asia and the Pacific 2020

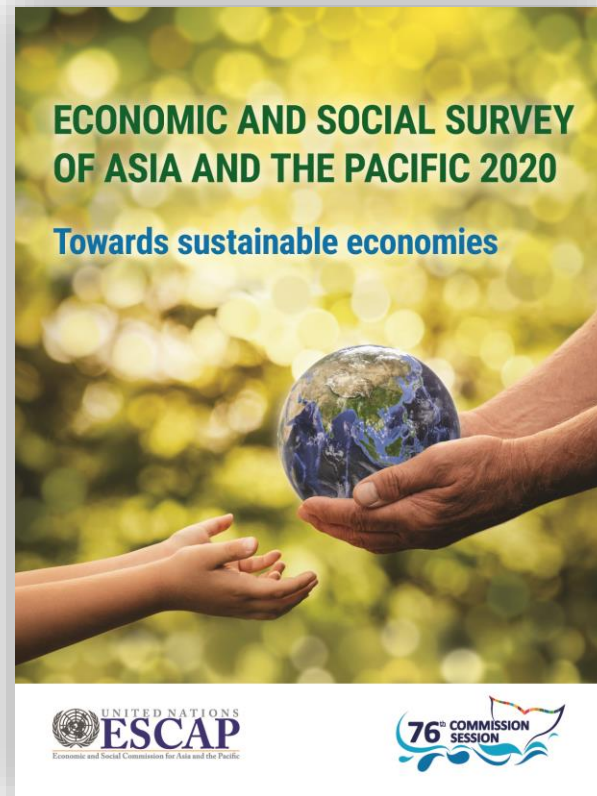
Towards sustainable economies

Policy Dialogue with the Economic Research Institute for ASEAN and East-Asia

Zheng Jian

Macroeconomic Policy and Financing for Development Division

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Key messages

The transformation towards an inclusive and sustainable economy is a primary development challenge for the Asia-Pacific region.

Paradigm shifts in our consumption and production patterns would be central for achieving this objective.

Sustainable consumption and production would require collective efforts of all stakeholders on four action fronts:

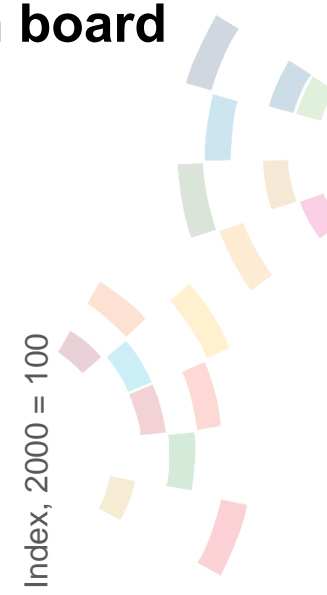
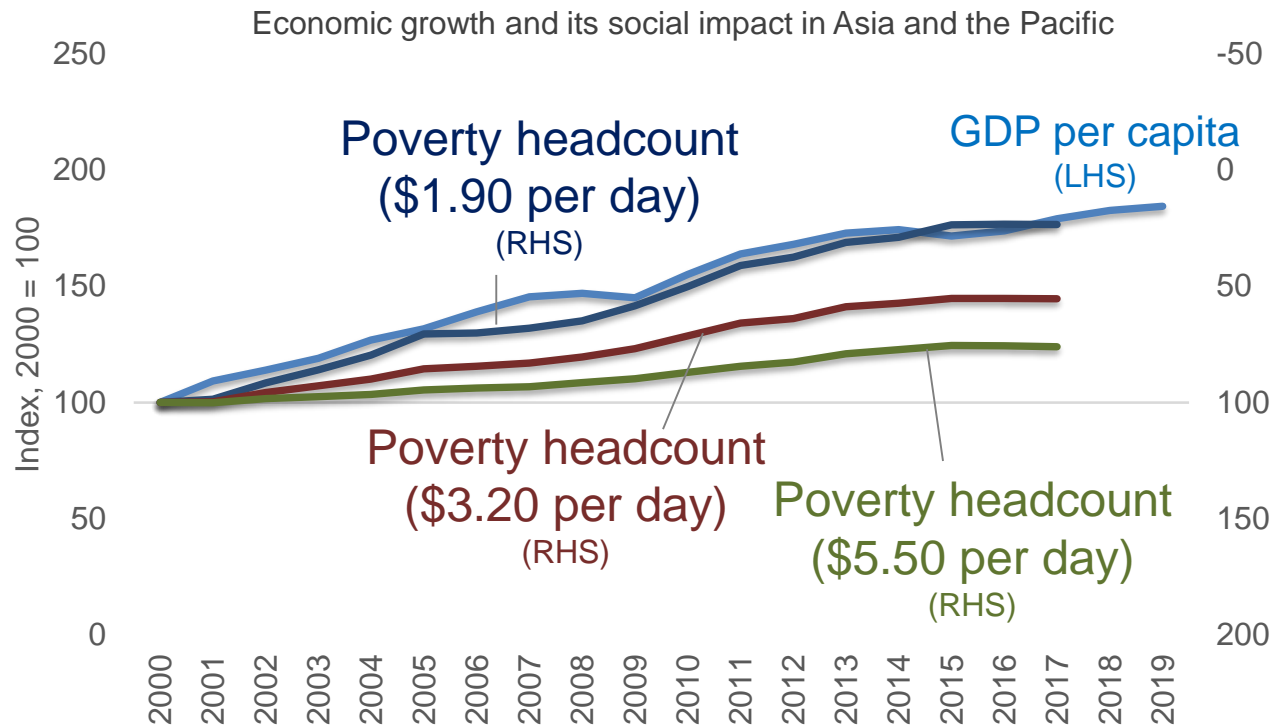
- National action: government
- Corporate action: businesses
- People action: consumers & individuals
- Global action: cross-border cooperation

The COVID-19 crisis brings immense challenges for inclusive and sustainable development, but we can also turn it into a valuable opportunity

A pair of hands is shown from the bottom, gently cradling a glowing Earth globe. The globe is illuminated from the right, showing the Western Hemisphere with a warm, orange and yellow glow. The background is dark with scattered white stars and a soft, out-of-focus light source on the right, creating a bokeh effect. The text is overlaid on a semi-transparent dark horizontal band across the middle of the image.

**Time to deviate from the GDP growth-centric
development approach
and put
PEOPLE and PLANET first**

The growth-centric approach did create valuable economic opportunities for the poor, but hasn't brought them fully on board

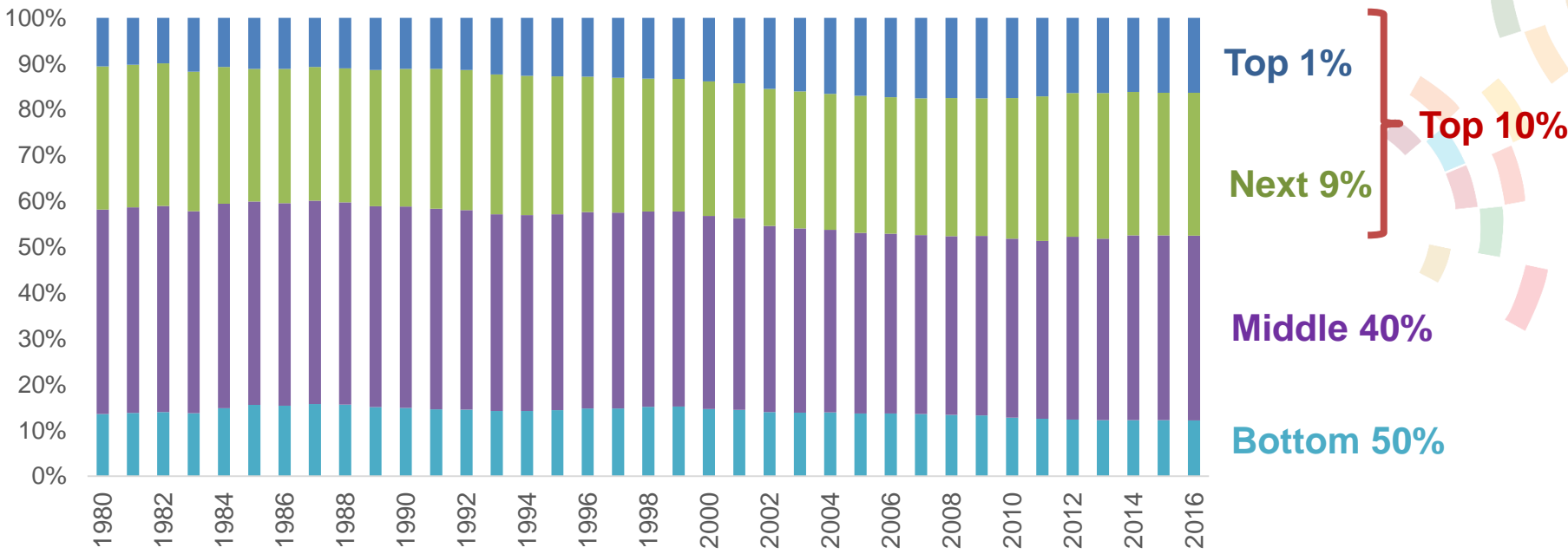


Source: ESCAP data portal (accessed on 4 December 2019); ESCAP calculation based on World Bank, PovcalNet, available at <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed on 13 February 2020); IMF, World Economic Outlook database, October 2019 (accessed on 4 December 2019); Global Carbon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

The distribution of income has become more unequal

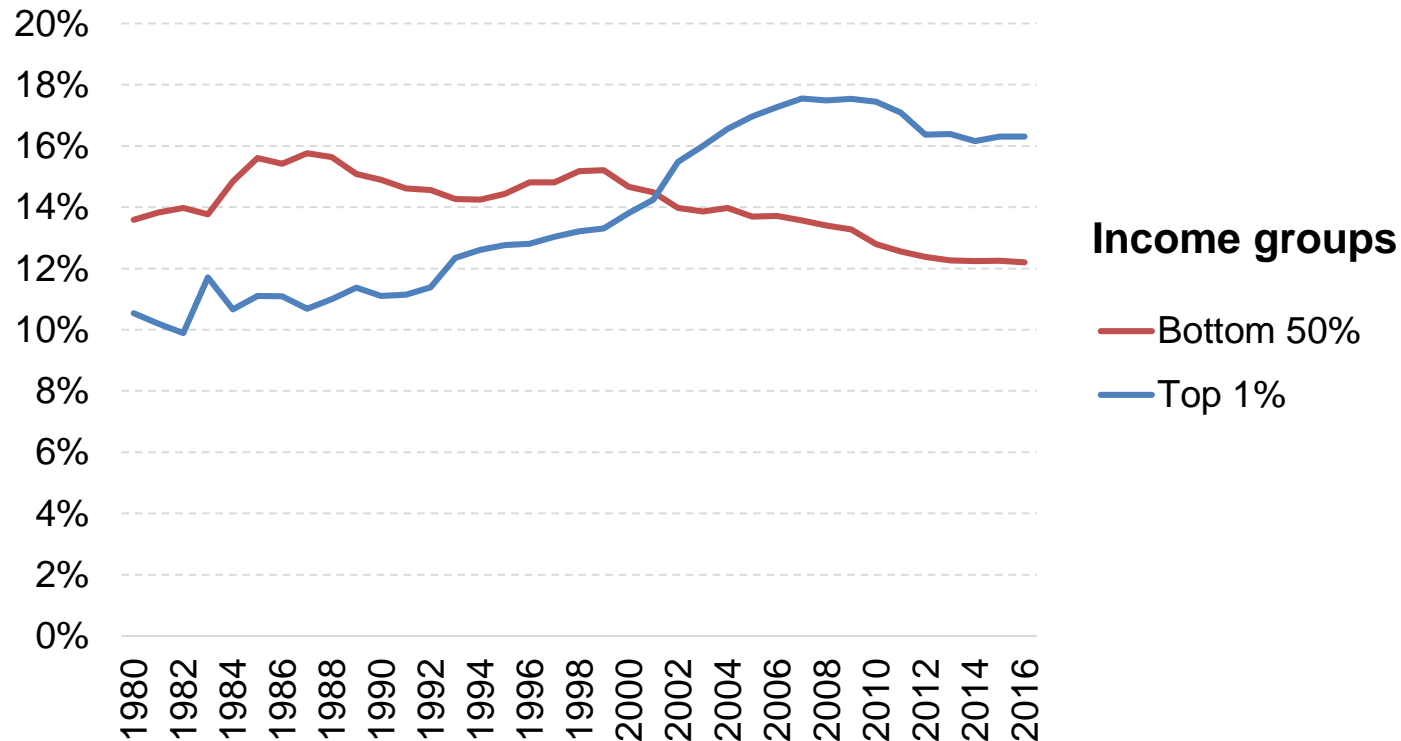
Share of income (pre-tax national income) by income groups in Asia



Source: WID (accessed 3 October 2019)

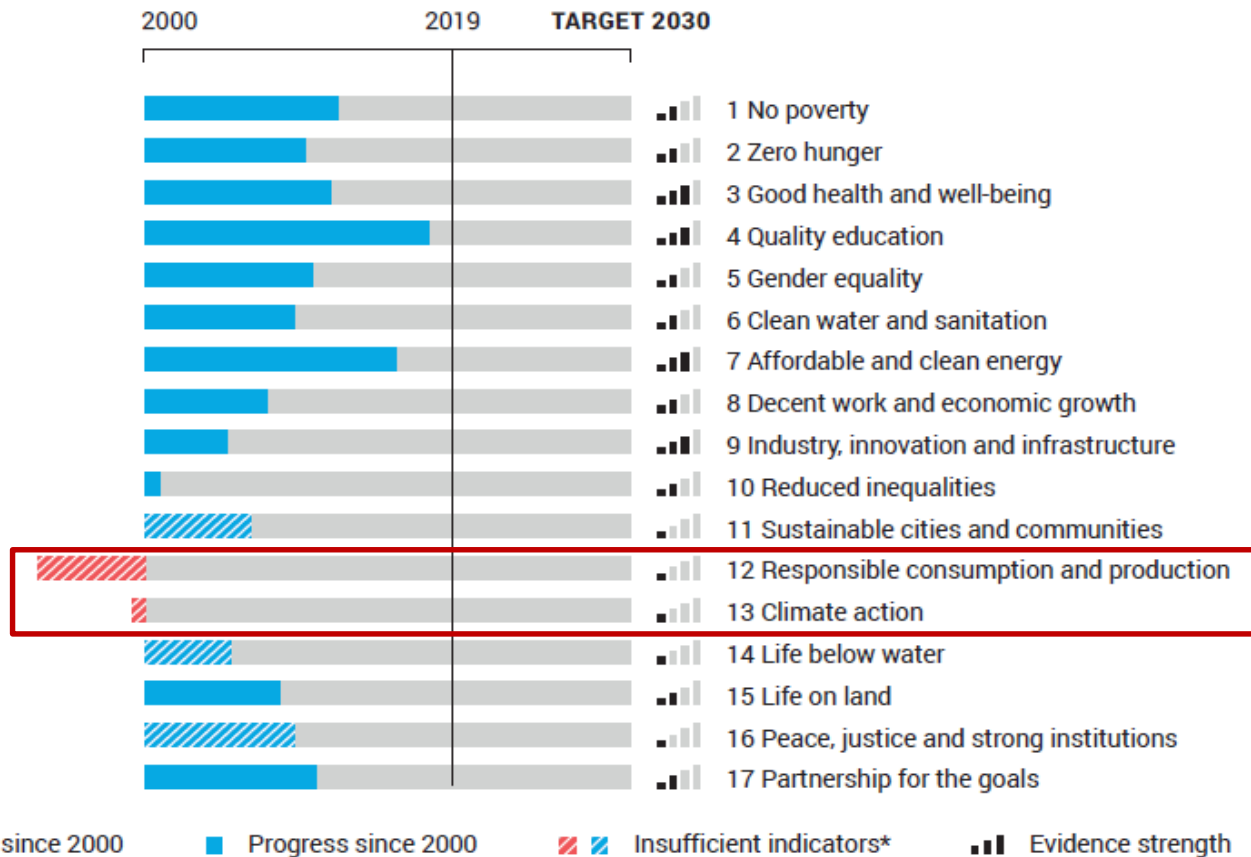
The top 1% is now gaining more than the bottom 50%

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



Source: WID (accessed 3 October 2019)

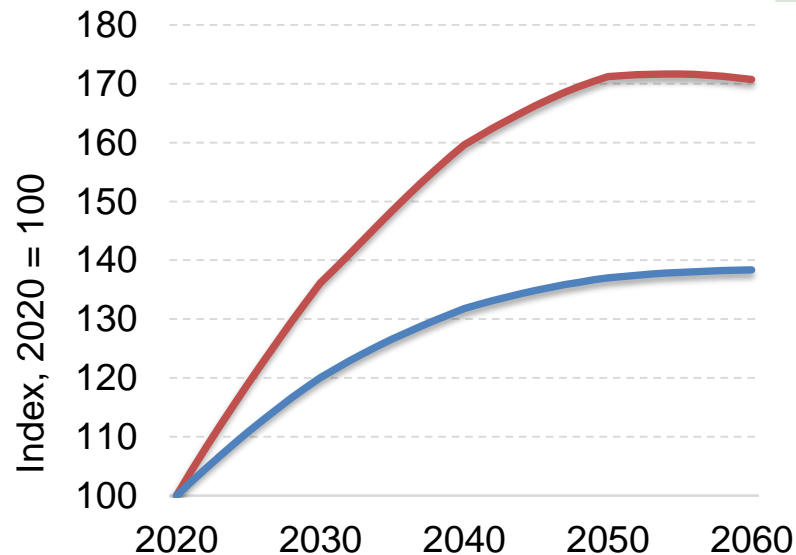
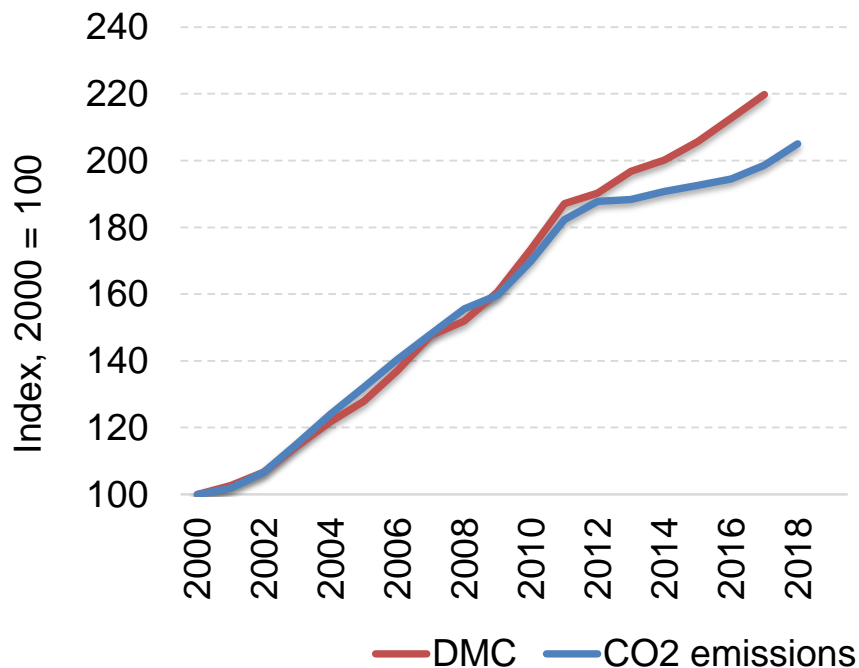
The sustainability of our environment (thus also our economy) is even a greater challenge



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

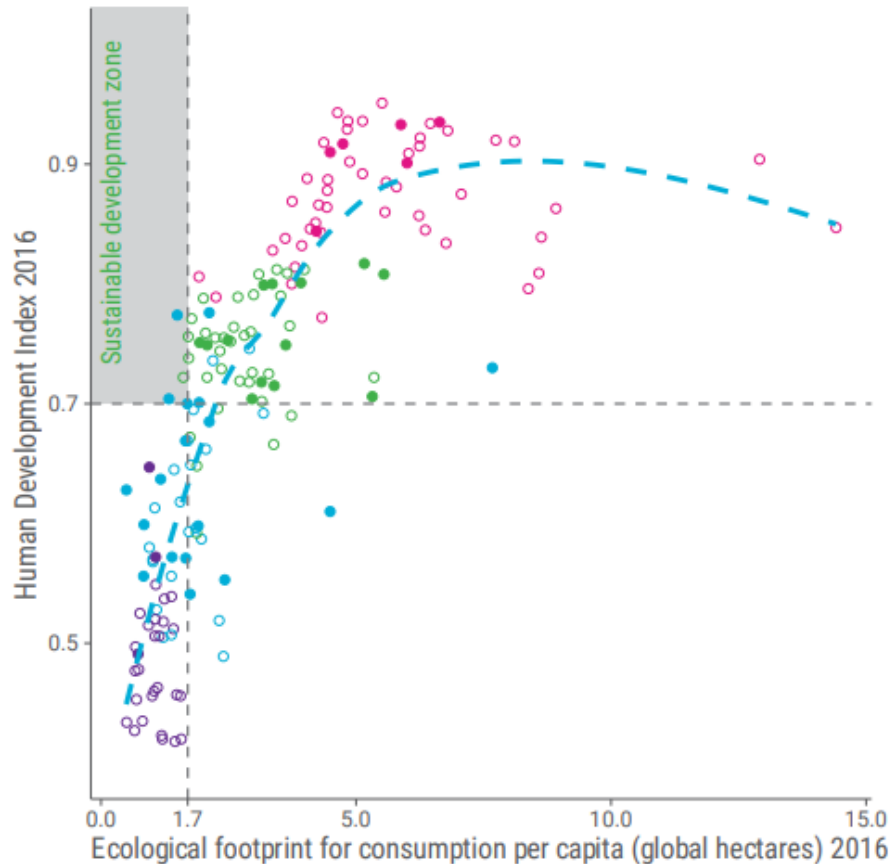
Natural resource use and carbon emissions have more than doubled since 2000, and will continue to rise albeit at slower pace

Domestic material consumption and CO2 emissions in Asia-Pacific region



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

Human Development Index and the Ecological Footprint: A trade-off?



Income groups

- High income
- Upper-middle income
- Lower-middle income
- Low income

Regions

- Asia-Pacific country
- Non-Asia-Pacific country

Source: ESCAP, based on UNDP Human Development Data and Global Footprint Network (accessed on 29 February 2020)

We need to systematically revisit the prevailing consumption and production patterns

...and achieve the transition towards a sustainable economy!



Consumption



Production

Progress in SDG12 would be central to our overall progress on the whole Sustainable Development Agenda



Source: One Planet Network, 2019.



The transition towards sustainable consumption and production is **NO EASY TASK** and requires collective actions of **ALL STAKEHOLDERS**

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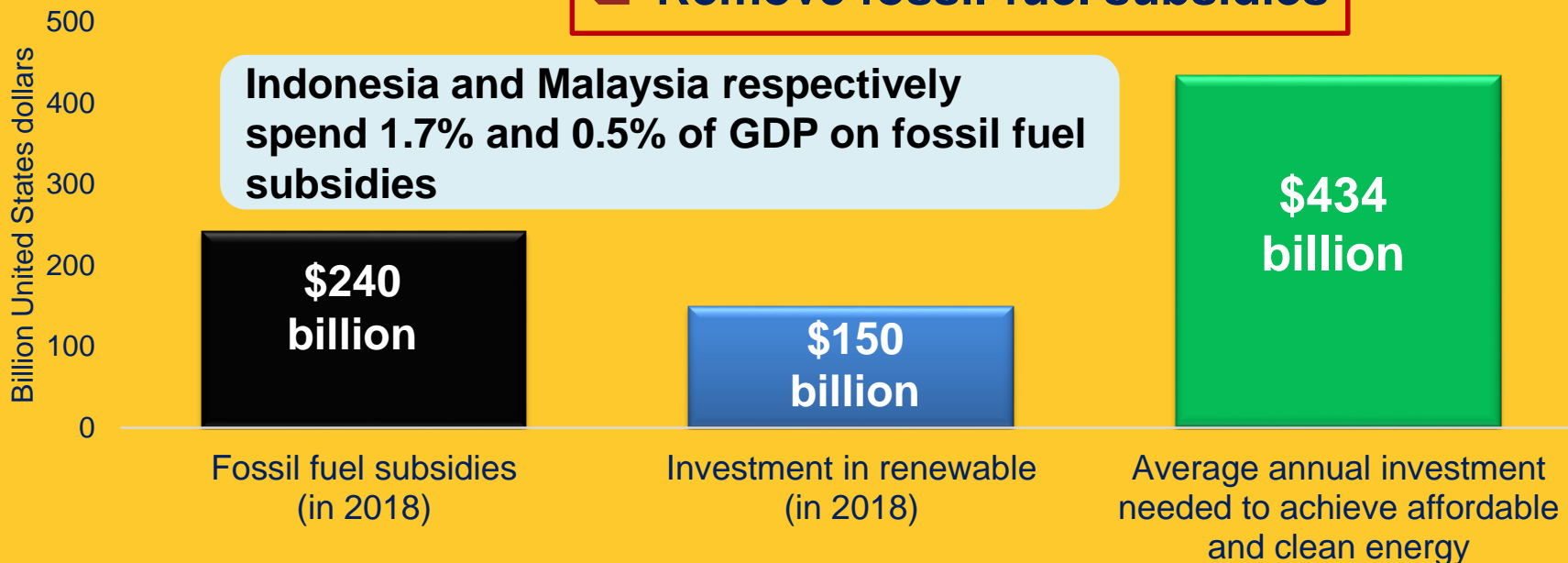


National action



Governments should embed sustainability in policymaking and decarbonize their economies

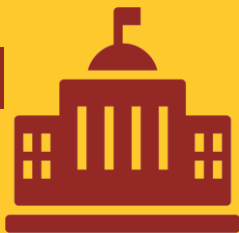
Remove fossil-fuel subsidies



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.

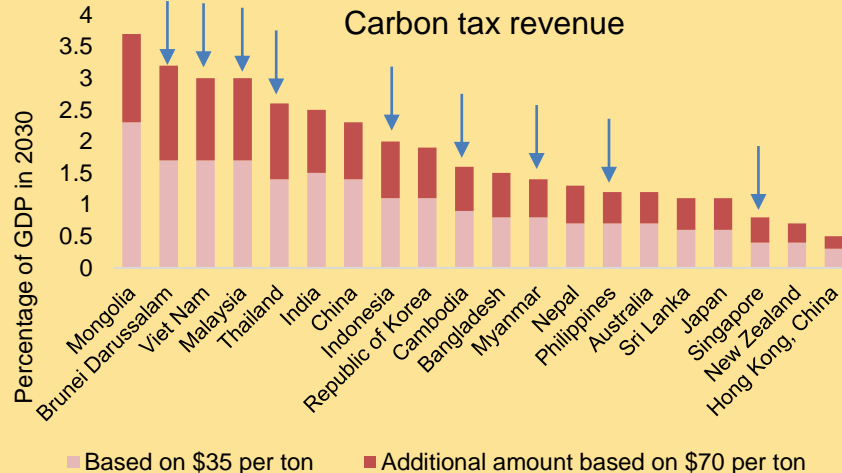
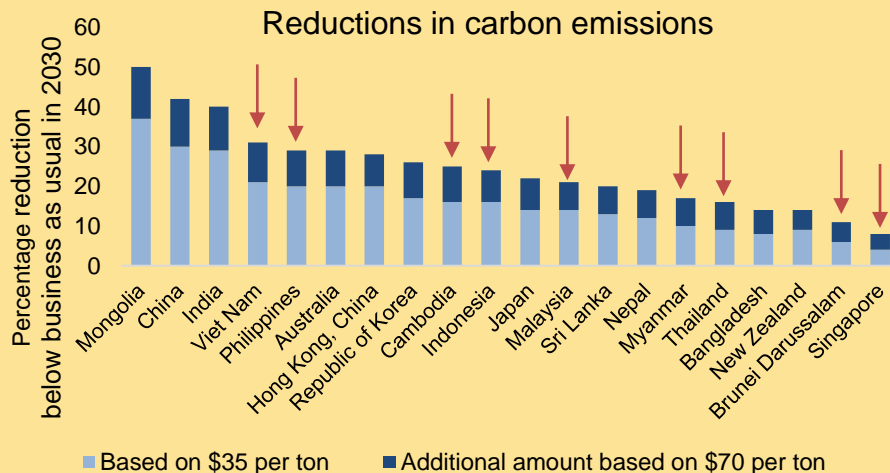
National action



Governments should embed sustainability in policymaking and decarbonize their economies

Remove fossil-fuel subsidies

Adopt carbon pricing



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



- 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.



- 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)



- Considering to implement a National Emissions Trading System (ETS)
- Pilot project: Voluntary Emissions Trading Scheme (Thailand V-ETS)

National action



Governments should embed sustainability in policymaking and decarbonize their economies

The Bank of Indonesia is a member of NGFS.

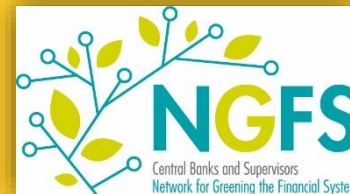
- Remove fossil-fuel subsidies
- Adopt carbon pricing
- Green the financial systems**

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





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, 20**

- 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



Partnership with IFC

- TBA and IFC on SBN (since 2012)
- MOU between IFC and BOT to accelerate sustainable financing in Thailand (2019)

- Bangko Sentral ng Pilipinas and IFC on SBN (since 2013)
- Department of Environment and Natural Resources of the Philippines (DEPN) on SBN (since 2013)

- OJK and IFC partner via the SBN (since 2012). Important project:
-Sustainable Finance Case Study

Capacity building and knowledge-sharing platforms



Businesses should internalize the externalities of their business operations



Corporate 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



Corporate action

- ❑ 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

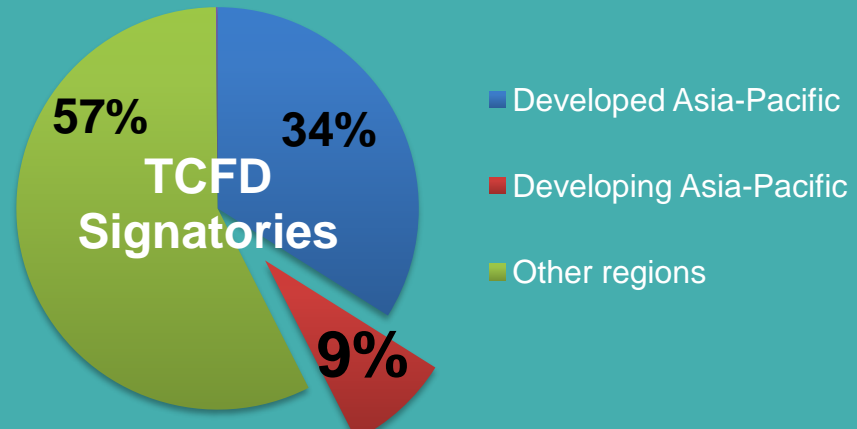
None in other
ASEAN countries

Businesses should internalize the externalities of their business operations



Corporate action

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



- A total of 30 signatories from ASEAN
- Only 1 from Indonesia: Bumi Global Karbon (since Jan 2020)

Businesses should internalize the externalities of their business operations

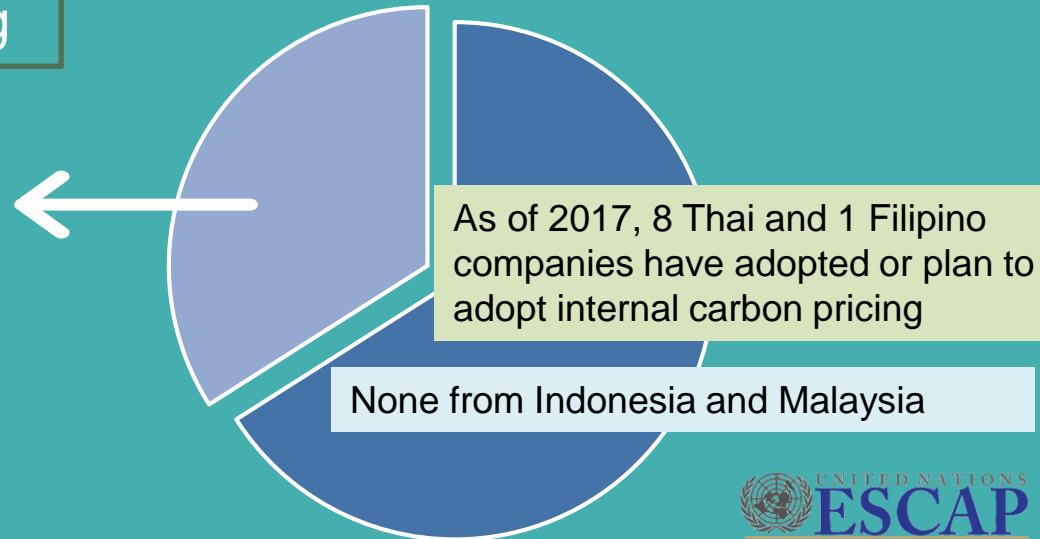


Corporate action

- ❑ 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





Corporate 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

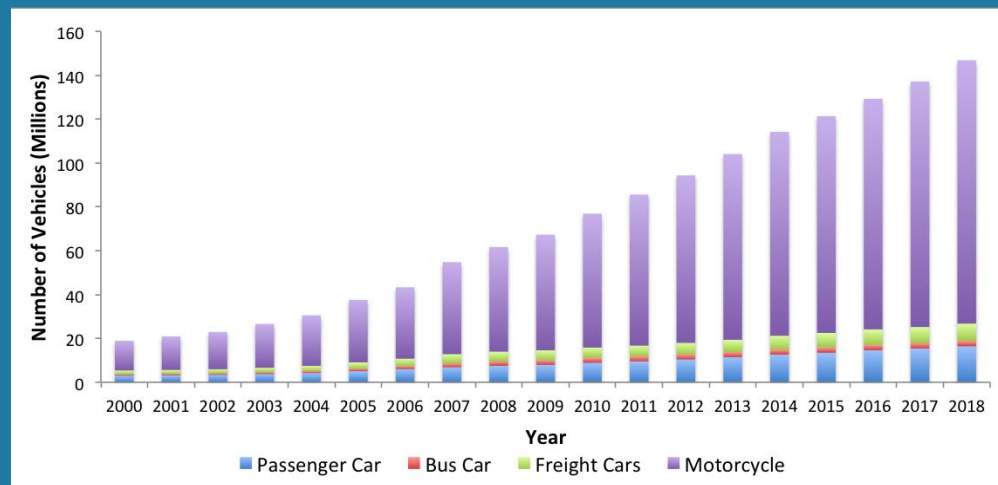
**...to give the eco-conscious investors
such information to make decisions**

Consumers need to move towards sustainable lifestyles



People action

	✓	✗
 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



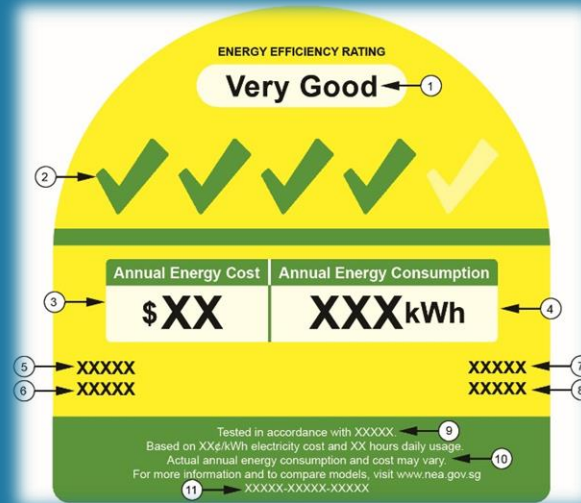
- Drastic rise in motorized transport in Indonesia
- Transport sector accounts for 70-80% of total air pollutants and 23% of GHG emissions.

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



People action

☐ Nudging



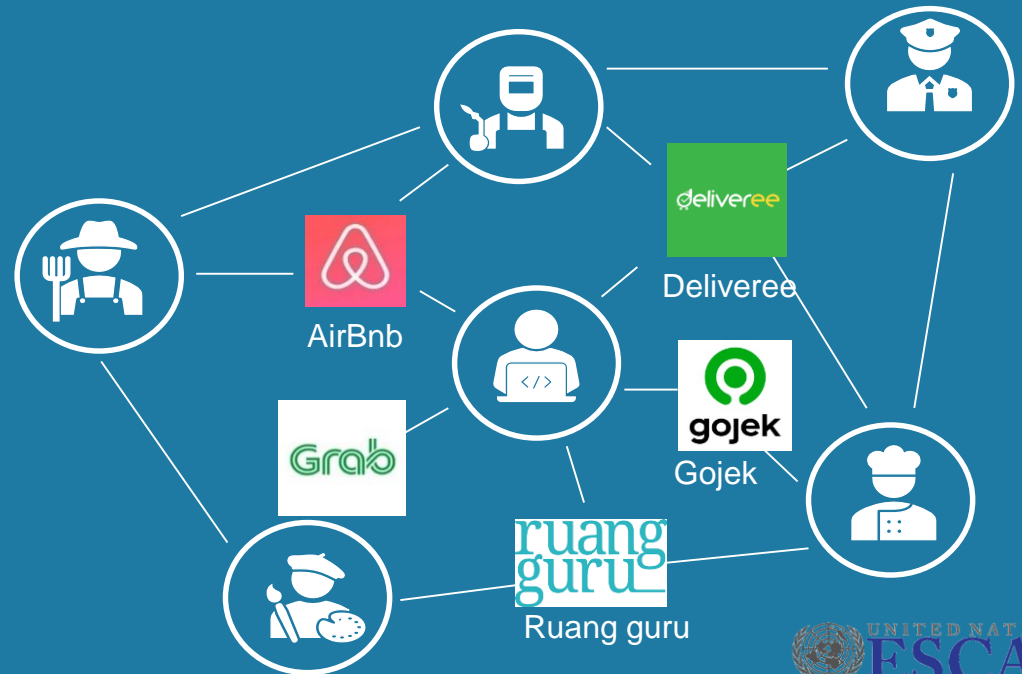
Mandatory energy labels on electric appliances in Singapore

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



People action

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



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
 - Scale up transboundary power trade

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

- Adoption of 10YFP since 2013
- Particularly active in 3 sectors: (1) sustainable buildings and constructions, (2) consumer information on sustainability and (3) eco-tourism
- Active role in promoting 10YFP in the Southeast Asian region as the lead organizer of the annual Forum on SCP of the Association of Southeast Asian Nations (ASEAN)





COVID-19: impact, policy response, and an outlook for sustainable development

What is the COVID-19 crisis and what can be done about it?



The distinct nature of the COVID-19 crisis

Not a crisis due to economic mismanagement, frictions or inefficiency

- Containing the pandemic is a first priority
- Delayed health actions could be more economically costly
- A V-shaped recovery is theoretically possible, but increasingly unlikely

A shock to the physical feasibility of consumption and production

- Traditional fiscal/monetary stimulus may be less effective
- Relief measures are more effective & important than demand stimulus measures
- Restoring logistics and public confidence on health safety would be a precondition for economic recovery

The poor and the working class taking the brunt of the hit

- Immediate and significant impact on jobs and labor income
- Labor-intensive services and manufacturing, and informal sectors are most exposed
- Women and the more vulnerable groups often represent disproportionately in these sectors

A truly global crisis

- Direct disruptions to cross-border movement of people & goods and to global supply chains
- Any remaining pocket of the pandemic is a threat to everyone



Policy responses

Health emergency management

- Mass testing & tracking
- Social distancing & lockdown measures to varying extent
- Securing medical supplies and expanding medical capacity

Policies to support households and stabilize the economy

- Keeping businesses alive
- Protecting people's livelihood and jobs
- Direct spending on public projects
- Direct liquidity injection into the financial market

Post-pandemic economic recovery policies

- Policy packages more similar to the normal counter-cyclical stimulus packages
- Investment in resilience

Global cooperation

- Health cooperation
- Economic cooperation



How would the COVID-crisis impact our transition towards inclusive and sustainable economy?



The COVID-19 crisis brings both new challenges and new hopes for inclusive and sustainable development

Setbacks and new challenges

- Previous achievement in poverty reduction erased
- Policy attention deviated towards immediate and more pressing challenges
- Squeezed fiscal space and corporate funds
- Public memory of economic deprivation & insecurity
- Revealed lack of international consensus on response to even imminent and less complex threats
- Further damage to essential multilateral cooperation mechanisms



The COVID-19 crisis brings both new challenges and new hopes for inclusive and sustainable development

New hopes

- The crisis clearly demonstrates the interdependence of the economic, social and environmental pillars of sustainable development
- Social-environmental Black-Swan shocks could be imminent threats and devastating to the economy
- The temporary halt in many economic activities provides a window to induce positive changes in production and consumption
- The economic stimulus packages provide a valuable chance for the economic transformation towards sustainability
- Despite some set-backs, there is also renewed and stronger commitment to global cooperation and multilateralism

We can turn the COVID-19 crisis into an opportunity for sustainable development

Put people rather than GDP figures first in all our policy responses

- Replace or complement GDP growth target with a composite set of targets on employment, economic healthiness, social-economic inclusiveness, and environmental sustainability
- Prioritize vulnerable groups, SMEs, and the working class in stimulus policy measures

Prioritize investments that kill two birds with one stone, especially in the recovery phase

- Focus on measures that have both employment/efficiency/productivity benefits and social-environmental benefits
- Choose the policies according to local context and competitive strength

Use the opportunity to increase public awareness and rally public support

- Economic prosperity also depends on progresses on the social-environmental front
- Build a more resilient economy to secure our minimum insurance against future black-swan shocks
- Nudging production and consumption changes in the more sustainable direction

Takeaway messages

Without paradigm shifts in our consumption and production patterns, it is very likely that Asia and the Pacific would fall far short of the environmental sustainability objectives of the 2030 Agenda for Sustainable Development.

Collective action by all stakeholders is not an option, but a necessity for the region to achieve SDG12 on sustainable consumption and production.

The COVID-19 crisis provides a golden opportunity for us to reflect on the balance between and the interdependence of the economic, social and environmental pillars, and deviate from the GDP-centric development approach.

Smart policy choices that respond to both short and long-term policy drives, seek synergy in economic, social and environmental gains, and fit the local realities would have the best chance in promoting post-COVID progresses on sustainable development.



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