RECLAIMING OUR FUTURE

A COMMON AGENDA FOR ADVANCING SUSTAINABLE DEVELOPMENT IN ASIA AND THE PACIFIC

ESCAP 75
MOVING FORWARD TOGETHER

Seventy eighth Session

*The shaded areas of the map indicate ESCAP members and associate members.**

The Economic and Social Commission for Asia and the Pacific (ESCAP) is the most inclusive intergovernmental platform in the Asia-Pacific region. The Commission promotes cooperation among its 53 member States and 9 associate members in pursuit of solutions to sustainable development challenges. ESCAP is one of the five regional commissions of the United Nations.

The ESCAP secretariat supports inclusive, resilient and sustainable development in the region by generating action-oriented knowledge, and by providing technical assistance and capacity-building services in support of national development objectives, regional agreements and the implementation of the 2030 Agenda for Sustainable Development.

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FOREWORD

The seventy-fifth anniversary of ESCAP is being celebrated in a wealthier but riskier world.

Since the establishment of ESCAP in 1947, the Asia-Pacific region has made extraordinary progress, emerging as a pacesetter of global economic growth that has lifted millions of people out of poverty. But the COVID-19 pandemic has delivered an unprecedented shock. Almost everyone has been affected, with millions of people being pushed back into poverty, losing their jobs or livelihoods, and a generation of children and young people missing precious years of education and training.

As the pandemic surges and ebbs across countries, the world continues to face the grim implications of failing to keep the temperature increase below 1.5°C – and of continuing to degrade the natural environment. Throughout 2021 and 2022, countries across Asia and the Pacific were again battered by a relentless sequence of natural disasters, with climate change increasing their frequency and intensity. Additionally, more recently, a rapidly evolving crisis in Ukraine is expected to have wide-ranging socioeconomic impacts. The poor are expected to be disproportionately affected once again, through higher fuel and food prices bringing heightened food insecurity and hunger, while declining remittances will affect Central Asian countries, in particular. Furthermore, the mix of energy sources may change. If oil and gas prices remain high for a prolonged period, it may push some countries to switch to cheaper energy resources, such as domestic sources of fossil fuels, which could slow efforts to implement climate actions while also incentivize other countries to accelerate their transition to renewable energy sources.

Under these circumstances, how can countries best respond to the evermore complex and cascading risks from large-scale crises?

Significant efforts need to be made to anticipate what lies ahead. In particular, there is an urgent need to take action and refocus our attention on the Sustainable Development Goals (SDGs), as the target year of 2030 comes ever closer. *The 2030 Agenda for Sustainable Development* is our global commitment and road map, and its implementation is a necessity.

The 2022 theme study, *Reclaiming our Future: A Common Agenda for Sustainable Development in Asia and the Pacific* reflects this imperative.

This report explores how countries across the region can learn from, and work with, each other. It identifies elements for a common agenda for present and future generations centred on being prepared for crises, protecting people and the planet, leveraging digital opportunities, trading and investing more together, raising financial resources and managing debt. Underlying the implementation of our common agenda to advance sustainable development is the need to listen to and work with young and old people and foster intergenerational solidarity while putting women at the centre of crisis-prepared policy action and new people-centric partnerships.

As ESCAP marks its seventy-fifth anniversary, we hope that policymakers will find this study a valuable source of information and inspiration that guides future policy action. ESCAP is ready to serve in the implementation of a common agenda with the peoples of Asia and the Pacific at the core of reclaiming our future.

Armida Salsiah Alisjahbana
Under-Secretary-General of the United Nations
and Executive Secretary of ESCAP

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ACRONYMS

ADB	Asian Development Bank
AP-IS	Asia-Pacific Information Superhighway
APEC	Asia-Pacific Economic Cooperation
APCTT	Asian and Pacific Centre for Transfer of Technology
ASEAN	Association of Southeast Asian Nations
CBDC	central bank digital currencies
DHS	Demographic Health Surveys
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GDP	gross domestic product
GNI	gross national income
ICT	information and communication technology
IF4D	investment facilitation for development
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IPPC	Intergovernmental Panel on Climate Change
ITU	International Telecommunication Union
IXP	Internet exchange points
MICS	Multiple Indicator Cluster Survey
MTS	multilateral trading system
NCDs	nationally determined contributions
NGO	non-governmental organization
ODA	official development assistance
OECD	Organization for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
PPP	public-private partnerships
SDGs	Sustainable Development Goals
SDR	special drawing right
SE4ALL	Sustainable Energy for All
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNFCCC	United Nations Framework Convention on Climate Change
UNDRR	United Nations Office for Disaster Risk Reduction
UNSGSA	United Nations Secretary-General's Special Advocate for Inclusive Finance for Development
USAF	universal service and access funds
WWF	World Wildlife Fund
WTO	World Trade Organization

CONTENT

FIGURES

TABLE

BOXES

EXECUTIVE SUMMARY

Over the past two decades, the region has lifted millions out of poverty. Most countries are in now in a position to offer their citizens many more opportunities to live longer, healthier, more productive and secure lives. In a wealthier but riskier world, these achievements are threatened by three overlapping crises. The most immediate is the coronavirus disease (COVID-19) pandemic, which has cost many lives, brought economies to a standstill and pushed back an estimated 85 million people into extreme poverty measured at $1.9 per day. Second, rapid economic growth has often had devastating environmental consequences by exhausting natural resources, generating dangerous levels of pollution and contributing to global heating. An existential threat from climate change looms large. Third, is the damage from natural disasters that recur with increasing frequency and intensity. More recently, a rapidly evolving crisis in Ukraine is expected to have wide-ranging socioeconomic impacts that disproportionally affect the poor through higher fuel and food prices and declining remittances, with countries in North and Central Asia particularly affected.

The present study describes pathways to achieve more inclusive and sustainable post-pandemic recovery. It identifies elements for a common agenda for present and future generations centred on protecting people and the planet, leveraging digital opportunities, trading and investing more together, raising financial resources and managing debt. It underlines the need to listen and work with young people, placing women at the centre for crisis-prepared policy action and new people-centric partnerships, with the readiness of the Economic and Social Commission for Asia and the Pacific (ESCAP) to serve.

A wealthier but riskier world

The Economic and Social Commission for Asia and the Pacific (ESCAP) is commemorating its seventy-fifth anniversary in 2022. Guided by the principles and purposes of the Charter of the United Nations in which the peoples of the United Nations resolved to combine their efforts to employ international machinery for the promotion of the economic and social advancement of all peoples, the United Nations is a common endeavour to achieve a better world.

As the regional arm of the United Nations in Asia and the Pacific, ESCAP is comprised of 62 members and associate members, compared to just 10 when it was founded. Its evolution is embedded in the development of the region. Since its establishment in 1947, countries in the Asia-Pacific region have witnessed extraordinary progress. When ESCAP was established, the countries of the region had mainly agrarian economies and they were suffering from the ravages of the Second World War. Today, Asia and the Pacific stands out globally for the richness of its cultures, the durability of its systems of philosophy and the diversity of its forms of governance – and as the home to some of the largest and most dynamic economies on Earth. The Asia-Pacific region has emerged as a pacesetter of global economic growth that has lifted millions of people out of poverty.

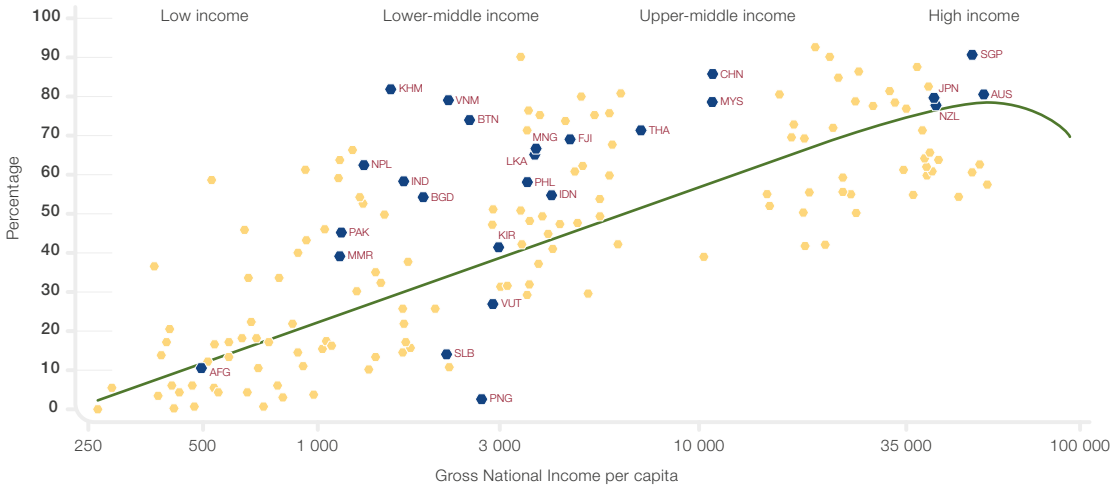
But these achievements are now threatened by three overlapping crises that have exposed the fault lines in a wealthier but riskier world. The first and most immediate is the coronavirus disease (COVID-19) pandemic, which has cost many lives, brought economies to a standstill and pushed an estimated 85 million people back into extreme poverty, measured at $1.90 per day. Second, rapid economic growth has had devastating environmental consequences, by exhausting natural resources, generating dangerous levels of pollution and contributing to climate change. An existential threat from climate change looms large. Third, natural disasters recur with increasing frequency and intensity, causing countless damages. These crises are examined in detail in the following paragraphs.

Furthermore, in the past month, the crisis in Ukraine has evolved rapidly with wide-ranging global impacts. In Asia and the Pacific, higher inflation is expected to disproportionately affect the purchasing power and food security of the poor. Poverty and deep inequalities will thus once again compound impacts. Slowdown in economic activities is expected to disrupt trade, supply chains and remittances from migrant workers. Shipment of containers through northern Eurasian land transport corridors will be disrupted. If the crisis is protracted and energy prices remain high, interest in the further development of alternative corridors may grow. The mix of energy sources is also likely to change, with some countries opting for cheaper fossil fuels while others will be incentivized to accelerate their transition to renewable sources. Nevertheless, it is too early to make accurate and specific projections of the impacts and the above assessment is preliminary.

Coronavirus disease (COVID-19) exposes fault lines

First, the COVID-19 pandemic exacerbated vulnerabilities that already existed due to environmental degradation, climate change and natural disasters, and it exposed millions of vulnerable people to additional socioeconomic challenges. The pandemic has brought suffering and loss to every country in the region and affected all aspects of their societies and economies. As of early March 2022, there were 252 million cases of COVID-19 in Asia and the Pacific with 2.9 million deaths, representing approximately 57 per cent and 48 per cent, respectively, of official global totals. In terms of access to vaccines, diagnostics, therapeutics and medicines, COVID-19 is a pandemic of inequalities within and between countries and communities (figure I).

Figure 1 Vaccine coverage and gross national income per capita, selected countries, March 2022



Abbreviations: *AFG, Afghanistan; AUS, Australia; BGD, Bangladesh; BTN, Bhutan; CHN, China; FJI, Fiji; IDN, Indonesia; IND, India; JPN, Japan; KHM, Cambodia; KIR, Kiribati; LKA, Sri Lanka; MMR, Myanmar; MNG, Mongolia; MYS, Malaysia; NPL, Nepal; NZL, New Zealand; PAK, Pakistan; PHL, Philippines; PNG, Papua New Guinea; SGP, Singapore; SLB, Solomon Islands; THA, Thailand; VNM, Viet Nam; VUT, Vanuatu.*

Note: *Fully vaccinated refers to two doses of a vaccine approved by the World Health Organization.*

No one has escaped the impact of the pandemic but the poor have been hit hardest. In addition to the devastating impact on human health and survival, the economic shutdowns have hurt those with the least to fall back on, making them even poorer and further widening inequality.

Climate change and ecological destruction

Second, over the past two years, the COVID-19 pandemic has coincided with a crisis that is likely to have even more serious ramifications over time – the changing climate. Asia and the Pacific is at the forefront of this existential challenge, in terms of both causes and consequences. Eight members of the Group of 20 from the Asia-Pacific region are responsible for approximately half of global greenhouse gas emissions. At the same time, the Asia-Pacific region has countries and communities that are among the most affected by the impacts of climate change and climate-induced disasters.

In the region, resource-intensive growth has pushed many natural systems beyond the point of irreversible damage, leading to ecosystem degradation and climate disruption. Moreover, governments continue to offer taxes and subsidies that promote brown economies rather than green economies or blue economies.

As a result, the decline in biodiversity and ecosystems in the region is now more severe than ever while deforestation and marine degradation rob local communities of their futures, and heavily polluted air and water kill millions of people every year. All these pressures have a disproportionate impact on the poor.

Disasters ahead

Third, the COVID-19 pandemic, climate change and environmental destruction have added to a daunting spectrum of hazards emanating from natural and human-made sources. Indeed, the region is the most disaster-prone in the world. As a result of global heating, climatic extremes involving heatwaves, floods, droughts and tropical cyclones will be unprecedented in magnitude and frequency. Such dangers are emerging in regions that previously had been unaffected, threatening human and economic destruction on an alarming scale. The difference between 1.5°C and 2°C of global warming is quite substantial in terms of the damage it would cause. Climate change also contributes to the emergence and re-emergence of infectious diseases and pathogens. Following the COVID-19 pandemic, Governments have recognized the need to anticipate and prepare more effectively for large-scale, cascading, interconnected and complex crises.

Each of the three crises are compounded by the extent and deepening of inequality. Inequality is usually measured in terms of income or wealth, but often inequalities in access to opportunities are more important. Families who are unable to benefit from basic health care, education or social protection will find it difficult to improve their lives and are likely to fall further behind those who were able to benefit.

The dissimilarity index (D-index) is used to demonstrate the extent to which some households are missing out. In Asia and the Pacific, the highest index figures, and thus the greatest inequalities in access to basic services and opportunities, are found in the Pacific, followed closely by countries in South East Asia and in South and South-West Asia. Taken by sector, the largest inequalities are found in completion of higher education and access to clean fuels and the Internet.

Clearly, more challenges nowadays are interconnected, generating systemic crises of increasing complexity and uncertainty. The impacts on health, employment and education affect the most vulnerable people disproportionately, leading to a vicious downward cycle. However, this is not inevitable. People who are disadvantaged will try to catch up through their own efforts, but they need to be supported by public policies. Furthermore, systemic crises know no boundaries, which underlines the importance of countries working together around a common agenda designed to leave no one behind and build cross-border resilience along a shared path to sustainable development.

The present document provides a summary of the theme study entitled *Reclaiming Our Future: A Common Agenda for Advancing Sustainable Development in Asia and the Pacific* and serves to highlight how Governments can best respond to complex and cascading risks from large-scale crises.

Protecting people and the planet

The most immediate action must be to strengthen health and social protection systems. At the same time, Governments should take measures to mitigate and adapt to climate change, and to protect the precious planet while defending people from disaster impacts. The main issues include health care, social protection, environmental measures, climate change and natural disasters.

Many health services typically have insufficient resources and too few staff, and they can be overwhelmed by the growing burden of noncommunicable diseases and pandemics. To address the overall threats to human health and respond better to emergencies, Governments should aim to provide universal health-care coverage. In disaster hot spots in particular, they can shift to a more comprehensive lateral public health approach, which is a transdisciplinary, grass-roots approach that facilitates community-based participation in decision-making, preparedness and response, with multisectoral interventions, such as those designed to reduce poverty and inequality.

Better health care that can respond more effectively to pandemics should also be part of a broader programme to reinforce social protection. Governments need to move this issue to the top of the political agenda and aim to provide universal social protection for everyone, whether rich or poor. This sounds expensive, but it need not be. A basic universal social package in Asia and the Pacific consisting of old-age pensions and child, maternity and disability benefits – estimated to cost between 2 and 6 per cent of gross domestic product (GDP) – is eminently affordable for most countries, in particular when compared to the huge cost of doing nothing.

To fulfil the human right to a clean and healthy environment and preserve the sustainability of the planet for the prosperity of all, societies across the region must redefine their relationship with nature and shift to greener, more resilient and sustainable development pathways. Doing this will involve new ways to address the interconnections between environmental threats, whether from ecosystem degradation, biodiversity loss or climate change. In addition, there are opportunities that combine environmental, social and economic objectives. Addressing sustainability is about finding pathways to prosperity within planetary boundaries, now and in the future.

Climate change is widespread, rapid and intensifying, and some trends are now irreversible, but there is still time to limit the impact of climate change. The secretariat estimates that Asia-Pacific countries would need to spend an additional 3.2 per cent of GDP per year on average to deliver a policy package that comprises investments to enhance energy access and efficiency, ensure climate-resilient infrastructure and preserve biodiversity. Together with abolishing fossil fuel subsidies and introducing a carbon tax, such as a green development package, could help to reduce carbon emissions in the region by approximately 30 per cent in the long run. Governments face three questions in devising such strategies: first, how will they contribute to GDP growth; second, how will they help to achieve cost efficiency in areas such as energy, water, transport, agriculture and supply chain management; and third, how will international credibility be enhanced, which in turn may exert peer pressure on companies and other countries to capture opportunities for growth in the transition to the green economy?

Furthermore, countries in Asia and the Pacific could establish a regional coalition that would put low-carbon transformation on track, phase out the use of coal, stop fossil fuel subsidies and use carbon pricing while promoting renewable energy and boosting energy efficiency.

To tackle air pollution, countries need to work towards establishing and implementing national legislation, as well as reaching mutual agreements and harmonizing standards, sharing data and taking regional action. To protect marine ecosystems, countries in Asia and the Pacific should support the objectives of the United Nations Decade of Ocean Science for Sustainable Development.

Environmental decision-making should also be rights based, with clear flows of information and broad public participation, especially by women and young people. A regional framework agreement on rights-based approaches could be suggested by ESCAP member States, which should include the right to access environmental information, to participate, and to access remedies in environmental matters.

The COVID-19 pandemic has added to a daunting spectrum of hazards emanating from natural and human causes. The resulting cascade of compounding events has put huge pressure on health and disaster management systems. No one knows which extreme event will come next; it could be another pandemic, a rapidly evolving environmental disaster or a disaster driven by transport, industrial, technological or scientific accidents. Nevertheless, Governments should have strategic foresight to manage systemic risk across crises (figure II). Rather than being considered as a specialized sector, systemic risk management should be considered as part of strengthened national and local governance supported by regional and subregional frameworks.

Figure II Strategic foresight to manage systemic risk

Risk governance must be supported by new digital technologies that unlock innovative solutions. Digital systems using high-resolution satellite and drone imagery, along with big Earth data analytics, smartphone applications and website portals can monitor and track dangers from forest fires, flooding, air pollution and many other climate-related disasters.

In the region, Governments must improve their management of systemic risk. The secretariat supports members and associate members by promoting principles-based frameworks to manage systemic risk, notably through subregional partnership networks.

Digital by default

The pandemic has simultaneously accelerated the adoption of digital technologies and exacerbated the digital divide. On the one hand, digitalization has offered new socioeconomic development opportunities and new ways of coping with everyday activities. On the other hand, as the world becomes digital by default, the extension of these technologies has further widened inequalities between genders, rural and urban areas, generations and vulnerable groups.

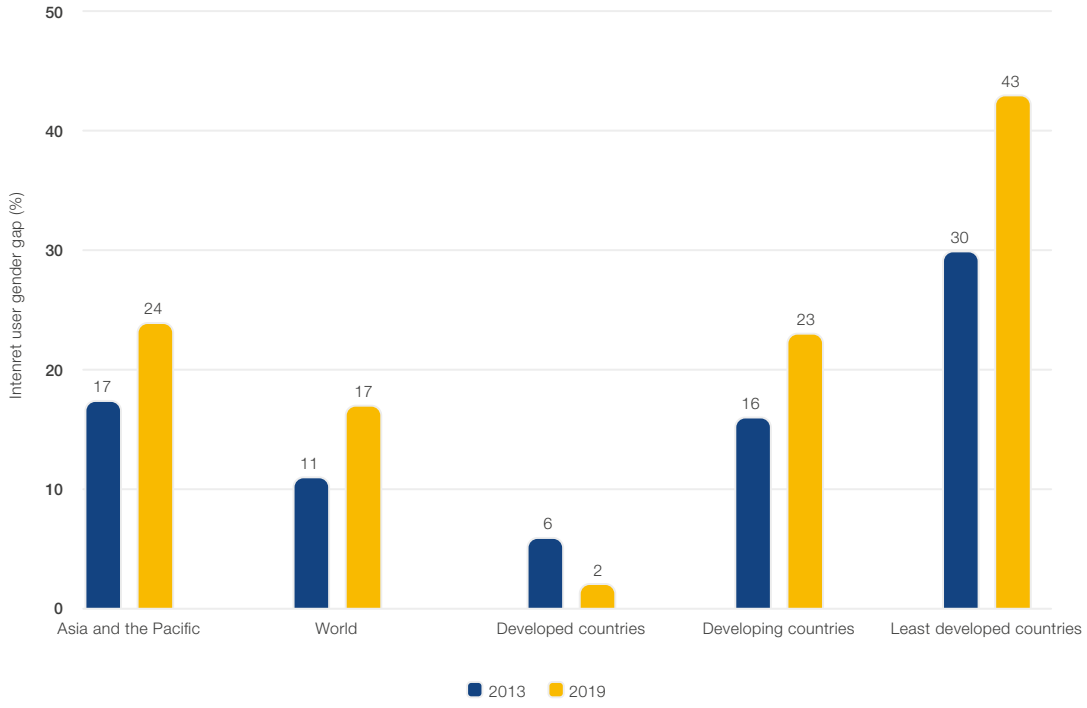
One of the first priorities is to expand the coverage of digital services. In Asia and the Pacific on average, mobile-broadband subscriptions are around 80 per 100 inhabitants, though notably higher in North and North-East Asia and lower in the Pacific. In the period 2015–2017, average bandwidth per capita in the Asia-Pacific region was 38 kilobits per second, but the levels were far lower in small island developing States (32 kilobits per second), least developed countries (14 kilobits per second) and landlocked developing countries (12 kilobits per second). There is also a considerable gender gap. In 2019, in Asia and the Pacific 55 per cent of men used the Internet compared to only 41 per cent of women – and the gender gap seems to be widening, as shown in figure III.

Internet service quality can be improved by increasing the number of Internet exchange points. The costs of information and communications technology infrastructure deployment can be reduced through infrastructure sharing: Internet cables can be laid, for example, when constructing roads, highways, railways, power transmission lines and oil or gas pipelines.

An effective way to enable regular and more equitable Internet use is through government and business sector collaboration that provides free Wi-Fi at public offices, schools and hotspot areas, especially in developing countries. A complementary option in locations commercial operators do not consider economically viable is to establish self-managed community networks.

Government and business collaboration is a critical enabler of skills formation. Because digital transformation is more about people than technology, the development of user-friendly platforms and applications that diverse groups of people can easily understand and use can enhance equitable Internet access. Furthermore, universal digital identification that makes all people digitally identifiable can improve access to a wider range of governmental and non-governmental services, enhance transparency and help to identify those most likely to be left behind.

Figure III Gender gap in Internet users, world and selected country groups, 2013 and 2019



Source: *International Telecommunication Union and United Nations Educational, Scientific and Cultural Organization, The State of Broadband 2020: Tackling Digital Inequalities – A Decade for Action (Geneva, 2020).*

Note: *According to the International Telecommunication Union (ITU), the gender gap represents the difference between the Internet user penetration rates for males and females relative to the Internet user penetration rate for males, expressed as a percentage.*

Digital commerce platforms are dynamic. They have enabled small and medium-sized enterprises to engage in the digital economy and earn additional revenue, and to offer jobs in the gig economy such as delivery and taxi services, and they have spurred the adoption of mobile wallets and contactless payment systems. The crisis has also brought forward the idea of central bank digital currencies for more inclusive financing, using the same digital ledger technology as cryptocurrencies but backed by central banks.

These innovations are not without risk. Nevertheless, supported by a robust policy and regulatory framework that protects data, privacy and cybersecurity, digitalization can become a foundation for maintaining the trust of the people in their Governments to fulfil the commitment to prepare for crises and ensure no one is left behind.

Partnerships are critical. The secretariat and its partners have collaborated on digital connectivity and transformation through the Asia-Pacific Information Superhighway initiative. The action plan for the next phase of implementation of the Master Plan for the Asia-Pacific Information Superhighway, for 2022–2026, has been drafted as a regional framework consisting of three pillars related to connectivity, digital technologies and applications, and digital data.

Trading and investing together

International trade and foreign direct investment (FDI) have been key engines of growth in Asia and the Pacific, helping to lift millions of people out of poverty. But the multilateral trading system has come under increasing strain, contributing to a proliferation of regional trade, investment and economic partnership agreements.

Over the period 2010–2019, the region has become more integrated, though more in terms of finance and infrastructure and the digital economy, and less in terms of the movement of people.

Trade interdependencies and efficient supply chains have a major influence on the production, distribution and administration of vaccines. These have not always worked smoothly, and bottlenecks have resulted from shipment delays and poor trade facilitation and coordination.

Asia and the Pacific and the rest of the world are now looking for ways to improve the production, distribution and administration of vaccine supplies. This should include exchanging scientific knowledge and data, establishing production capacity in developing countries as well as sharing part of the investment risk. There is also scope for South-South and triangular cooperation by facilitating

cross-border mobilization of medical supplies, vaccines and vaccine intermediates, and procurement of vaccines could be pooled. Harmonized regulations and trade policies should also prevent imports of substandard and falsified vaccines.

The road to recovery from the COVID-19 pandemic will be challenging and gradual. One of the first measures should be to simplify and digitalize trade procedures. Full digital facilitation could cut average trade costs in Asia and the Pacific by more than 13 per cent. To move forward, Governments in the region could take advantage of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

There are also opportunities to expand sustainable cross-border e-commerce. At present, digital trade has mostly been managed through domestic regulations and various regional agreements. Instead, there should be greater cooperation among countries, as well as between international organizations and the private sector.

Trade must be climate smart. Increasingly, as companies headquartered outside the region adopt green strategies, the competitiveness of the global value chain sourced in the Asia-Pacific region is likely to be affected. In-depth sector-specific assessments are needed to better quantify the impacts, opportunities and corporate and government response strategies that can capture this potential. Furthermore, while there has been little global progress on reducing tariffs on environmental goods, some gaps have been filled by regional measures. To enhance effectiveness, climate-related provisions should specify more precise, measurable and binding commitments, and these agreements should have credible mechanisms of enforcement.

Trade digitalization, including electronic cargo tracking with automatic customs systems, can help to reduce the impact of trade on the environment. At the same time, countries in the region need to address the negative externalities generated by freight transport, including carbon dioxide emissions.

Trade is deeply linked with FDI, and it will be an especially important resource in the pandemic recovery as public financing will be tight. Since 2018, the Asia-Pacific region has been the largest source of global FDI flows, and for the first time, in 2020 the region was both the largest source and the largest recipient of global FDI flows. However, while overall FDI flows to the Asia-Pacific region are expected to register small, positive growth in 2022, they are likely to remain below pre-crisis levels in the medium term.

An ongoing challenge is to make investments in sustainability even though markets are small and technology is new and has uncertain returns. Often such challenges can be addressed at the local level by the people most directly affected. It is therefore important to empower local government to build green partnerships with civil society organizations, businesses and knowledge providers. Reforms in the governance of international investment along with political commitment and regional cooperation to keep countries open to investment will also be needed. These measures to promote linkages between the value chain and FDI can be supported by the ESCAP network of investment promotion agencies across the region.

Raising financial resources and dealing with debt

The COVID-19 pandemic has taken a heavy toll on human well-being and demonstrated the urgent need for new more inclusive and sustainable development pathways. This shift will require additional fiscal and financial resources, and Governments in the region can explore a number of options. In terms of national policies, for example, they may reform public expenditure and taxation; develop deeper capital markets; issue innovative financing instruments, including green bonds or sustainability bonds; and arrange debt swaps for development. Governments will also need to work together to accelerate the financing of climate action to facilitate multi-stakeholder debt discussions and combat illicit cross-border financial flows and tax evasion.

Responding to the pandemic, Asia-Pacific Governments have invested large sums of tax revenue in social protection schemes to save lives and livelihoods and reinvigorate economic activity. As a result, between 2019 and 2021 the average fiscal deficit among Asia-Pacific developing countries increased from 1.2 to 6.2 per cent of GDP. For most countries, debt servicing remains sustainable. For others, debt is becoming a serious concern, but Governments should not try to reduce necessary fiscal expenditure, as this could hamper economic recovery and the achievement of the Sustainable Development Goals. Instead, they should create more fiscal space and raise additional financial resources by curbing non-developmental expenditures and aligning them with the Sustainable Development Goals and climate priorities. Governments can also seek to remove untargeted and unnecessary subsidies, in particular those on fossil fuels, and improve efficiency of government expenditure.

More financial resources can be raised through equitable taxation which would reduce reliance on indirect taxes and enhance progressive income taxes. Well-designed personal income taxes should exempt the poorest and minimize loopholes for the rich, but much depends on the capacity of tax administrators to ensure compliance. The rich in developing countries could also pay their fair share through taxation on types of wealth that are easy to find, value and liquidate.

The costs of public debt servicing can also be reduced through better debt management which covers issues, such as what types of debt to issue and for what purpose, and requires strong legal and accounting frameworks and risk assessments, and regular reporting. The best way to effectively manage debt is through a separate and accountable public debt management office.

Developing countries have increasingly been raising funds through thematic bonds, such as green bonds, social bonds and sustainability bonds, issued on the condition that they are used for projects with social and environmental benefits. To be effective and ensure that the proceeds are used for intended purposes, thematic bonds should follow international standards and be subject to third party verification.

Governments can sell diaspora bonds to investors who have emigrated to other countries to enable them to support their home country while also earning returns. Several Asia-Pacific countries receive a large volume of remittances and have an opportunity to sell diaspora bonds. Nevertheless, several policy actions need to be in place, such as developing domestic capital markets, and Governments must understand the willingness and ability of their diaspora populations to invest in diaspora bonds.

Donors can also help to increase fiscal space through debt-for-climate adaptation swaps, which are agreements to write off debt in exchange for commitment to specific actions, such as measures for climate mitigation or adaptation. Such swaps can provide valuable funds though they are likely to be complex and carry high transaction costs. A successful swap requires broad consultation between the Government, its creditors and other domestic stakeholders, including indigenous and local communities, and it also requires an effective monitoring, reporting and verification framework.

Multinational enterprises and wealthy individuals can exploit the internationalization of business and the easy mobility of capital and wealth around the world to evade or avoid taxation. To combat tax base erosion and profit shifting by multinational enterprises, for example, the Organisation for Economic Co-operation and Development has created a framework for Governments, though only half of ESCAP member States are members of the framework.

There is also scope to engage ministries of finance and planning in international processes to promote climate action, deal with debt distress and tackle illicit cross-border financial flows and tax evasion. In this regard, the Sustainable Development Goals offer a comprehensive framework for multi year planning and value creation that enhances returns, reduces risk and brings impact at scale. The Commission can use its convening powers and ability to provide technical advice to support such engagement.

A common agenda for sustainable development

The recommendations for a common agenda to advance sustainable development in Asia and the Pacific are inspired by the declaration on the commemoration of the seventy-fifth anniversary of the United Nations, which states that there is no other global organization with the legitimacy, convening power and normative impact of the United Nations, that gives hope to so many people for a better world and can deliver the future envisioned in the 2030 Agenda for Sustainable Development.

This necessarily involves political will and leadership through reinvigorated multilateralism based on values of trust and solidarity. In the aftermath of the ravages of the Second World War, from which only a few countries in the region emerged as independent nation States, the countries in the Asia-Pacific region, albeit to varying degrees, have advanced together in dealing with crises while gradually building up systemic resilience.

Within the framework of the report of the Secretary-General entitled “Our Common Agenda”, which is a global vision for accelerating the achievement of the Sustainable Development Goals, the common agenda proposed in the following paragraphs is focused on advancing sustainable development in the Asia-Pacific region. The principles of this common agenda are guided by the need to be prepared, leave no one behind, protect the planet, place women and girls at the centre, listen to and work with young people, improve digital cooperation, boost partnerships and ensure sustainable financing.

A richer but riskier world

No one knows which extreme event will come next. Governments therefore need to be prepared through strategic foresight that encompasses national and local systemic risk management, supported by regional frameworks and backed by computational innovations that integrate digital and geospatial big data analytics with behavioural science insights. For example, through its Regional Space Applications Programme for Sustainable Development, ESCAP could facilitate a coalition of space-faring countries that would provide high resolution satellite imagery and big Earth data analytical tools for consistent natural disaster risk monitoring and reduction, with a focus on countries with special needs.

Protecting people and the planet

In most countries, being poor is the most important factor for being left behind. More than half of the population of the region is unprotected against any form of contingency throughout their life. A central solution is to provide social protection systems as these systems help to mitigate a range of life contingencies, including those associated with raising children, getting sick or acquiring a disability, losing a job or becoming a breadwinner, and growing older. Universality is key to reaching those who need support when they need it. The Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific calls on members and associate members to establish an intermediate target of coverage by 2025 for the achievement of universal coverage by 2030.

The region needs to phase out the use of coal, stop fossil fuel subsidies and make use of carbon pricing while moving to renewable resources, integrating actions on biodiversity, ecosystems, air pollution and climate change into national policies and ensuring that such measures are also integrated into trade agreements. Asia and the Pacific needs to accelerate adaptation and resilience, possibly through a regional coalition. The aim should be to mend the broken relationship with nature through rights-based environmental management. In this regard, there is scope to develop a regional cooperation modality on air pollution.

Centring women and girls is critical to fulfilling their rights and empowerment. Women's active participation in decision-making and the design and implementation of policies and programmes will also contribute to inclusive and sustainable solutions. The design of adequate social protection for poor women matters for gender equality. The need to recognize and reward the care of children and older people, through subsidized services, has become urgent in the context of rapidly ageing societies where women live longer than men and where women are primary caregivers.

Future generations are underrepresented in decision-making. For intergenerational equity, Governments can create seats for young parliamentarians and citizen assemblies in which the youth have equal representation, for example. In particular, young people should be involved in developing sound environmental regulations that articulate the needs of future generations. There is scope to establish committees for the future or appoint future generation commissioners to advise Governments and public bodies, as has already been done in some countries.

Digital by default

Accelerating digital transformation in a post-COVID-19 economy and society has exposed the compelling need to achieve universal access to affordable, reliable and safe broadband Internet by 2030. A big push in infrastructure investments is needed, using blended public-private investments in remote rural areas. There are opportunities for Governments to reduce infrastructure costs by coordinating the deployment of new cables along transport and energy corridors. Government investments in universal national digital identification can help to identify those most likely to be left behind and enhance their inclusion in social protection systems for better crisis preparedness, while more digital job opportunities for the young people of the region can be created through government-business partnerships that match training programmes to market requirements. Through implementation of the next phase of the Asia-Pacific Information Superhighway initiative, for the years 2022–2026, the Commission will help to improve digital cooperation on these matters.

Trading and investing together

International trade and foreign investment have been key engines of growth in Asia and the Pacific, but trade procedures need to be simplified and digitalized. To move forward, countries in the region could take advantage of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. At the same time, attention must be paid to building up productive capacities, such as digital innovation, climate readiness and epidemic resilience, to ensure regional trade and investment meet emergency needs in a more inclusive and sustainable way. In all aspects of trading and investing, Governments need to work closely with the private sector, academia, development banks and community groups. With a growing demand from investors of all sizes for investment-ready opportunities that support the achievement of the Sustainable Development Goals, ESCAP can provide a platform for commercially viable, environmental, social and corporate governance projects, for example, through regional Sustainable Development Goals investment fairs that match project sponsors with private investors and/or public development banks.

Raising financial resources and managing debt

To create sufficient fiscal space, it will be important for Governments to curb non-developmental expenditures, move to more progressive forms of taxation and raise funds through thematic bonds, diaspora bonds and debt swaps for development. In terms of strengthening regional cooperation, Governments can promote climate action through fiscal policy, engage in inclusive dialogue on debt issues and combat illicit cross-border financial flows and tax evasion.

The Commission is ready to serve

Having reached its seventy-fifth anniversary, ESCAP has served the region as the most inclusive intergovernmental platform with an ambitious vision and broad, open-ended programme of work. As an impartial and credible convener, ESCAP has developed and implemented a number of regional cooperation agreements and frameworks focused in particular on enhancing transport as well as trade integration. While these upstream normative interventions have provided valuable guidance for the implementation of more coordinated downstream operational interventions aligned with standards and good practices promoted by the United Nations, future cooperation frameworks will need to put the peoples of the region at the core.

With people at the centre, there is further scope to strengthen the role of ESCAP as a marketplace for knowledge, ideas and projects. In particular, ESCAP should engage the enthusiasm of a younger generation on climate change issues and environmental, social and corporate governance. Across all sectors, ESCAP must invest more in improving data collection, analysis and dissemination, and raising the visibility of vulnerable groups in statistical data, as well as in developing strategic foresight to manage systemic risk and in behavioural sciences that deepen understanding of policies that incentivize all individuals and private sector companies towards protecting people and the planet.

CHAPTER 1
A WEALTHIER BUT RISKIER WORLD

Asia and the Pacific has some of the world's largest and most dynamic economies, and its rapid economic advances have lifted millions of people out of extreme poverty. But these achievements are now threatened by three overlapping crises. The most immediate is the COVID-19 pandemic, which has cost many lives, brought many economies to a standstill, and exacerbated existing vulnerabilities and inequalities. Second, there is the looming reality of climate change and the continuing assault on the natural environment, which has destroyed habitats and livelihoods. Third is the recurring damage from natural disasters. Additionally, the unfolding crisis in Ukraine is expected to have wide-ranging impacts.

Though occupying only 30 per cent of the world's land area, the Asia-Pacific region is home to about 60 per cent of the global population – more than 4.7 billion people. The region has some of the world's richest cultures and diverse forms of governance, and its entrepreneurs have enabled the region to emerge as a pacesetter of global economic growth. Economic growth has also helped reduce extreme poverty – and much more rapidly than in other regions of the world. Over the past three decades, this economic growth has lifted millions of people out of poverty, and due to social and economic development, many people are living longer, healthier, and more productive and secure lives.

Nevertheless, rapid economic growth has come at a heavy price. Economic growth has had devastating environmental consequences by exhausting natural resources and generating dangerous levels of pollution, producing noxious air that is especially harmful to millions of children – and all the while, exacerbating the dangers of climate change. More intensive and unsustainable production and consumption patterns have also been accompanied by persistent and rising inequalities within and between countries.

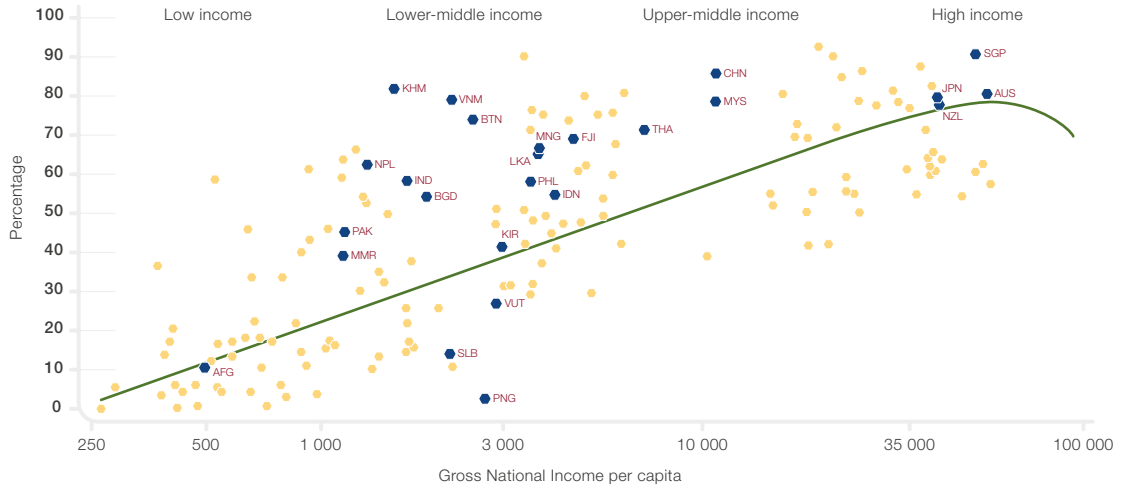
COVID-19 exposes the fault line

The COVID-19 pandemic has seeped into these multiple fault lines and left millions of people in vulnerable situations exposed. As of the beginning of March 2022, a total of 252 million COVID-19 cases, resulting in 2.9 million deaths, had been recorded in Asia and the Pacific. These figures represent approximately 57 per cent and 48 per cent of the officially recorded global totals, respectively. The pandemic has brought suffering and loss to almost every country in the region and affected all aspects of the societies and economies.

In Asia and the Pacific, there have been a number of initiatives supporting countries' efforts to contain the spread of the virus. The COVAX[1] supply of vaccines has provided a lifeline for developing countries. In addition, the Association of Southeast Asian Nations (ASEAN), through the ASEAN Leaders' Declaration on ASEAN Vaccine Security and Self-Reliance, and ADB have established the Asia-Pacific Vaccine Facility. These regional efforts have been complemented by bilateral agreements on vaccine manufacturing, distribution and delivery. Yet in many countries of the region, less than 20 per cent of the total population is fully vaccinated. A number of lower-income countries have been slow to offer vaccines to their populations – and many of the unvaccinated are front-line workers and persons in vulnerable situations (figure 1-1).

Figure 1-1 Vaccine coverage and gross national income per capita, selected countries, March 2022

(percentage of population having received two dosages)



Source: *Data from Oxford University and World Development Indicators.*

Note: *Country names abbreviations: AUS, Australia; BGD, Bangladesh; BTN, Bhutan; CHN, China; IDN, Indonesia; IND, India; JPN, Japan; KHM, Cambodia; LKA, Sri Lanka; MMR, Myanmar; MNG; Mongolia; MYS, Malaysia; NPL, Nepal; NZL, New Zealand; PAK, Pakistan; PHL, Philippines; SGP, Singapore; THA, Thailand; VNM, Viet Nam.*

These failures are partly due to the skewed distribution and redistribution of vaccines within and between countries; COVID-19 is a pandemic of inequalities. The region has also suffered from a shortage of health-care workers, lack of resources and know-how, and supply chain problems. Even in countries with adequate vaccine supplies, lack of trust in government and health systems and social media-fuelled misinformation have contributed to "vaccine hesitancy".

COVID-19 has not just killed millions of people and broken families across the region, it has also had cascading knock-on effects – economic, social, environmental and technological. At the national level, the lockdowns have shut millions of enterprises, many of which may not survive. It has also created havoc in global supply chains. In Asia and the Pacific, in 2020, the pandemic cost 73 million jobs.[2]

Few people have escaped the impact of the pandemic, but it has hit the poor the hardest. In addition to the devastating effects on human health and survival, the economic shutdowns have hurt those with the least resources to endure the hardship.

The impact of COVID-19 on people in vulnerable situations

COVID-19 has thrown another light on inequalities through the measures taken to combat it, such as social or physical distancing and higher standards of personal and environmental hygiene. Compliance can be difficult for those who do not live in comfortable spaces without ready access to clean water and safe sanitation, or to information and communication technologies (ICTs).

- *ICTs* – Throughout the COVID-19 pandemic, ICTs have been providing vital information and opportunities to study and work online. However, as many people are not well connected to the Internet, this has exacerbated the digital divide. At the same time, social media have spread xenophobia and discrimination,[3, 4] along with misconceptions and myths about the virus, which in societies that were already fragile, has led to further social fractures and prejudices.
- *Hygiene and sanitation* – People have become more conscious of the value of personal hygiene and water supplies. In East Asia and the Pacific, 165 million people lack access to basic drinking water.[5] In South Asia, more than 134 million people do not have access to improved drinking water.[6] In India, for example, the virus spread more rapidly in slum areas due to overcrowded spaces and limited water supplies. Long queues at communal taps have heightened the risk of disease transmission.[7] Shared and poorly maintained sanitation facilities have also put women, girls, and gender non-binary persons at greater risk, as they manage their menstrual hygiene needs.[8]
- *Overcrowding* – Millions of people living in slums and informal settlements lack the space required to maintain social distancing. In Bangladesh, approximately four fifths of slum households are single-room dwellings.[9] Most of the people living in these tiny, congested rooms, share toilet facilities and use communal bathing spaces and water collection points.[10]

Measuring people's capacity to respond to emergency measures

Governments dealing with public health and lockdowns have been faced with complex decisions and must judge the extent to which people can respond to each new measure. To assist in the process, a new composite index, based on living conditions, indicates if an individual is in a position to follow a basic set of recommendations presented in this report.[11] This index uses data on the following factors:

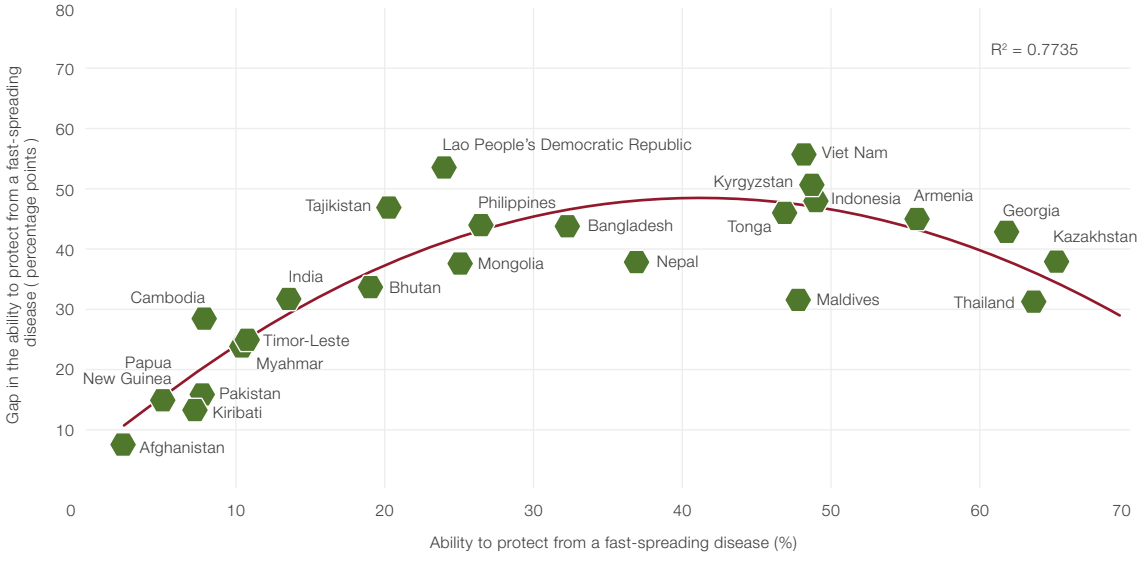
- *Communications* – The household has access to the Internet, TVs, phones, mobile phones or radios.

- *Water* – The household has water pipes into the dwelling or yard, or another private water source.
- *Handwashing* – The household has a handwashing facility on premises with soap and water.
- *Crowding* – Excluding children under two years, there are no more than two people per sleeping room.
- *Toilets* – The household has a toilet not shared with other households.

An individual is defined as having a home environment fit to protect her or him against the pandemic if all these five components are fulfilled.[12] In Kyrgyzstan, for example, almost half of all individuals were found to have a protective home environment, but there were significant differences based, for example, on wealth and education among households in the top 60 per cent of the wealth distribution; 61 per cent were able to protect themselves.[13]

In 20 out of 24 countries in this analysis, less than half the population were able to protect themselves (figure 1-2). In many countries, this proportion was below 10 per cent, including, among them, Afghanistan, Bangladesh, Bhutan, Cambodia, India, Kiribati, the Lao People's Democratic Republic, Mongolia, Myanmar, Pakistan, Papua New Guinea, the Philippines, Tajikistan and Timor-Leste. In Afghanistan, for example, only 28 per cent of all households have a handwashing facility with soap and water and only 27 per cent of all households have a toilet that is not shared with other households.[14] It should be noted however, that these are snapshots taken at specific time priors of the pandemic, so the household circumstances may have changed because of the pandemic.

Figure 1-2 Ability to protect against a rapidly spreading disease and gaps between the furthest behind and the furthest ahead groups, latest year



Source: *ESCAP calculations based on latest DHS and MICS surveys conducted in the 2010s.*

The population segments that have suffered the most during the pandemic are the following:

- *Older persons* – Older persons and those suffering from chronic conditions are more likely to become severely ill and die. Lockdowns and isolation have affected the mental health of older persons and increased their risk of abuse and discrimination. This population segment also tends to have greater difficulty in accessing online services. In 2019, less than 10 per cent of older persons had access to the Internet in Cambodia, Georgia, Indonesia, Kazakhstan, Pakistan, Thailand and Uzbekistan. Moreover, older people often lack the skills to fully use ICTs.[15]
- *Migrants* – The risk is particularly high among migrants, in part because many of them work in domestic services and in nursing, professions in which there is a higher risk of contracting a disease. In addition, migrants were left stranded by border closures and lockdowns – without work or social protection, at risk of discrimination and abuse, and separated from family and friends,[16] with limited access to medical services.[17]
- *Children* – The pandemic has robbed millions of children of important experiences in their early years. Even children learning online miss the chance to acquire vital cognitive, social, physical and emotional skills. Food insecurity among children has also increased during the pandemic, as many parents no longer have the financial resources to buy nutritious food, and schools that might have offered free or reduced-price meals, remain closed. Many children were forced into child labour as family income declined, and as households resorted to every means to survive.
- *Young people* – During the pandemic, young people have been struggling. Almost 700 million young people aged 15 to 20 in Asia and the Pacific have been affected, facing a disruption in their education and training and finding it difficult to get a decent job. In 2020, the adult employment rate fell by 2.4 per cent, but for young people, it declined by 10.3 per cent.[18]

- *Women* – As women are more likely than men to hold jobs requiring physical presence. During lockdowns, they along with girls have been exposed to greater violence and threats to their mental health.[19] Rates of underage marriage have spiked as young women who had to return to their villages were more likely to be pushed into arranged marriages.[20]
- *Informal workers* – More than two thirds of the employed population in the region are informal workers. Most of them do not have basic social protection or decent working conditions.[21] Without income protection, many have been left vulnerable to falling into poverty.[22]
- *Persons with disabilities* – The pandemic has further exacerbated exclusion, discrimination and inequalities experienced by persons with disabilities.[23] Many of them have difficulties accessing disability- or COVID-related health-care services.[24]

Climate change and ecological destruction

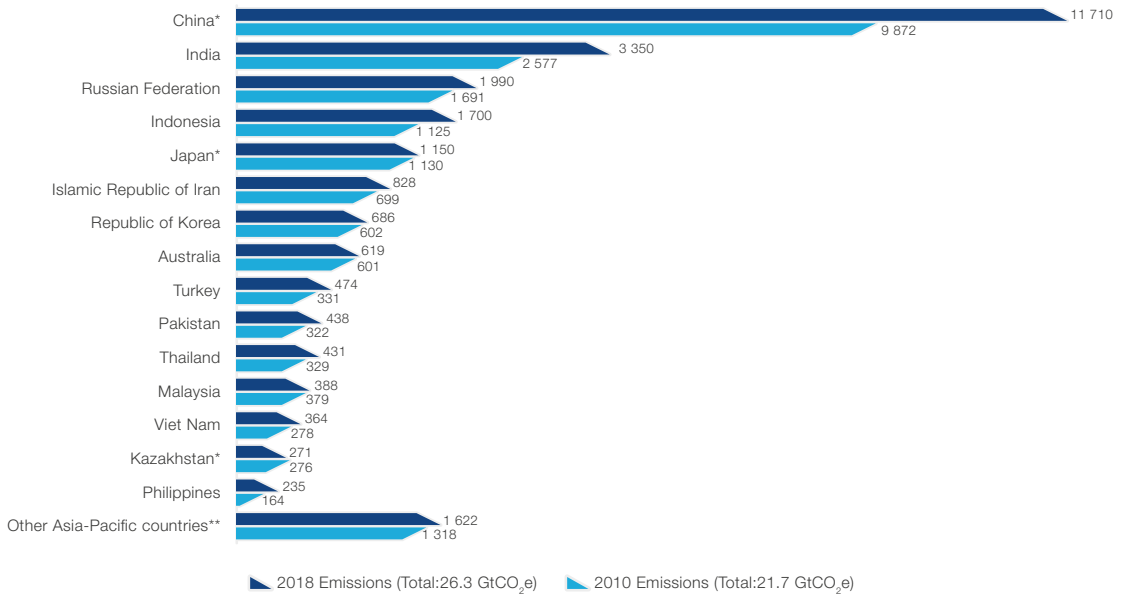
Over the past two years, the COVID-19 pandemic has been sharing the headlines with an issue that is likely to have even more serious ramifications – the changing climate. The scientific community, through the Intergovernmental Panel on Climate Change (IPCC), has sent a message that cannot be misunderstood. Climate change is real, and it is being caused by humanity. This is the culmination of decades of ecological destruction

Asia and the Pacific is at the forefront of this existential challenge in terms of both causes and consequences. In 2018, the region was responsible for approximately 55 per cent of global greenhouse gas emissions. Five of the top 10 countries most responsible for historical emissions since the beginning of the twentieth century are in Asia. The eight G20 members from this region – Australia, China, India, Indonesia, Japan, the Republic of Korea, the Russian Federation and Turkey – are responsible for 44 per cent of global greenhouse gas emissions (figure 1-3). Following a brief stall in early 2020, cumulative greenhouse gas emissions in the Asia-Pacific region are again rising.

At the same time, some of the countries and communities most affected by the impacts of climate change and climate-induced disasters are in the region. These impacts disproportionately burden the poorest and most vulnerable groups, including women and children, indigenous populations, gender minorities, migrants and persons with disabilities.

In addition to human suffering, the effects of climate change will result in extensive economic damage. In Asia, by 2050, the loss of outdoor working hours in the midst of increased heat and humidity could jeopardize between $2.8 trillion and $4.7 trillion of GDP. Meanwhile, riverine flooding is expected to damage approximately $1.2 trillion of the capital stock[25, 26]

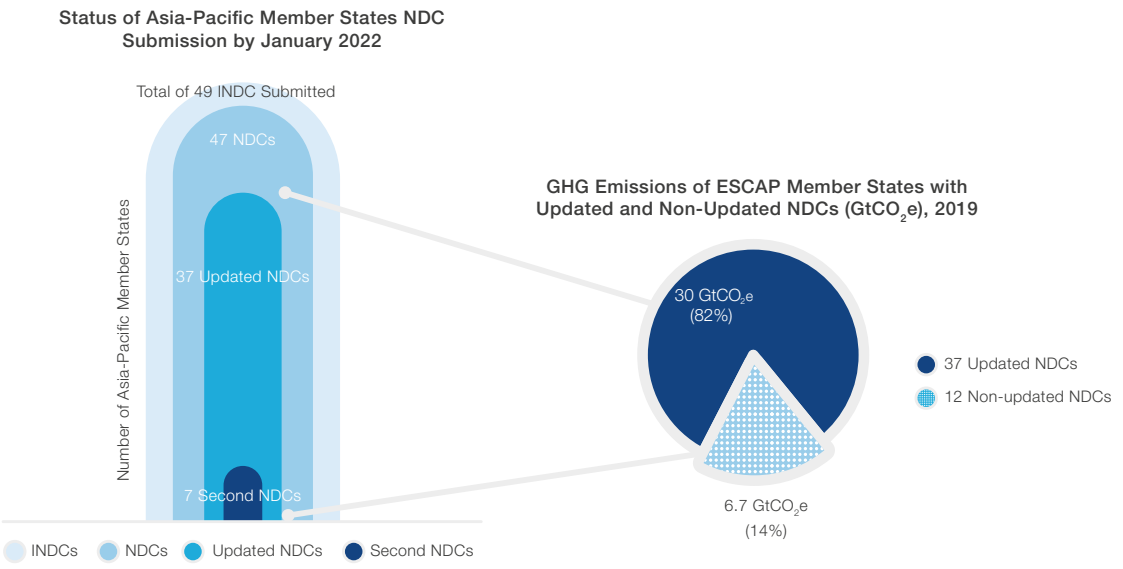
Figure 1-3 Growth of greenhouse gas emissions in Asia and the Pacific, (MtCO2e), 2010–2018



Lack of ambition on greenhouse gas mitigation

To keep the world within the 1.5°C temperature rise, IPCC has recommended that by 2030, greenhouse gas emissions be cut to 45 per cent below the 2010 levels. For Asia and the Pacific, this is equal to a reduction in greenhouse gas emission of approximately 7.8 GtCO2e.[27] Commitments towards this goal can be assessed from each country's nationally determined contributions (NDCs). All 49 Asia-Pacific member States have submitted their intended NDCs, of which 47 have evolved into NDCs (figure 1-4). In 2019, in total, these 49 countries collectively emitted more than 36 GtCO2e. Twelve countries have yet to update their NDC commitments, including India and the Islamic Republic of Iran, whose commitments are expected to contribute significantly to the reduction of Asia-Pacific greenhouse gas emissions.

Figure 1-4 Status of Asia-Pacific Nationally Determined Contributions submissions and their greenhouse gas emissions share (GtCO2e), January 2022



The wounds from intensive economic growth

In Asia and the Pacific, climate change is being driven in part by an ongoing environmental crisis. Resource-intensive production and consumption patterns have pushed many natural systems to tipping points beyond which there will be irreversible damage.

Many of the environmental pressures result from the expansion of agriculture and urbanization. Asia and the Pacific is experiencing the world's fastest urbanization rate and by 2050, two thirds of the global urban population is expected to be in the region. Species are being forced to shift habitats, with many moving into increasingly smaller areas, or new semi-natural habitats, broadening the interface between human populations and wildlife, and increasing the risk of transmitting infectious diseases and the emergence of new pathogens.

Biodiversity and ecosystems

The region is facing the world's most severe decline in biodiversity and ecosystems. Deforestation and ecosystem degradation are robbing local communities of their futures, and heavily polluted air and water are killing millions of people every year. All these pressures have a disproportionate impact on the poor, perpetuating inequality.

Asia and the Pacific is home to some of the world's most diverse ecosystems and greatest biodiversity. It has the largest and most diverse coral reef systems, more than half of the world's remaining mangrove areas, and the most diverse seagrasses.[28] However, these species and ecosystems are in severe decline and much of the world's mass extinction of biodiversity is taking place in this region.[29] The extent of the damage is evident from the WWF *Living Planet Report 2020*, which gives Asia and the Pacific a continuously declining biodiversity intactness index score. Bird extinctions on some islands are close to 90 per cent of historically recorded species, and 25 per cent of the region's endemic species are at high risk of extinction.[30, 31]

The region also faces a continued increase in deforestation. Between 2000 and 2015, approximately 135,333 square kilometres of natural forest area were lost for agricultural purposes, accounting for 11 per cent of the world's total natural forest loss.[32]

Also at great risk are ocean and marine ecosystems. Rampant pollution, destructive and illegal fishing practices, inadequate marine governance and continued urbanization along coastlines have destroyed 40 per cent of the coral reefs and approximately 60 per cent of the coastal mangroves. These and other pressures exacerbate climate-induced ocean acidification and warming, and are weakening the capacity of oceans to mitigate the impacts of climate change.[33]

Waste and pollution

The increase in consumption and the depletion of resources has generated large amounts of waste. Most of the material value of production is subsequently buried in landfills, sometimes causing irreversible environmental damage. Only 10 per cent of solid waste produced in the region ends up in properly managed landfill sites.[34] Most growing Asian cities use open dumps. Approximatively 95 per cent of river-borne plastic in the oceans is transported by 10 major rivers, eight of which are in Asia.[35]

At the same time there has been an exponential rise in air pollution.[36] More than 90 per cent of the people in the region are exposed to levels that pose a significant health risk.[37] Indoor air pollution typically has more drastic impacts on women and children. PM2.5 exposure, for example, is linked with an 80 per cent increased risk of mortality from breast cancer for women.[38]

Another significant threat to human and environmental health is untreated wastewater. Approximately 70 per cent of urban wastewater is discharged into ecosystems and 80 to 90 per cent of all the wastewater produced in the region remains untreated.[39]

Exhausting resources

Fast economic growth, a rising population, rapid urbanization, the expansion of manufacturing and growing consumption have all contributed to an increase in demand for material resources. The material footprint, which comprises fossil fuels, biomass, metals and non-metallic minerals per unit of GDP in the Asia-Pacific region is twice as much as the world average. Between 2010 and 2015, levels of resource efficiency declined at an alarming rate.[40]

Moreover, governments continue to offer taxes and subsidies that promote "brown" rather than green or blue economies. Brown economic growth does not take into account externalities and depends heavily on the use of natural resources. The green economy, on the other hand, is "one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities".[41] The blue economy, also called the marine economy, is defined as "an ocean-based economy that provides equitably distributed social and economic benefits, while restoring and protecting the intrinsic value and functionality of coastal and marine ecosystems".[42]

The brown economy is still supported by subsidies for fossil fuels, which, by 2020, had reached $115 billion annually in the region.[43] The COVID-19 responses also included bailouts to businesses that have a heavy biodiversity footprint, such as airlines and coal companies. These may bring immediate benefits to fuel producers and users, but they underprice the risks and future costs posed by climate change.

Lack of protection for those who protect the planet

Environmental human rights defenders play a key role in protecting biodiversity and ecosystems, preventing pollution and addressing climate change.[44] This can be dangerous. Last year, 41 land and environmental defenders were killed in Asia and the Pacific. In fact, some countries in the region have the world's highest crime rates against environmental defenders.[45]

Disasters ahead

The COVID-19 pandemic, climate change and environmental destruction have added to a daunting spectrum of hazards emanating from natural and man-made sources. Indeed, the region is the most disaster-prone in the world, and some countries are close to a tipping point beyond which disaster risk, fuelled by climate change, will exceed their capacity to respond.

Following the COVID-19 pandemic, governments realize that they need to anticipate and prepare much more effectively for large-scale cascading and complex crises. The global riskscape is a vast dynamic system with complex interplays among environmental, economic, geopolitical, societal and technological factors (figure 1-5). This riskscape has always included virus outbreaks and in fact, in 2006, the World Economic *Forum Global Risk Report* warned of the risk of global pandemics.[46]

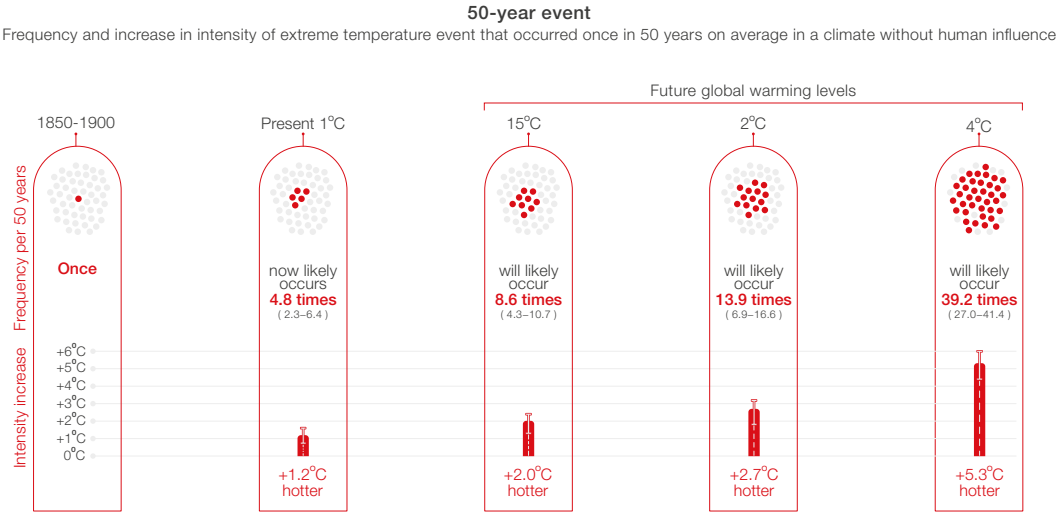
Figure 1-5 Global riskscape – A system of natural, technological and man-made hazards

As a result of global heating, climatic extremes, involving heatwaves, floods, droughts and tropical cyclones are projected to be unprecedented in magnitude, frequency and timing. Dangers are emerging in regions that were previously unaffected – threatening destruction, human and economic, on an alarming scale.

This was made clear in the Sixth Assessment Report of IPCC.[47]

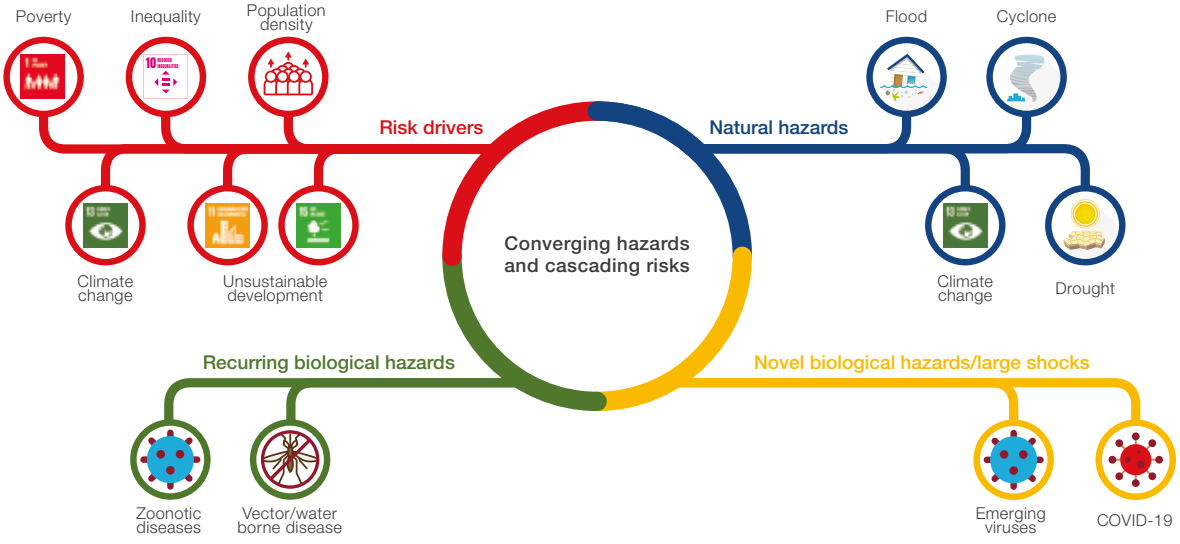
The Panel calculates that every additional 0.5°C of global warming discernibly increases the intensity and frequency of weather extremes, including heatwaves (figure 1-6). The dangers are evident in the Pacific small island developing States. Currently, only few of these countries are at risk of being struck by category three to five cyclones, but with warming of 1.5°C, many more countries would be at risk and if warming reaches 2°C, virtually all of them would be threatened.

Figure 1-6 Projected changes in the intensity and frequency of high temperature extremes over land in drying regions



It is also important to note the ways in which different hazards interact. Climate change not only increases temperature, precipitation, and the frequency and intensity of heatwaves, floods, and drought, it can also shift the patterns of disease vectors, such as mosquitoes. Governments and other institutions, therefore, need to appreciate how multiple types of disasters converge to enable them to assess socioeconomic vulnerabilities, and quantify multisectoral impacts[48] in order to create integrated disaster-climate-health risk scenarios (figure 1-7).

Figure 1-7 Converging hazards and cascading risks emanating from the disaster, climate and health nexus



Inequality of opportunity in Asia and the Pacific

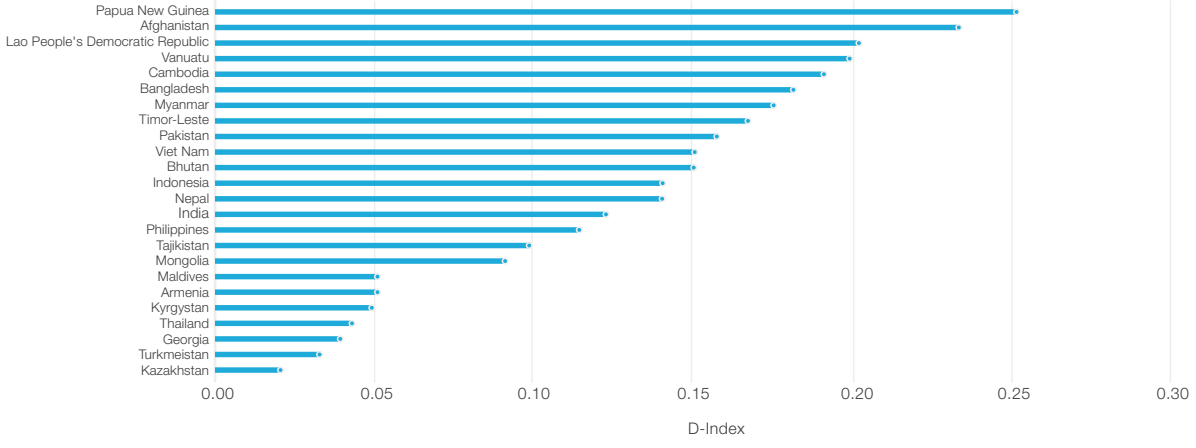
The impacts of COVID-19, climate change and the regular battering by natural disasters are compounded by the extent of inequality in the region. Even before COVID-19, Asia and the Pacific already had 900 million people living in poverty – below $3.20 per day. Between the periods 1990-1994 and 2010-2014, on average, the region's income inequality, as expressed by the Gini coefficient. increased by almost five points from 33.5 to 38.4.

The pandemic has exacerbated income inequality. In 2021, based on the extreme poverty threshold of $1.90 per day, an additional 85 million people were pushed into poverty; using the $3.20 and $5.50 thresholds, the number reached 154 million and 162 million, respectively.

Disparities are usually highlighted in terms of income or wealth, however, often inequalities are in access to opportunities. Families that are unable to benefit from basic health care, education or social protection, for example, find it difficult to improve their lives and are likely to fall further behind those who have a better start in life. This not only effects people's well-being, but it also constrains economic development at local and national levels and puts a brake on economic progress while also eroding trust and social cohesion.[49] These inequalities pose a formidable barrier to sustainable development.[50]

To demonstrate the extent to which households are missing out on opportunities, the dissimilarity index, or D-index was used for this report. Just as the Gini coefficient measures inequalities in income, the D-index can be used to show how access to a group of basic services and opportunities are distributed among different groups. The higher the D-Index, the greater the disparities (figure 1-8).

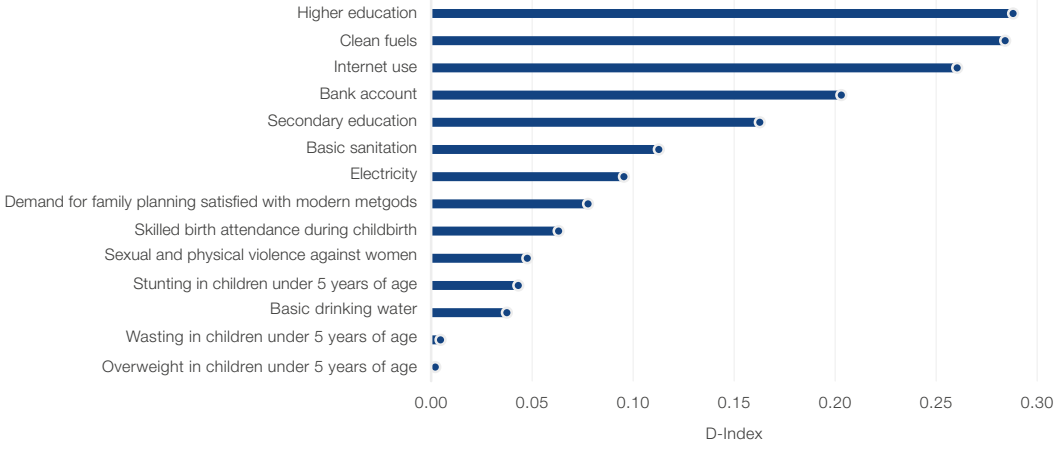
Figure 1-8 Average D-indices for basic services and opportunities, by country



Source: *ESCAP calculations using available data from the latest DHS and MICS surveys.*

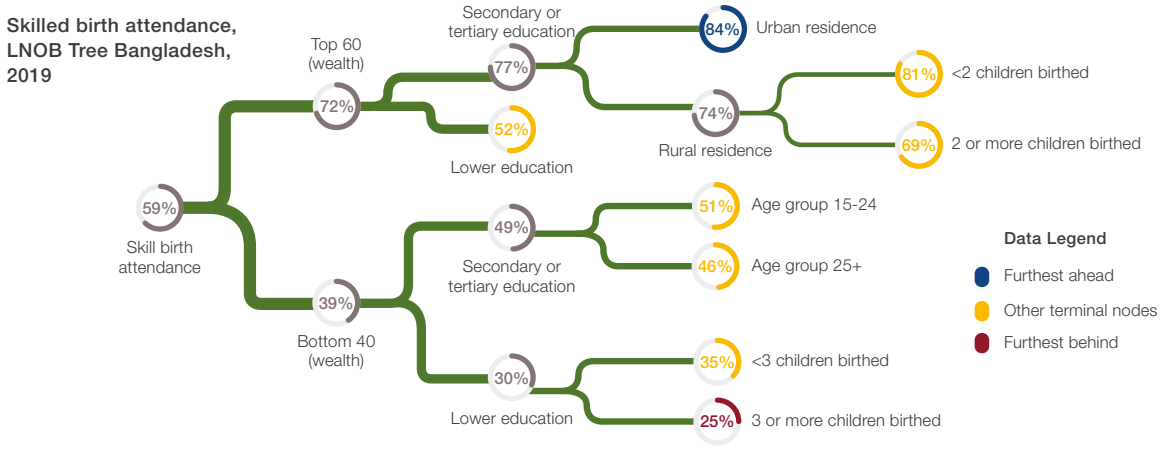
Another way to examine these inequalities is by opportunity or barrier (figure 1-9). This reveals that the largest inequalities are for completion of higher education, access to clean fuels and access to the Internet.

Figure 1-9 Average D-indices, by opportunity or barrier



These data can be further analysed to identify the groups that have benefited the most from development and those that have become most marginalized. This can be done by using a "classification and regression tree".[51] In Bangladesh, for example, the group of women that are furthest behind in attaining access to professional help at childbirth comprises those with three or more children and who have lower education, and are in the bottom 40 per cent of the wealth distribution. For this group of women, access to skilled birth attendance is 25 per cent (figure 1-10). The group that has the best access are the women who are in the top 60 per cent of the wealth distribution, have attained a secondary or tertiary education and are living in urban areas. For this group of women, access to skilled birth attendance is 81 per cent. The difference between the lowest and highest access groups is 56 percentage points.

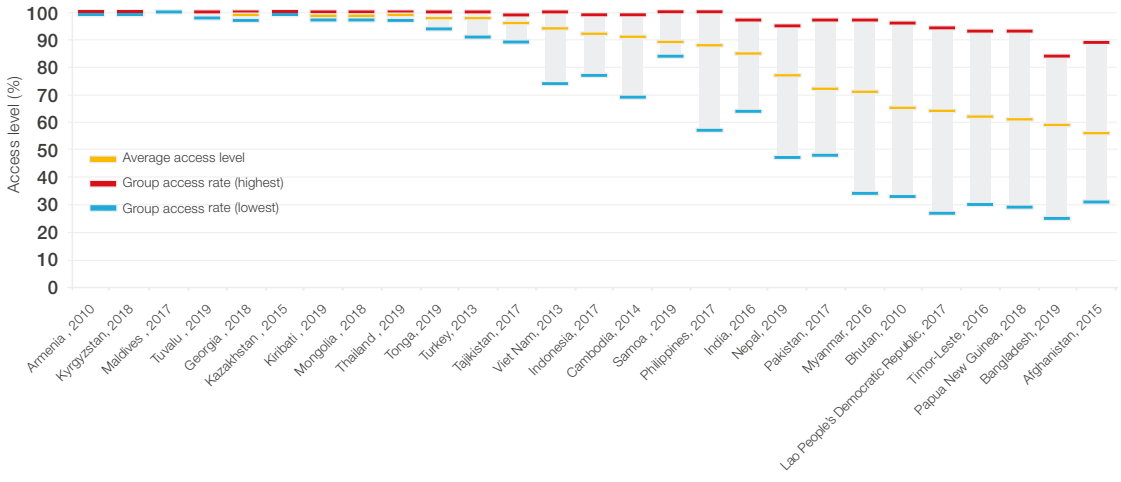
Figure 1-10 Classification tree for access to skilled birth attendance in Bangladesh, 2019



Source: *ESCAP calculations, using data from the latest DHS and MICS surveys.*

A similar analysis can also be carried out for other countries to show the gaps between the best-off and the worst-off groups (figure 1-11). The countries with average access rates close to 100 per cent are mostly in North and Central Asia, and also includes Maldives and Mongolia. On the other hand, access gaps between groups are the widest in such countries as Bhutan, the Lao People's Democratic Republic, Myanmar, Papua New Guinea and Timor-Leste.

Figure 1-11 Gaps in access to skilled birth attendance for women aged 15-49, by country, latest year



Source: *ESCAP calculations, using data from the latest DHS and MICS surveys for countries in the Asia-Pacific region that have average access below 99 per cent.*

Note: *These trees can be generated for all countries and all opportunities and over time at the ESCAP online LNOB database (lnob.unescap.org).*

Asia and the Pacific is, thus, faced with three major and overlapping problems – the COVID-19 pandemic, the climate crisis and regular battering from natural disasters – whose impacts are compounded by deep inequalities.

Furthermore, in early 2022, a crisis emerged in Ukraine, which evolved rapidly with wide-ranging global impacts. In Asia and the Pacific, these impacts are expected to fall disproportionately on the poor, which once again will be compounded by deep inequalities in the region (box 1-1).

How should governments and regional organizations respond? That is the subject of the following chapters.

BOX 1-1

Preliminary assessment of the potential socioeconomic impact of the crisis in Ukraine

Due to the fast-evolving crisis in Ukraine, it is too early to make accurate and specific projections of the wide-ranging impacts. Nevertheless, several channels of the likely impacts can be identified. This box provides a preliminary assessment.

The most significant impact on the Asia-Pacific region will be higher inflation. This will disproportionately affect lower-income groups, primarily through rising oil, commodity and food prices.

The economy of the Russian Federation is likely to suffer significantly due to sanctions. Reductions in oil and natural gas exports, which account for approximately 15 per cent of the GDP of the country, are expected to be significant. This will have spillover impacts for countries in North and Central Asia through trade, investment, migration and related remittances linkages. While North and Central Asian countries are more reliant on imports from the Russian Federation (5 to 7 per cent of GDP) and to a lesser extent on exports (2 to 5 per cent of GDP), many countries are heavily dependent on remittances from the Russian Federation. Worse affected will be countries in which remittances account for between 10 and 30 per cent of GDP, and a significant percentage of those remittances are from the Russian Federation. This is the case for Kyrgyzstan, where 80 per cent of remittances come from the Russian Federation, and Armenia, Tajikistan and Uzbekistan, which receive more than 50 per cent of their remittances from the Russian Federation. Employment opportunities and incomes of migrant workers will decline due to the weakening of economic activity in the Russian Federation, while the depreciation in the rouble will further weigh on the value of earnings and savings. Additionally, sanctions on the Russian banking system will disrupt remittance flows through formal channels. As a result, remittance flows from the Russian Federation to many Central Asian countries are likely to be adversely affected. Kyrgyzstan, for example, is expected to record a decline in remittances by as much as 33 percent (Ratha and Kim, 2022).

For the rest of Asia and the Pacific, trade ties are approximately 1 per cent of GDP or lower with the Russian Federation and approximately 0.1 per cent of GDP with Ukraine. Such weak trade interdependence should shield the rest of the Asia-Pacific countries from direct large trade shocks. However, as the region is a net oil importer, the impact of rising oil prices will be significant, particularly for large oil importers.[1] Though the Russian Federation is not the main source of energy and commodity exporter to the region, countries, such as China and the Republic of Korea, import more than 10 per cent of their oil from the Russian Federation (Al Jazeera, 2022). On the other hand, as oil prices are expected to remain above $100 per barrel until at least the second half of 2022, energy exporters could gain considerably. Based on simulations by Oxford Economics, an average oil price at $100 per barrel will lower GDP growth of Asia by 0.2 percentage points and will increase inflation by 0.5 percentage points (Kishore, 2022). Finally, if oil and gas prices remain high, the mix of energy sources may change. The high prices may push some countries to switch to cheaper energy sources, such as domestic coal, which could slow efforts to mitigate climate change. Other countries may be incentivized to accelerate their transition to renewable energy resources. The price of food and agricultural commodities are also being pushed up. The Russian Federation and Ukraine together account for a quarter of the world's wheat exports, along with other grains. Higher cost of global wheat will likely push up the price of grain substitutes and animal feeds, adding to the cost of livestock production. Higher energy prices will also push up the price of fertilizers, which may result in lower fertilizer use and lower crop yields. Food and feed prices may rise by 8 to 22 per cent in 2022/23 according to FAO (2022) and will have a strong impact on net food importers,[3] the majority of which are least developed countries (WTO, 2022).

Higher food, oil and agricultural commodity prices will weigh on consumption and growth, as the weight of food and energy in the CPI basket is at least 40 per cent in many countries in the region. This will hamper consumption at a time when countries are just recovering from the pandemic and labour markets remain weak. Consumption will also be constrained by the expected tightening of monetary and financial conditions, as global interest rates will rise in response to higher global inflation, which, in turn, could lead to interest rate increases in the region.

Finally, as citizens of the Russian Federation are unable to travel abroad, loss of tourism revenue will set back tourism recovery in countries dependent on arrivals from the Russian Federation. For example, Russian tourists account for almost 20 per cent of the international arrivals in Sri Lanka and approximately 4 per cent in Thailand, among other tourism-dependent economies in the region. The potential loss of tourism revenue from arrivals from the Russian Federation is equivalent to 0.2 per cent of GDP of Thailand (Thai PBS, 2022).

In sum, the crisis in Ukraine may prolong the disruptions experienced during the pandemic and stymy the outlook for a robust economy recovery as countries open up. The impact of high food and fuel prices will fall disproportionately on the poorest segment of the population.

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[1] With the exceptions of net fuel exporters in the region: Azerbaijan, Brunei Darussalam, Indonesia, the Islamic Republic of Iran, Kazakhstan, Malaysia and Turkmenistan.

[2] Large oil importers, such as China, India, Japan, the Republic of Korea, the Philippines, Singapore and Thailand.

[3] Afghanistan, Bangladesh, Cambodia, the Lao People's Democratic Republic, Mongolia, Myanmar, Nepal, Pakistan, Samoa, Solomon Islands, Sri Lanka and Vanuatu.

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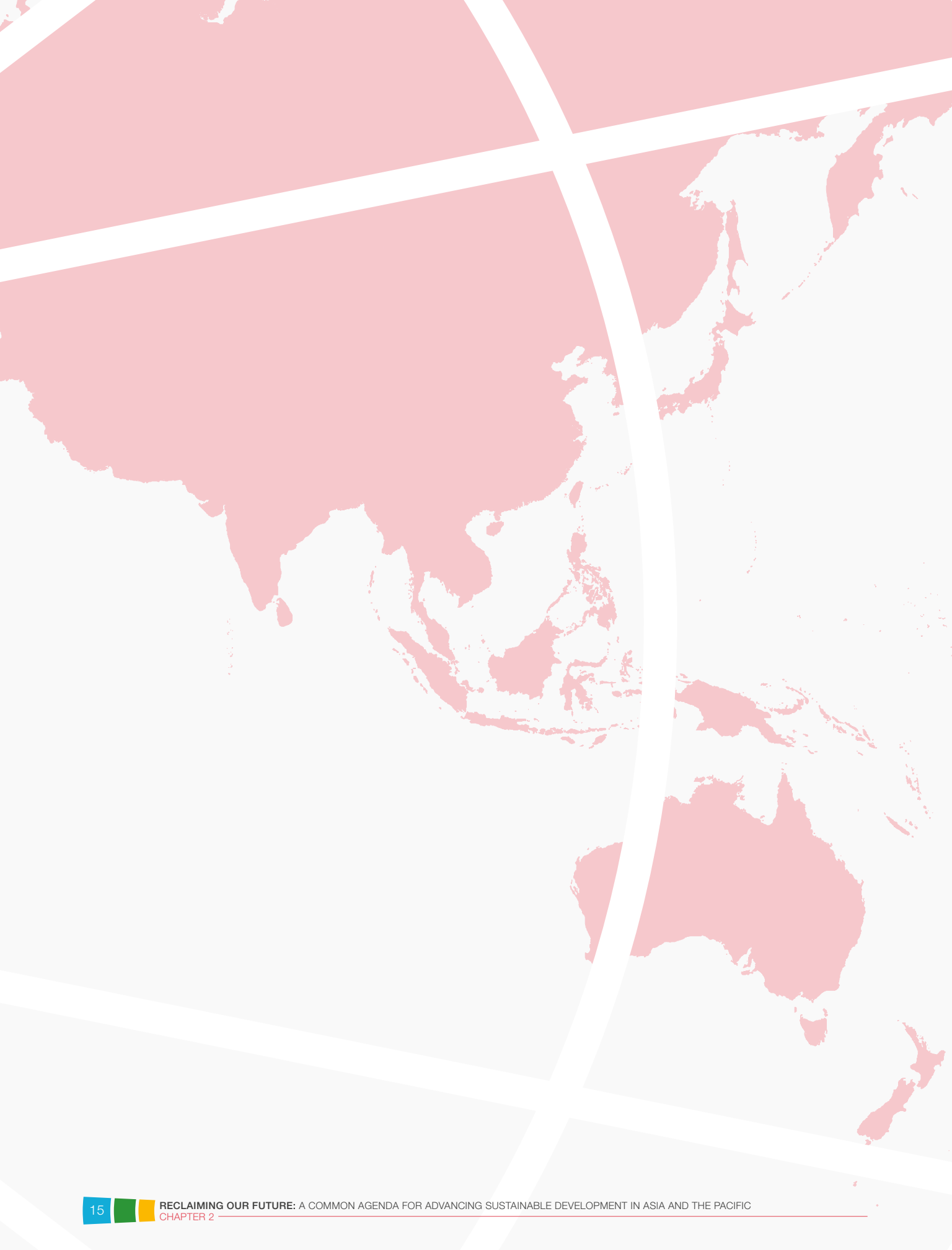


CHAPTER 2

PROTECTING PEOPLE AND THE PLANET

Faced with the threat of pandemics, the relentless advance of climate change and the ever-present threat of natural disasters, and persistent inequalities, how can countries in Asia and the Pacific best respond? The immediate action must be to strengthen their health and social protection systems. At the same time, they can take measures to mitigate and adapt to climate change, while building people's resilience to disaster impacts, and to protect the precious planet.

Strengthening health-care systems

Many developing countries in Asia and the Pacific have yet to offer affordable health-care services. Health services typically have insufficient resources and too few staff, and can be overwhelmed by the growing burden of non-communicable diseases – compounded by pressure to cope with climate change and natural disasters, including pandemics.

To address the overall threats to human health and respond better to emergencies, Governments should aim for universal health care coverage. Particularly in disaster hot spots, they can shift to applying the more comprehensive concept of "lateral public health" – a transdisciplinary, grass-roots approach that facilitates community-based participation in decision-making, preparedness and response, using multisectoral interventions, such as those that aim to reduce poverty and inequality. Lateral public health aspires at "transcending the siloed confines of traditional public health and engaging governmental agencies and non-governmental actors, including commerce, faith-based organizations, civil society, academia, individuals and communities". (see table 2-1).

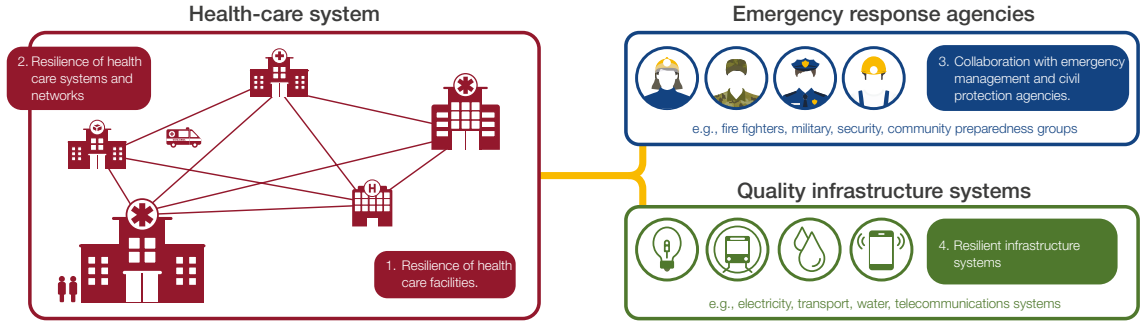
Table 2-1 Examples of lateral public health approaches to climate change

Hazard	Health outcomes	Lateral public health approach
Changes in ecology and weather patterns	Climate-sensitive infectious disease outbreaks	Community-based surveillance for the early detection of an outbreak at the community level, rapid detection and response can contain an epidemic. It entails engaging community members and providing them with training on how to deal with climate-sensitive infections, such as malaria, acute diarrhoea and cholera, and a standardized format for reporting. Community health education related to disease transmission and treatment modalities can facilitate community participation in outbreak control.
Heatwaves	Heat-related mortality and morbidity	Collaboration between communities and institutions to prepare for and respond to heatwaves; identification of a lead body to coordinate preparedness and responses; timely forecasts of meteorological conditions; community outreach to vulnerable groups to avoid heat exposure.
Drought and drinking water contamination	Waterborne outbreaks	Community-based water harvesting and water purification through low-cost household water chlorination intervention.
Droughts and food crises	Food insecurity	Engaging the community with government, international organizations, non-governmental organizations and climate scientists to design, develop and implement an early warning system for climatic events, such as monsoon, floods and droughts. Through monitoring and improved interaction with the community, the early warning system can strengthen community resilience to future droughts and food crises from real time to the long term.
Pathogens, vectors	Infectious diseases	Through vulnerability, impact and adaptation assessment, information regarding climate sensitive infectious diseases from both health and non-health sectors is collected on a range of topics: policies and measures; options to manage the health risks; evaluating and prioritizing options; human and financial resource needs; and monitoring and evaluation programmes. It can then lead to, for example, an upgrade in water treatment and distribution systems to avoid waterborne outbreaks or improve urban drainage for vector abatement.

Source: *Jan Semenza (2021), "Lateral public health: advancing systemic resilience to climate change", The Lancet Regional Health – Europe, vol. 9, October.*

Lateral public health takes into account the intersections between health-care systems, emergency management and quality infrastructure. A recent World Bank study suggests embedding health-care systems in a wider network of emergency response systems (figure 2-1).[1]

Figure 2-1 Resilient health-care interacts with disaster management and lifeline infrastructure



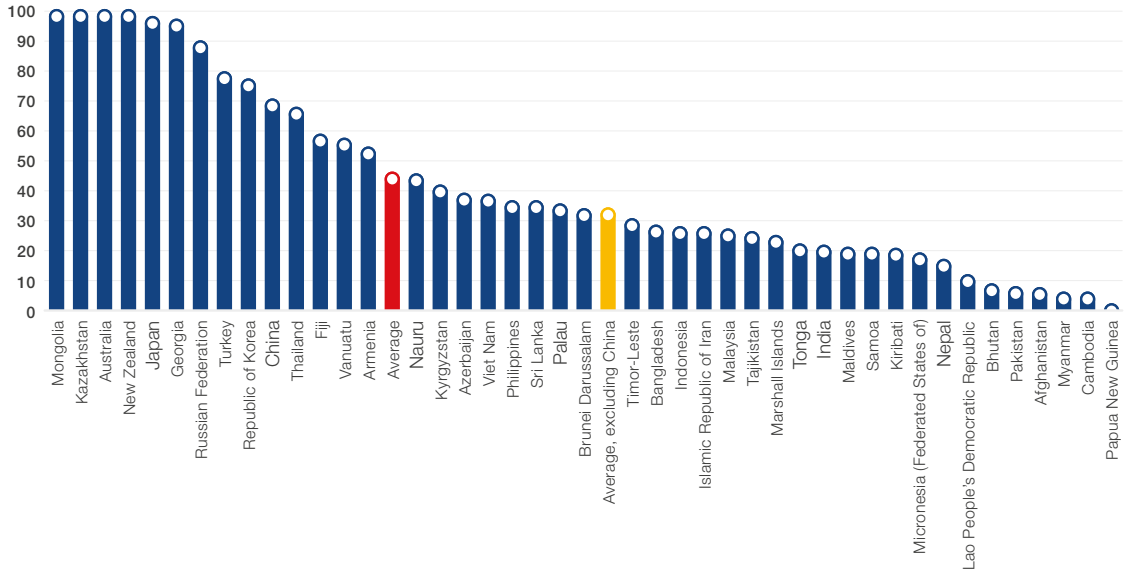
Source: *Jun Rentschler, and others (2021), Frontline: Preparing Healthcare Systems for Shocks, from Disasters to Pandemics, Washington, D.C: The World Bank.*

Achieving universal social protection

Better health care that can respond more effectively to pandemics should also be part of a broader programme to reinforce social protection. Social protection helps mitigate a range of life contingencies, including the problems associated with raising children, getting sick or acquiring a disability, losing a job or a becoming a breadwinner, and growing older. Social protection also protects against systemic shocks, such as natural disasters, economic crises and pandemics.

In Asia and the Pacific, however, social protection is generally weak and uneven. More than half of the region's population is completely unprotected against any contingency throughout their lives. Excluding China, three quarters of the region's population has no social protection coverage. This vulnerability has been exposed during the pandemic when many families suddenly lost their sources of income.

Figure 2-2 Percentage of population covered by at least one social protection scheme, latest available year



Source: *ILO, World Social Protection database. Available at https://www.social-protection.org/gimi/WSPDB.action?id=15.*

For persons with disabilities, for example, assessment systems tend to be weak; persons with disabilities in the informal sector and in remote areas receive little support. In Asia-Pacific countries with available data, only 22 per cent of persons with severe disabilities obtain cash benefits. In South Asia, the coverage rate of disability cash benefits is only 7 per cent.[2]

The lack of social protection has dire consequences throughout the life cycle from birth to old age. Children's life chances are compromised, while workers who fall ill or lose their jobs encounter harsh consequences for themselves and their families. Without a pension, older persons must work or depend on other family members for their survival. Traditionally, old-age support has relied heavily on families, but this is becoming increasingly untenable given the rapid rate of population ageing. Protection in old age is particularly relevant for women, as they tend to outlive men.[3]

Without affordable health care, many people do not seek treatment or wait until it is too late. Unaffordable health care also results in catastrophic expenditures. In 2015, an estimated 13 per cent of households in Asia spent more than 10 per cent of their household income on health. These expenditures pushed 72 million people into poverty.[4]

Underinvestment in social protection

Social protection coverage is low primarily because of significant public underinvestment. The currently available social protection schemes often restrict access to certain groups or offer benefits too low to have any real impact. Well-intended poverty-targeted schemes also tend to exclude those most in need.

Contributory schemes are generally available only for workers in the formal sector. Most of the region's workers are, therefore, excluded from these schemes, and informal sector workers may face legal barriers. Such schemes also require significant administrative capacity. Women also benefit less from them, as they are less likely to be in the labour force.

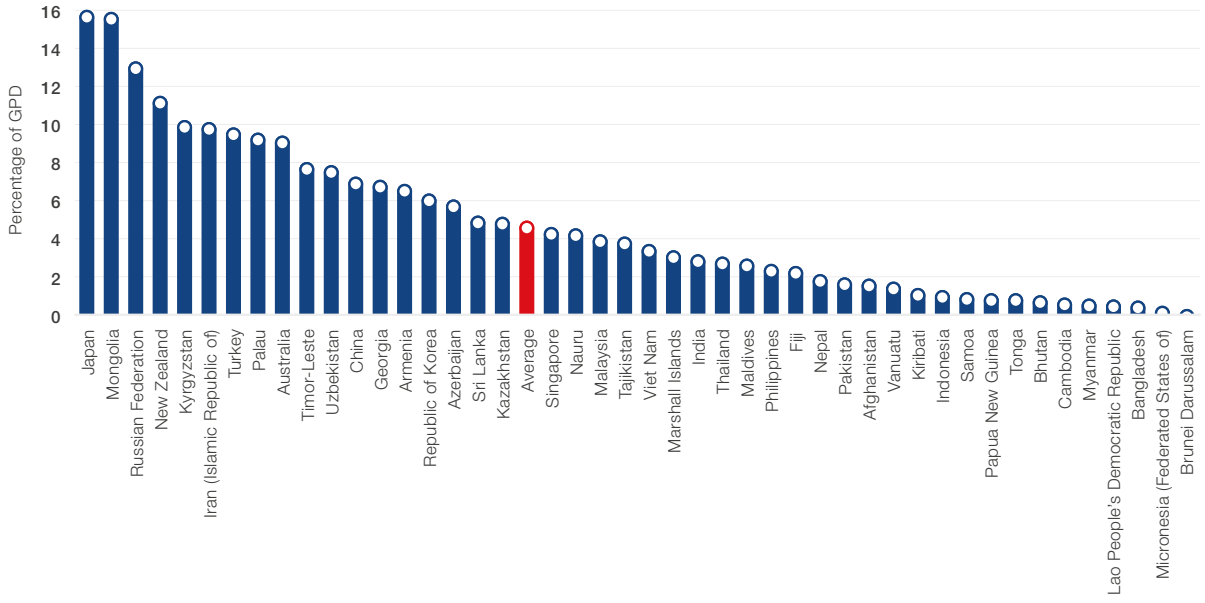
There are also many non-contributory schemes designed to tackle poverty, but these are often unfair and inefficient. Generally targeted at poor households, they nevertheless miss many of those most in need. Even the best schemes exclude approximately half of their intended beneficiaries.

Existing contributory and non-contributory schemes often leave a significant "missing middle" uncovered. This group is comprised of people who may have incomes higher than those

required to qualify for poverty-targeted non-contributory schemes, but are not eligible to participate in any contributory schemes. Typically, they work in informal employment and make ends meet during prosperous periods, but risk falling into poverty when they encounter modest shocks to their livelihoods. This group is highly vulnerable to falling into poverty and in many countries, makes up the majority of the population.

The cost to introduce a universal social protection in Asia and the Pacific may sound expensive, but it need not be. A basic universal social package – providing old-age pensions, child, maternity and disability benefits would cost an estimated 2 to 6 per cent of GDP – eminently affordable by most countries, particularly when set against the huge cost of doing nothing. On average, public spending on social protection in the region (excluding health) is only 4.9 per cent of GDP (figure 2-3) and many countries spend less than 2 per cent. The global average is 11 per cent, and in Europe, it is 18 per cent.

Table 2-3 Public expenditures on social protection, excluding health, per cent of gross domestic product, by country, latest available year



Source: *ILO, World Social Protection Database. Available at https://www.social-protection.org/gimi/ShowTheme.action?id=10.*

Improving social protection

At present, social protection is generally relegated to a marginal area of public policymaking. If social protection is to serve as the basis for more inclusive, resilient and sustainable development, it needs to be raised to the top of the political agenda.

Broadening social protection for all

To ensure inclusive and effective service delivery, a strong political commitment, active participation by communities and stakeholders, broad public support, and capable and accountable institutions governed by transparent regulatory frameworks are essential. Governments also need to apply a rights-based approach that ensures everyone is a protected.

For universal social protection systems to be effective, most countries need to scale up coverage and also provide adequate benefit levels. The following are seven broad suggestions policymakers may focus on to establish a universal social protection floor by 2030:

- *Reform public revenues* – To secure the necessary resources, governments need to reprioritize existing expenditures and increase revenues, primarily by broadening the tax base, introducing progressive taxation, more strictly enforce existing tax laws and extending contributory social insurance.
- *Build universal social protection systems* – This requires a mix of contributory and non-contributory benefit schemes. These systems can form part of a national social scheme between the State and its people across generations.
- *Take advantage of digital advances* – Social protection schemes can take advantage of emerging digital technologies to register citizens, identify those in need and minimize fraud and duplication, while respecting concerns for privacy. Service providers can use these data to identify those in greatest need, but they must gather sufficiently detailed information to allow for highly granular disaggregation.
- *Provide adequate social protection to women.* It is important to recognize and reward care service as well as redistribute unpaid care work. Public or subsidized child and elderly care services are needed to free up women to participate in the labour force.

- *Include informal workers* – Mechanisms for participating in contributory social protection schemes should be adjusted to allow contributions from informal workers, who often earn modest and irregular incomes. Contributory and non-contributory schemes should also be integrated to ensure that social protection coverage is extended to the missing middle.

Countries can cooperate at the regional level by sharing lessons learned and good practices, and building on synergies between countries and generations. To guide this process over the remainder of the 2030 Agenda for Sustainable Development in October 2020, ESCAP members and associate members adopted the Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific.[5] The Action Plan calls on countries to ensure the right to social protection for all without discrimination throughout the life cycle by 2030.

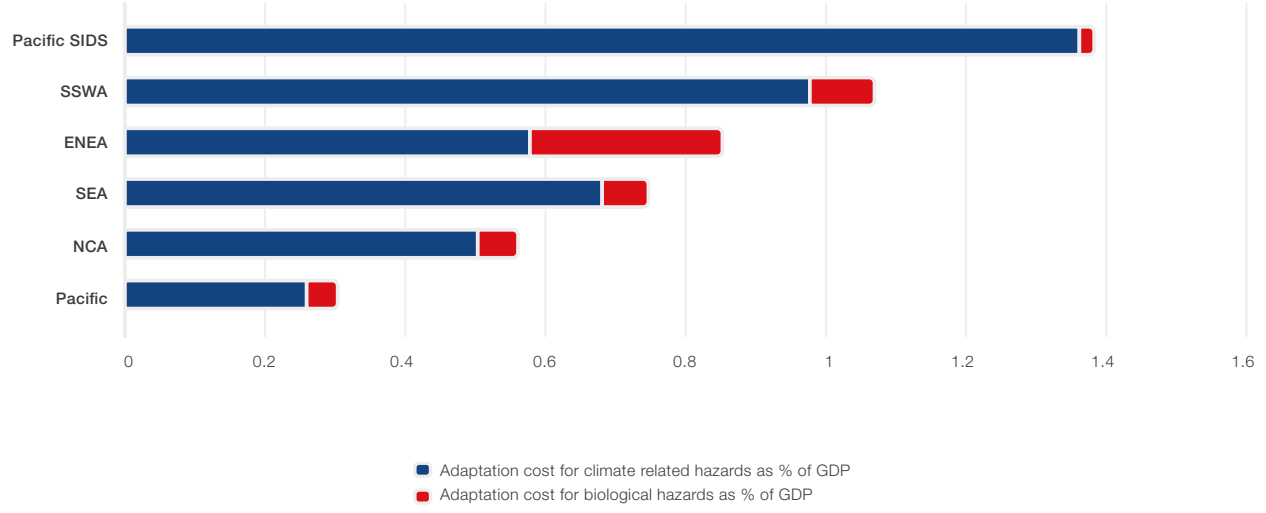
To achieve this objective, the Action Plan lays out the following measures: addressing legislation; the design and implementation of social protection systems; delivery and grievance systems; shock-responsive, gender-sensitive and inclusive social protection; allocation of funds; engagement of civil society and the private sector; setting achievable national targets; strengthening national data management systems; and North-South, South-South and triangular cooperation.

Under the Action Plan, three regional actions are designated to be implemented by ESCAP. First, develop a regional platform to promote partnerships and facilitate peer learning and the sharing of good practices. Second, provide technical advice and capacity-building. Third, consolidate national experiences. For this purpose, ESCAP will work together with the International Labour Organization (ILO) and the United Nations Development Programme (UNDP), as well as other regional United Nations entities.[6] Over the United Nations Decade for Action to deliver the SDGs, the first regional Action Plan will help countries to build a stronger and more inclusive, prosperous and resilient Asia-Pacific region that leaves no one behind.

Climate change adaptation and mitigation

The Secretary-General has called for 50 per cent of climate finance to be spent on building resilience and adapting to the effects of a warming world.[7] For the Asia-Pacific region, ESCAP estimates the total climate adaptation costs for biological and other natural hazards under extreme climate change scenario at around $270 billion,[8] of which $68 billion would be for adapting to biological hazards.[9] Around 70 per cent of these costs are in East and North-East Asia at $190 billion. These costs need to be considered alongside capacities to pay, which vary from 1.4 per cent of GDP for the Pacific small island developing, to less than 1 per cent for South-East Asia and North and Central Asia. The adaptation costs vary substantially across the subregions (figure 2-4).

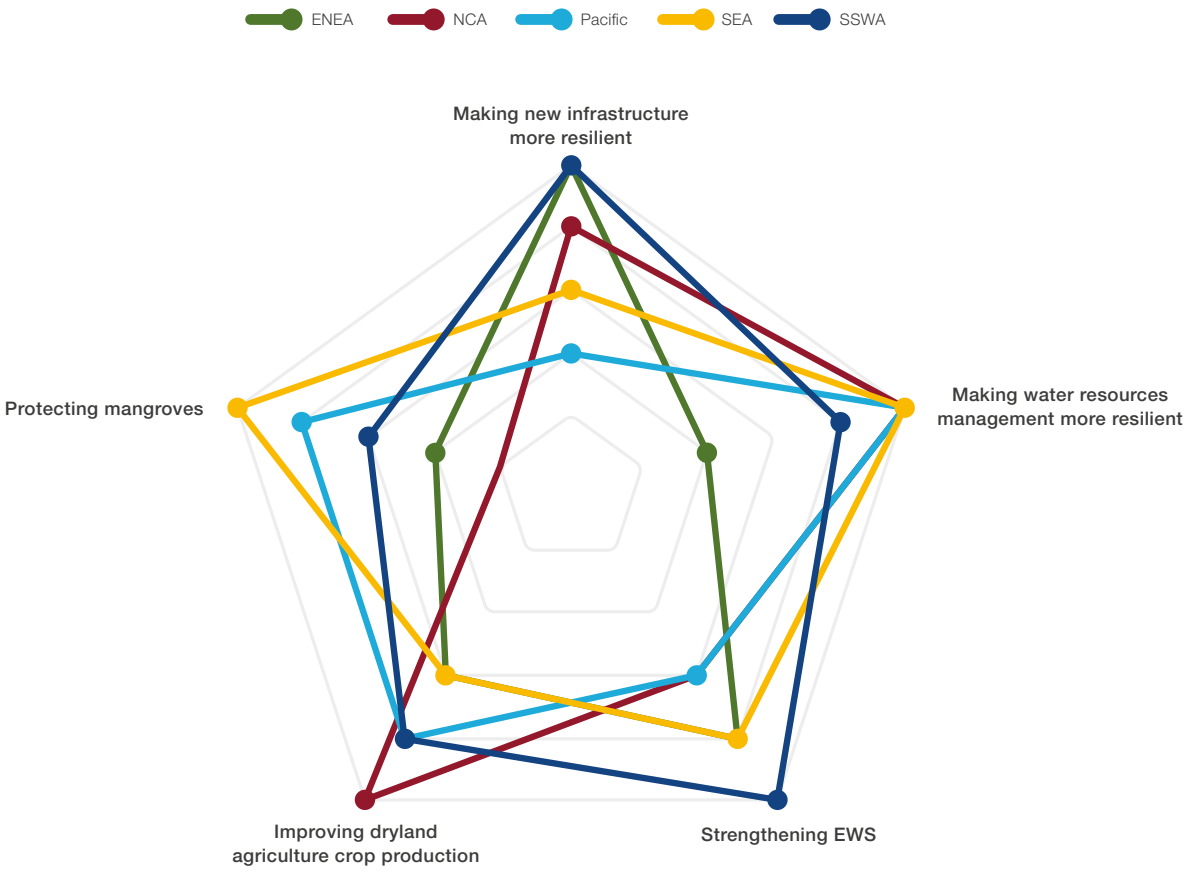
Figure 2-4 Subregional adaptation costs for climate-related hazards and biological hazards, percentage of gross domestic product



Notes: *Pacific SIDS, Pacific small island developing States; SSWA, South and South-West Asia; ENEA, East and North-East Asia; SEA, South-East Asia; NCA, North-Central Asia.*

Each subregion faces different risks and has its own adaptation priorities. The priorities illustrated in figure 2-5 are based on the following categories, which were established by the Global Commission on Adaptation: early-warning systems; climate-resilient infrastructure; improved dryland agriculture crop production; mangrove protection; and water security.[10]

Figure 2-5 Adaptation priorities for the Economic and Social Commission for Asia and the Pacific subregions, 2040–2059



Notes: *Pacific SIDS, Pacific small island developing States; SSWA, South and South-West Asia; ENEA, East and North-East Asia; SEA, South-East Asia; NCA, North-Central Asia; EWS, early warning system.*

It is important to highlight that for individual Pacific small island developing States and least developed countries, where economic assets are very exposed to natural hazards, adaptation costs are disproportionately high. At the country level, the highest cost as a per cent of GDP is recorded in the Pacific small island developing States, such as 8.4 per cent in Vanuatu and 6.8 per cent in Tonga.

Sooner or later, there will be difficult choices for adapting to climate change. New opportunities are already emerging, which combine environmental, social and economic objectives. The principles emanating from the 1992 United Nations Conference on Environment and Development were not about people, the planet and profit, but about people, the planet and prosperity. Although the climate challenge is dangerously close to being out of control, it is still at a point where we can determine our own destinies.

This will inevitably involve new ways to address the interconnections between environmental threats, whether they are ecosystem degradation, biodiversity loss or climate change. In addition, there are opportunities that combine environmental, social and economic objectives. Addressing sustainability is not about doing what is best for the planet, at the expense of a country's interests. It entails exploring pathways to prosperity within the planetary boundaries we value (box 2-1).

Some countries in the region have pledged to reduce the use of coal power. Viet Nam and Indonesia, for example, have committed to ending all investment in new coal power generation and New Zealand has committed to stop public financing for fossil fuel projects abroad by the end of 2022. China, Japan and the Republic of Korea have committed to stop overseas funding for coal, a pledge that was made by all G20 nations.[11]

Furthermore, 35 Asia-Pacific member States have made carbon neutral pledges for 2030, 2050, 2060 and 2070. Bhutan is already carbon neutral,[12] while Maldives has set an earlier carbon neutrality target for 2030. For their pledges, New Zealand, the Republic of Korea and Fiji have adopted bills, while Australia, China, Japan, Kazakhstan, Malaysia, the Marshall Islands and Uzbekistan have issued policy documents.

BOX 2-1

The climate action glass is closer to half full

The Glasgow Conference of Parties (Glasgow CoP), held from 31 October to 12 November 2021, was intended as a clarion call to leaders. Although we can say that commitment to avoid dangerous climate change is now near universal, willingness to act is a more complicated story. But one can also look at the Glasgow CoP through a much more positive lens. The Conference captured real-world attention and also led to promises of stronger action by a number of countries. Some have argued that CoP26 has kept the 1.5°C goal "within reach".

So, on balance, the climate action glass is closer to being half full, rather than half empty. First, very significant advances were made towards a carbon neutral energy sector, thanks to reductions in the cost of wind and solar energy technology and some improvements in energy storage technology. Second, more and more corporations are motivated in their actions, not only by the desire to avoid the risks associated with an intensive business model, but also by the opportunities for growth they see in going green.

In 2016, many business leaders from around the world formed the Business and Sustainable Development Commission. Supported by rigorous research, evidence and compelling real-world examples, the Commission quantified the value of business opportunities across four key systems: food; cities; energy and materials; and health and well-being, at more than $12 trillion annually by 2030, with almost 380 million jobs created by 2030, which is more than 10 per cent of the estimated labour force.

More worrisome from the perspective of the global South is that "he who holds the baton, sets the tune". While some countries in the Asia-Pacific region, such as China and Singapore, are committed to taking domestic action – including carbon pricing – independently of international support, many others are not being supported to take the low-emission choices towards a greener economic future. As a consequence, they are more likely to lock themselves into the conventional pathways.

What areas can leaders focus on to shape a vision that aligns strong growth with sustainable development? How can policy leaders deepen understanding of the risks and opportunities? What is the role of government and in what areas can international organizations extend support? What is the role of the private sector? Perhaps most importantly: How can this be an urgent yet manageable transition for and by people?

Not every country in the region is equally equipped in terms of integrating sustainability-related issues into policymaking. A thousand useful things can and should be done, but let's start with a few suggestions. All will be relevant to none, but hopefully a few to some.

1. Assess the potential impact of climate change and related sustainability trends and develop response strategies, including national adaptation programmes of action.
2. Understand the potential consequences for a country of economic measures taken by another country in the context of climate change action.
3. Assess the impact on the economy of sustainability-related measures being taken by foreign corporate partners and in international markets.
4. Define the potential to reduce emissions/achieve carbon neutrality and identify related benefits in terms of cost reduction.
5. Create national partnerships to assess barriers to investment in climate and sustainability solutions.
6. Task the finance ministry working with financial sector partners with defining and implementing risk reduction solutions, both financial and non-financial.
7. Task the ministry of strategy or national planning agency with fully integrating the 2030 Agenda for Sustainable Development into the multi-year planning process.
8. Instruct all ministries to develop strategies to achieve the Sustainable Development Goals (SDGs) relevant to their domain.
9. Integrate an SDGs assessment into all public procurement programmes and into investment decision-making.

Yvo de Boer, Former Executive Secretary of the United Nations Framework Convention on Climate Change (2006–2010), President, Gold Standard Foundation.

This is an edited extract from a document commissioned for this report. The full document is available at https://www.unescap.org

Achieving a healthy environment

To fulfil the human right to a healthy environment and achieve a sustainable planet for prosperity for all, societies across the region must redefine their relationships with nature and shift to greener, more resilient and more equal development paths.

Mobilizing the resources required to make sustainability-related investments is often a challenge, especially when technology is new, markets are small, risks are high and the returns are uncertain. It is, therefore, important to encourage and empower local governments to build partnerships with civil society organizations, businesses and knowledge providers. There are numerous examples of such initiatives. For example, in India, innovative examples of small-scale solar energy projects have been assessed to enhance social mobilization, community empowerment and sustainability.[13] In Indonesia, "Musrenbang" provides a mechanism for communities to hold discussions on development planning so that civil societies and governments can exchange ideas related to climate action and discuss how to implement them.[14]

Biodiversity and ecosystems are more likely to be protected in countries that have in place environmental rights frameworks.[15] Within these frameworks are mechanisms for citizens to achieve environmental justice.[16, 17, 18] The Economic Commission for Europe (ECE) and the Economic Commission for Latin America and the Caribbean (ECLAC) have paved the way for safeguarding effectively environmental rights through the Aarhus Convention and the Escazú Agreement. The Asia-Pacific region can also address this challenge through the adoption of a legal instrument on access rights. Such an agreement would encompass provisions to safeguard environmental justice.

Putting low-carbon energy transformation on track

The region needs to phase out the use of coal, stop fossil fuel subsidies and make use of carbon pricing, either through taxes or schemes for emissions trading. Carbon pricing could unleash markets to develop the lowest-cost approaches to emissions reduction. Many countries in the region are already riding the wave of growing markets for wind, solar and energy storage technology: suppliers that meet their customers sustainability criteria will conquer markets.

The transition to low-carbon solutions requires the meaningful involvement of civil society, including young people and women. Young leaders have already been demanding that the international community scale up action on climate change, carry out research on low-carbon agriculture, promote energy efficiency and assess economic development.[19]

Renewable energy and energy efficiency

Between 2010 and 2018, the proportion of the region's modern energy use coming from renewable sources rose from 5.9 to 8.5 per cent – mostly in the electricity sector through wind, solar and hydro generation.[20] Notably, China and India have significantly expanded their production of wind and solar energy, but many other countries still rely on fossil fuels to meet their energy expansion plans. More countries, however, are committing to national net-zero emissions by the middle of the century. China is ceasing investment in overseas coal-fired power stations and going forward, less finance will be available for coal-fired power stations, as coal is becoming less competitive.

Countries, with ample water resources are able to use hydropower, while others have the extensive land or ocean space available for solar and wind generation. Other countries have fewer options, but they can seek cross-border grids, which also lower prices and provide greater diversity of supply. This process has commenced on a bilateral or multilateral basis. For example, Bhutan and Nepal supply surplus hydropower to neighbouring India and Bangladesh.

Another opportunity is to boost energy efficiency. Between 2010 and 2018, the energy intensity of economic growth in the region declined from 6.5 to 5.2 MJ per United States dollar. This was achieved through the deployment of more energy-efficient technologies and appliances, supported by national policies. There are many opportunities for boosting efficiency in building design and retrofitting, as well as in road transport and cooling, which should be driven by mandated energy efficiency standards. However, the region is still likely to fall short of achieving the SDG target 7.3 to double the rate of improvement in energy efficiency by 2030.

Mending the broken relationship with nature

The recovery from the pandemic offers an opportunity to shift towards a healthier relationship with nature. This will involve, for example, taxing unsustainable consumption and production, and incentivizing sustainable alternatives. In line with the circular economy, all countries should aim to reduce pollution, minimize waste and encourage recycling. To help achieve this, governments can apply the principles of behavioural sciences, such as nudging individuals and private sector companies towards a desired behavior when developing policies

A major priority is sustainable land management. Agri-food systems should be made more sustainable by localizing food systems, reducing the negative externalities of agriculture, including by reforming harmful agricultural subsidies, transitioning to agroecology and enhancing animal welfare laws, and enforcing biosecurity and sanitary standards, taking into account their social and environmental cost. To prevent future zoonosis, tighter regulations on wet markets and wildlife consumption for food and enforced bans on illegal wildlife trade are needed.

In all of this, there is a key role for women. Approximately 58 per cent of economically active women in Asia and the Pacific work in agriculture and have gained knowledge from working closely with the environment.[21] Integrating a gender equality perspective into economic development would ensure more rapid, effective and durable progress.

A greener economic model

Asia and the Pacific must change the colour of its economic model from brown to green and blue, and move towards a circular economy. In contrast to the "take-make-waste" linear model, a circular economy aims to decouple growth from the consumption of finite resources.[22] For instance, large-scale investment in regenerative and peri-urban production could bring food closer to consumers and reduce environmental impacts.

Countries need to revise fiscal policy instruments. Taxation on unsustainable consumption and production patterns, and prioritization of spending on greener economic models that decouple economic growth from environmental degradation, increase resource efficiency, subsidize more sustainable alternatives and promote sustainable lifestyles are needed. Emphasis should be put on promoting efficiency by decarbonizing the economy, making supply chains greener and building climate-resilient cities and communities. Such requirements should also be reflected in public procurement.

Assessing the economic value of biodiversity and ecosystems and preserving this natural capital should be integral to economic prosperity and sustainable growth. Adopting natural capital approaches, reforming the financial sector to promote a greener economy and removing financial incentives that result in environmental degradation are key to ensuring that the environment is preserved as capital that supports economic and social development.

Strengthening environmental governance

Environmental governance encompasses the multilevel norms and the formal and informal laws, policies and institutions that define human interactions with the natural environment. A healthy and sustainable environment is a human right – as reflected in resolution 48/13 of the Human Rights Council.[23] However, realizing this right involves balancing power dynamics and aligning sometimes widely diverging interests.

It is also vital to promote equality and inclusion and allow stakeholders meaningful engagement. Young people, in particular,

should be involved in developing sound environmental regulations that reflect the needs of future generations. Governments can, for example, create seats for young parliamentarians as well as citizens assemblies in which young people have equal representation. Giving the younger generation a larger say would significantly erode sociocultural barriers.

Citizens, young and old, should also participate in science policy. Citizen science with transparent data-sharing can serve as a basis for better management of natural resources. This should involve data-sharing platforms, such as remote sensing and modelling technologies using artificial intelligence to model the extent of marine plastics, freshwater use and landscape restoration.

It is also essential to ensure gender balance. While the gender gap is closing, it is not shutting quickly enough, especially with regard to the participation of women in government. The proportion of women in the region's parliaments is 20 per cent compared with the global figure of 25 per cent. The most rapid improvement in his area has been recorded in North and Central Asia. Meanwhile, in South and South-West Asia, the proportion is only 17 per cent.[24]

Contribution of the Economic and Social Commission for Asia and the Pacific and the United Nations system.

Helping countries make further progress towards achieving SDG 7 and SDG 13

The Economic and Social Commission for Asia and the Pacific will be working with member States and other stakeholder organizations to help phase out coal and plans to provide technical assistance on the development of carbon pricing. It will also propose to member States the creation of a regional coalition on climate ambition.

Furthermore, ESCAP will continue its work on *SDG 7 road maps* with selected countries. It plans to work with member States and international organizations to interconnect the region's power grids through the implementation of the regional road map on power system connectivity: promoting cross-border electricity connectivity for sustainable development.

These efforts can be pursued through the Asia-Pacific Issue-Based Coalition on Climate Change Mitigation and Air Pollution, co-chaired by ESCAP and UNEP. The Coalition is a regional platform with the objectives to spur climate action, phase out coal more quickly and make fiscal measures climate responsive.

A regional modality on air pollution

The Economic and Social Commission for Asia and the Pacific could support the development of a regional modality on air pollution and provide technical assistance to countries on clean air measures. Success for the region in combating air pollution largely depends on creating partnerships between countries, regions and sectors, and on sharing data and developing harmonized standards and best practices, and agreements on pollution targets.

A regional framework agreement on access rights

A regional framework agreement on rights-based approaches could be suggested by ESCAP member States. The framework should be based on key pillars of "access rights", which include the right of access to environmental information, the right to participate in environmental matters and the right to attain access to remedies concerning environmental matters. Support from ESCAP would ensure effective compliance through the establishment of appropriate implementation mechanisms that provide assistance and technical aid for the adoption and enforcement of access rights.

Ocean science

The ESCAP developed Regional Decade Programme: Accelerating the delivery of SDG14 in Asia and the Pacific can help develop "the science we need for the ocean we want". Furthermore, the ESCAP secretariat will continue to implement the mandates given by the Commission in its resolution 76/1 on strengthening cooperation to promote the conservation and sustainable use of the oceans, seas and marine resources for sustainable development in Asia and the Pacific, which includes holding the annual Asia Pacific Day for the Oceans.

The relationship with nature

The Commission is dedicated to supporting the environment, particularly through its Committee on Environment and Development. It is helping member States enhance integrated environmental actions by continuing to provide regional platforms for discussing, prioritizing and supporting actions directed to the environment and development in Asia and the Pacific. Regional platforms should bring in all relevant actors, ensure biodiversity and ecosystem conservation, raise climate ambition, and put nature at the centre of economic development. It should also support synergies among the regional environmental agendas of United Nations agencies and programmes in support of multilateral environmental agreements, as relevant.

Reducing the risks and impacts of disasters

Health is a key element of the Sendai Framework for Disaster Risk Reduction 2015–2030 and is linked to four global targets: reducing mortality; population well-being; early warning systems; and the safety of health facilities and hospitals. Also envisioned in the Framework is the integration of disaster risk management into health care at all levels, training of health workers and addressing biological hazards, such as epidemics and pandemics.

The Sendai Framework is reinforced by the Bangkok Principles, which provide a blueprint for integrating health into disaster risk management planning and integrating disaster management into health planning.[25] The Principles recognize that health emergencies have many connections with natural hazards, and that they must be addressed through risk assessments, surveillance and early warning systems, resilient infrastructure, and coordinated incident management – all of which extend beyond national borders (box 3-2).

Managing systemic risks in an interconnected world

No one knows which extreme event will come next; it could be another pandemic, or a rapidly evolving environmental disaster, or one driven by technological or scientific developments gone awry. Nevertheless, it is necessary to plan to have "strategic foresight" to manage systemic risks. Rather than being considered as a specialized sector, systemic risk management should be part of strengthened national and local governance supported by regional and subregional frameworks.[26] This could comprise the components provided in figure 2-6.[27]

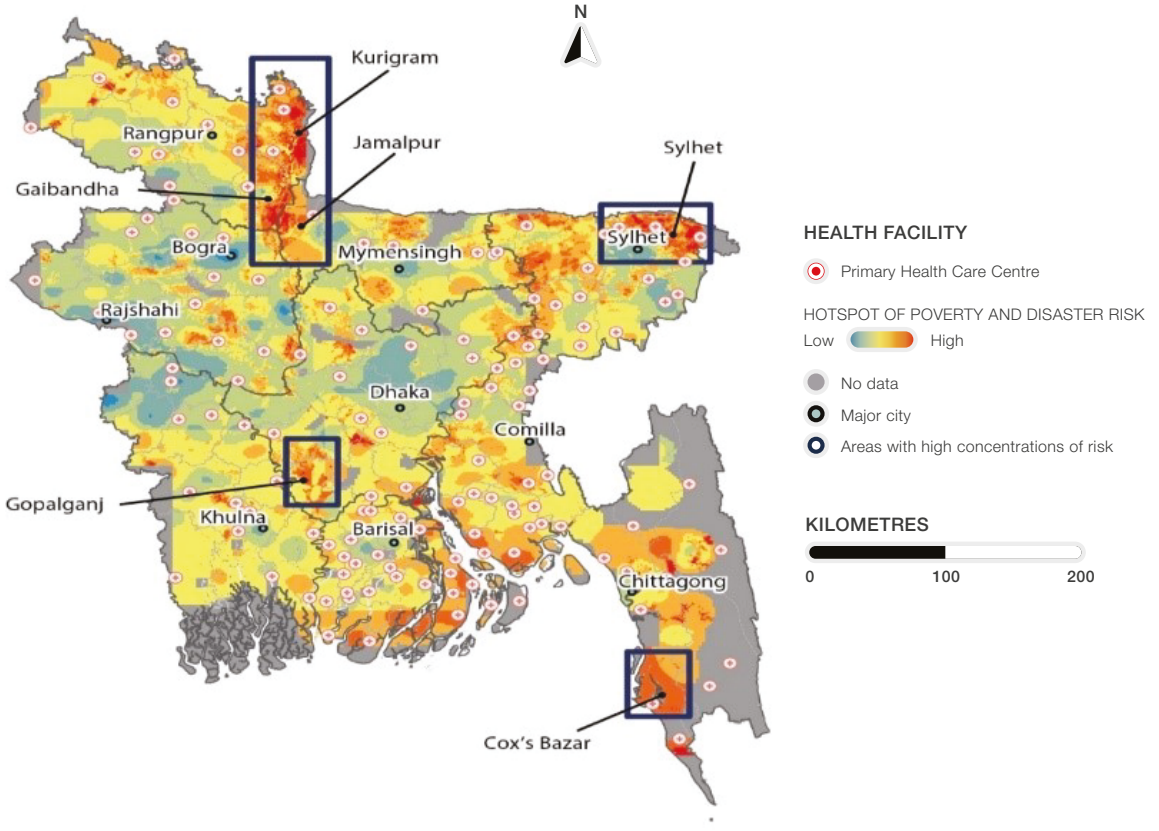
Figure 2-6 Strategic foresight to manage systemic risk

- *Anticipate crisis* – Risk reports at the global, regional, national and subnational levels must be based on an understanding of systemic risk in interdependent infrastructure systems, including those that underpin vital services, such as energy, water, transport and communications access.
- *Downscale risks* – To fully understand the complexity, risks need to be considered at local levels. In each place, authorities can anticipate possible cascades of events, such as glacier bursts, cloudbursts, heavy rainfall and subsequent landslides
- *Action scenarios* – Many earth systems have thresholds that when breached present existential risk. Environmental degradation is posing many such risks. The latest IPCC report offers an excellent tool for bridging science and policy gaps on a long-term perspective – the Coupled Model Intercomparison Projects.
- *Crisis response platform* – Many countries in Asia and the Pacific lack experience in pandemic preparedness and recovery, and have responded to them in an ad hoc manner. Even the Sendai Framework and regional frameworks do not sufficiently take into account pandemic preparedness and response. Each country has its own governance mechanisms and health response capacities. Consequently, each country is likely to respond differently, but all of them should have a dedicated crisis response platform involving the key stakeholders.
- *Be shock prepared* – Health systems, for example, need "surge capacity" to cope with sudden high volumes, along with established focal points and protocols to promote interoperability with existing crisis-specific response arrangements. Governments also need to carry out regular exercises to test efficacy, and identify and fill gaps. The international system should also be crisis ready.

Public health systems in multi-hazard risk areas

Lateral public health approaches can be effective in countries with multi-hazard cascading risks. At present, many countries in the region have inadequate health systems. In Nepal, for example, the areas most at risk during disasters typically have only a handful of hospitals.[28] Similarly, in Bangladesh, the highest concentrations of socioeconomic-hazard risks are along the floodplains, which generally have weaker health infrastructure (figure 2-7). In these and many other hotspots, the health infrastructure needs to be upgraded to support the most vulnerable populations. This should be supported with other infrastructure. In the *Economic and Social Survey of Asia and the Pacific 2021*, it is pointed out that natural disasters have a more devastating impact in places where the lack of good roads and telecommunications delays disaster relief and prolongs economic disruption.[29]

Figure 2-7 Public health-care centres in multi-hazard risk hotspots in Bangladesh



Sources: *ESCAP, based on DHS Programme Household Survey and Service Provision Assessment Survey for Bangladesh, and multi-hazard data from Global Assessment Report on Disaster Risk Reduction (GAR) Risk Atlas, 2015.*

Disclaimer: *The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.*

Governments, therefore, also need to consider the resilience of health infrastructure in the face of climate change. In Myanmar, for example, 43 per cent of health-care facilities are in districts that have higher levels of poverty and extreme multi-hazard risks. This proportion is also high in Nepal, Afghanistan, Pakistan and India.[30]

A way forward for disaster reduction

1. Build on the Glasgow Climate Pact for adaptation and resilience

The Glasgow Climate Pact boosts adaptation. An ongoing ESCAP initiative with the ASEAN Secretariat on drought adaption could be replicated in multi-hazard risk hotspots of other subregions.[31] This can reinforce regional actions on shared vulnerabilities and the risk component of greater regional economic cooperation and integration, and strengthen subregional actions to support the Asia-Pacific Forum on Sustainable Development.

2. Use risk-based approaches and lateral public health systems

Lateral public health systems are more effective in multi-hazard risk hotspots. Concerted efforts are required to scale up regional and subregional cooperation strategies – taking account of the Sendai Framework and the Bangkok Principles and other relevant regional and subregional frameworks and initiatives

3. Build a systemic risk governance framework

Countries need to improve their governance of systemic risk. The United Nations Sustainable Development Cooperation Framework and the issue-based coalition in the Asia and Pacific can promote the systemic risk governance framework through its work programmes and partnership networks.

4. Anticipate and prepare for large-scale global crises

In recent years, considerable advances have been made in developing an integrated multi-hazard risk assessment, early warning systems and impact-based and risk informed forecasting. The biannual *Asia-Pacific Disaster Report* explores options for building disaster, climate and health resilience to better protect people and the planet. Efforts are required to scale these advances to address unmet needs.

Contribution of the Economic and Social Commission for Asia and the Pacific and the United Nations system

1. A regional coalition of the willing on net zero

The global SDG 7 road map of the Secretary-General is aimed at redirecting fossil fuel subsidies to focus on renewable energy and energy efficiency and to phase out coal-fired power completely by 2040.[32] To help combat climate change, countries

in Asia and the Pacific could establish a regional coalition with the objectives to phase out the use of coal, stop fossil fuel subsidies and make use of carbon pricing, while promoting renewable energy and boosting energy efficiency.

This coalition could also help young people gain a voice through youth networks. In addition, increased representation of women in decision-making could help societies adapt more quickly to the impacts of the changing climate.[33] This is especially relevant as more women than men are displaced by climate change.

2. Action on air pollution

In Asia and the Pacific, cross-country cooperation to improve air quality has been fragmented due to a lack of consistent cross-country data, standards and regulations. To remedy this, countries need to work together to develop mutual agreements and goals, and establish regional action plans to harmonize standards, share data, develop technologies and advance monitoring networks. Cooperation is also needed among inter-governmental agencies.

3. Rights-based environmental decision making

A regional agreement on rights-based environmental decision -making could support different forms of access across a variety of institutions and mechanisms. The regional framework agreement could facilitate the following:

(a) *Access to remedies* – Establish green courts, strengthen judicial systems to ensure accountability, adopt procedural rules for environmental cases and establish the right to compensation for damage.
(b) *Access to information* – Define environmental information broadly, secure free, prior, informed consent, establish a clearing house of environmental information and disseminate information clearly.
(c) *Public participation in decision-making* – Create effective platforms to facilitate public participation to include, among others, women and young people, and conduct environmental and social impact assessments and stakeholder identificationn

4. Support ocean science

To protect marine ecosystems, countries in Asia and the Pacific can align policies to achieve the objectives of the United Nations Decade of Ocean Science for Sustainable Development (2021–2030). They can also build on ESCAP resolution 76/1 on strengthening cooperation to promote the conservation and sustainable use of the oceans, seas and marine resources for sustainable development in Asia and the Pacific.

The establishment of a regional decade programme to accelerate the delivery of SDG14 in Asia and the Pacific could help protect and safeguard the health of ecosystems, including marine ecosystems, and their interconnectedness with land ecosystems from a one-health approach. ESCAP, in collaboration with partner United Nations agencies and programmes, has developed a regional decade programme to address the region's most pressing challenges and objectives laid out in the implementation plan of the Ocean Decade.

Strengthening regional platforms

Asia and the Pacific should strengthen regional platforms to share best practices and enable policymakers to integrate actions on biodiversity, ecosystems, human health and climate, in unison with global agendas. This could include adopting concepts, such as One Health, which is defined as an "integrated and unifying approach that aims to sustainably balance and optimize the health of people, animals and ecosystems".[34] These multi-stakeholder platforms can also facilitate regular follow-ups and reviews of environment-related sustainable development goals and targets.[35] This may require technical, legal, and financial assistance.

BOX 2-2

The Bangkok Principles

The International Conference on the Implementation of the Health Aspects of the Sendai Framework for Disaster Risk Reduction 2015–2030, held in Bangkok on 10 and 11 March 2016, adopted the Bangkok Principles, which include seven recommendations covering the following topics:

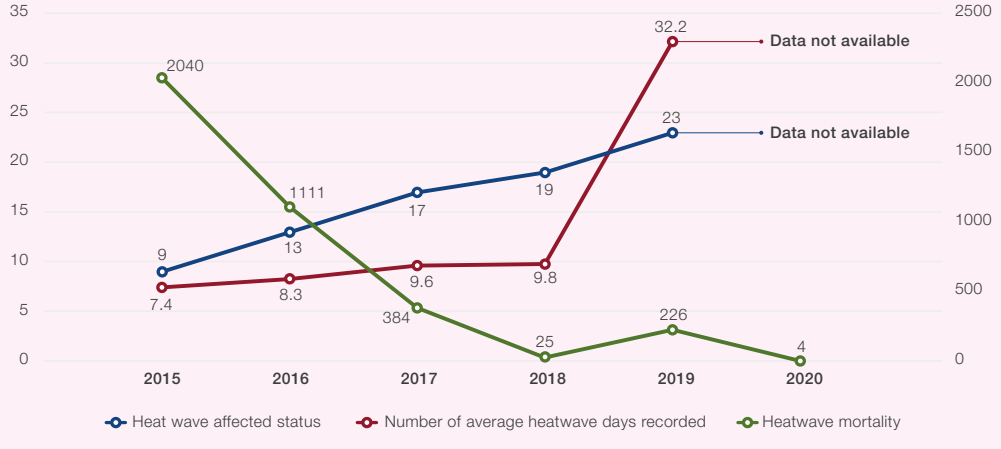
1. *Integration* – Promote systematic integration of health into national and subnational disaster risk reduction policies and plans, and include emergency and disaster risk management programmes in national and subnational health strategies.
2. *Cooperation* – Enhance cooperation between health authorities and other relevant stakeholders to strengthen country capacity for disaster risk management for health, implement the International Health Regulations (2005), and build resilient health systems.
3. *Investment* – Stimulate people-centred public and private investment in emergency and disaster risk reduction, including in health facilities and infrastructure.
4. *Training* – Integrate disaster risk reduction into health education and training, and strengthen capacity-building of health workers in disaster risk reduction.
5. *Data* – Incorporate disaster-related mortality, morbidity and disability data into multi-hazard early warning systems, health indicators and national risk assessments
6. *Collaboration* – Advocate and support cross-sectoral, transboundary collaboration, including information-sharing, and science and technology for all hazards, including biological hazards.
7. *Policies* – Promote coherence and further development of local and national policies and strategies, legal frameworks, regulations and institutional arrangements.

BOX 2-3

In India, heatwave early warning systems are saving thousands of lives each year

India has traditionally been severely affected by heatwaves, which between 1992 and 2016 caused 25,716 deaths. However, state authorities and the country's National Disaster Management Agency have made preparations that have reduced deaths – as reflected in the Guidelines for Preparation of Action Plan – Prevention and Management of Heat-Wave, (figure 2-2.1). Some of this success relies on precise warnings. The Indian Meteorological Department provides not only a seasonal outlook over the country at a subdivisional scale, but also guidance on temperatures over a two-week scale.

Figure 2-2.1 More heatwaves but fewer deaths



Source: *National Disaster Management Agency, India.*

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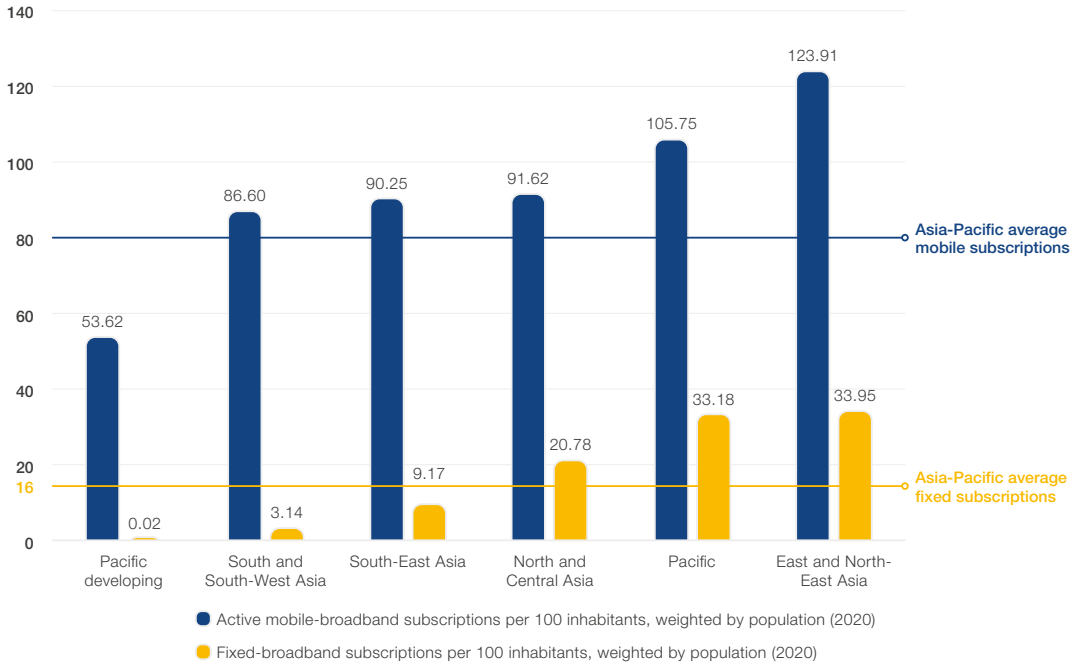
CHAPTER 3
DIGITAL BY DEFAULT

The COVID-19 pandemic has clearly demonstrated the potential of digitalization. On one hand, digitalization has offered new socioeconomic development opportunities and new ways to cope with every day activities. On the other hand, as the world becomes digital by default, the extension of these technologies has further widened inequalities between genders, urban and rural areas, and vulnerable groups.

As the digital economy gathers momentum, the region needs to ensure that digital-driven opportunities reach everyone, particularly young people and women. One of the first priorities is to expand coverage of digital services. Between 2017 and 2020, total international bandwidth for the Asia-Pacific region increased from 118 to 301 Tbit/second.

In Asia and the Pacific, on average, mobile-broadband subscriptions are approximately 80 per 100 inhabitants, though it is notably higher in East and North-East Asia and lower in the Pacific.[1] The Pacific also has much lower coverage of fixed broadband subscriptions (figure 3-1).[2] There is also a considerable gender divide. In 2019, in Asia and the Pacific, the Internet was used by 55 per cent of the men, but only 41 per cent of the women – and the gender gap seems to be widening (figure 3-2). In 2019, in the countries with data available, only three were almost at parity: Australia, Cambodia and the Republic of Korea.[10]

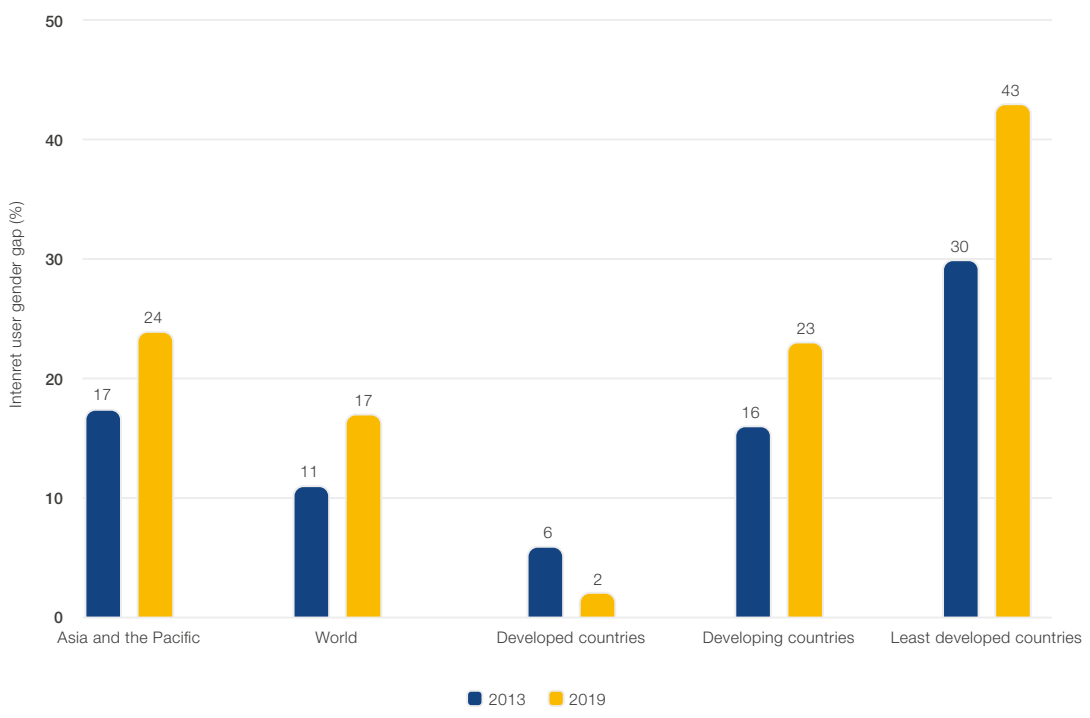
Figure 3-1 Broadband connectivity, mobile and fixed, by subregion



Source: *ITU (2021), World Telecommunication/ICT Indicators Database 2021 (July 2021 Edition). Available at https://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx.*

Note: *These data represents only the countries that had data available for 2017 and 2020.*

Figure 3-2 Internet user gender gap, 2013 and 2019

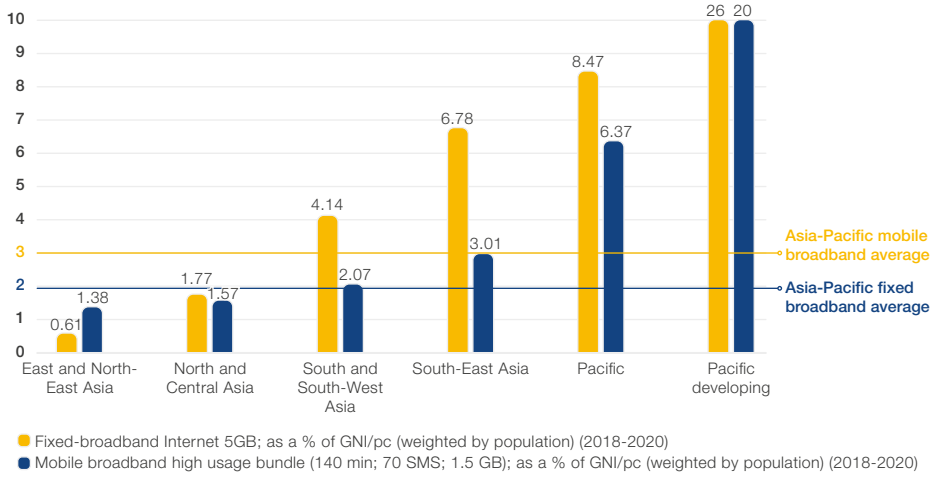


Source: *ITU and UNESCO (2020), State of Broadband Report 2020, Geneva, ITU and UNESCO.*

Note: *According to ITU, the gender gap represents the difference between the Internet user penetration rates for males and females relative to the Internet user penetration rate for males, expressed as a percentage.*

Affordability of fixed and mobile services is assessed through prices paid for a basket of broadband services as a percentage of GNI per capita. According to the United Nations Broadband Commission, a value of 2 per cent or below is considered affordable.[3] Generally, the situation has improved across all ESCAP subregions, but average prices are considered affordable only in East and North-East Asia and North and Central Asia (figure 3-3). Recent data from ITU reveal that broadband services in 2021 were less affordable globally (especially for fixed-broadband service in least developed countries) due to the global economic downturn triggered by the COVID-19 pandemic.[4] In addition, low-income communities struggle to buy IT devices. For the approximately 2.5 billion people living in 70 developing countries, the cost of the cheapest available smartphone is 25 per cent of the average monthly income.[5]

Figure 3-3 Affordability of fixed and mobile services as a percentage of gross national income per capita (2018–2020)



Source: *ITU (2021), World Telecommunication/ICT Indicators Database 2021 (July 2021 Edition). Available at https://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx.*

The connectivity problems are driven by gaps related to infrastructure, particularly in rural areas.[6] Coverage can be measured by the number of submarine cables and by the density of wireless broadband "LTE' towers"[7]. The situation is best in East and North-East Asia, and in China, Japan and the Republic of Korea. In the Pacific, however, the towers are concentrated mainly in urban areas and on the main islands.

Internet speeds differ considerably between rural and urban areas. People in Thailand and Viet Nam enjoy higher averages for fixed-broadband download speeds almost country-wide, while in Cambodia and the Lao People's Democratic Republic, higher mobile-broadband speeds are available mostly in major cities. In addition, fixed-broadband speeds tend to be lower in South and South-West Asia, and across the archipelagos of Indonesia and the Philippines.

A digital economy without the full participation of the rural and women populations cannot scale to reach its potential. Accordingly, digital divides and digital connectivity, particularly for access of women to ICT, remain key policy priorities.[8]

An effective way to enable regular and more equitable Internet use is through offering free Wi-Fi at public offices, schools and hotspot areas – especially in developing countries.[9] In areas not considered economically viable by commercial operators, another, complementary option is to establish self-managed community networks. These networks are community-led solutions, which can improve Internet services and inspire local content and other digital services, such as online education and access to government services, but they still require significant investment. Accordingly, they should benefit from tax exemptions or subsidies. Community networks should be accompanied by the necessary education and training.

The quality (speed and latency) of Internet services can also be improved by increasing the number of Internet exchange points (IXPs). These points connect commercial networks with each other, so that data traffic between networks do not require data to travel long distances in other countries outside the region. They, however, rely on the willingness of competing Internet service providers and governments to cooperate and connect their Internet traffic. In many cases, considerable time and resources are required to build trust and convince each stakeholder of the expected mutual benefits.

Another important option is infrastructure-sharing. New fibre-optic cables can be laid, for example, when constructing new roads, highways, railways, power transmission lines and oil/gas pipelines. Bhutan, for example, offers Internet providers the option of co-deploying with new infrastructure if they commit to providing universal services.[10] In 2021, the Government of the Republic of Korea announced plans to renovate fibre-optic cables over the period 2021–2025 based on co-deployment. Infrastructure-sharing could also be beneficial in landlocked and mountainous economies, such as Pakistan, Nepal and Turkmenistan, where 4G coverage and competition outside urban areas are limited, but electrification is improving significantly.[11]

Underserved areas and populations can also benefit from universal service and access funds (USAFs), which are created from contributions by mobile network operators and other telecommunications companies. Innovative use of USAFs, including opening up access to the fund to other organizations, such as non-governmental organizations, and the private sector using community networks, could help extend connectivity to underserved areas. USAFs can also bridge gender digital divides by ensuring gender inclusion, as in the case of India and Malaysia, and they can design services for persons with disabilities, as in India, Malaysia, New Zealand, Pakistan and Thailand.[12]

Leverage digital technologies and innovations

During the COVID-19 pandemic, Asia-Pacific countries have been making more use of digital technologies for daily activities and to advance climate action. Many innovative policies have demonstrated how to ensure trust and build new forms of public-private partnerships (PPPs).

Digital government services

E-government can provide timely and accurate online information and data, and bring services and engagement directly to people in remote or underprivileged communities, either in their homes or through village digital kiosks. Digital government services have acted as equalizers even in countries with special needs and where many people are underserved and financially excluded. Use of digital technologies can also improve revenue collection and become a foundation for maintaining peoples' trust in the government's ability in and commitment to public service delivery.[13]

Digital monitoring and tracking

During the pandemic, many governments used national applications, portals, or social media platforms to share vital updated information with other partners. Some examples are given below:

Japan – The Government of Japan developed a public-private joint task force, Tech Team Responding to COVID-19, through which organizations and services were able to share information and learning experiences.[14] The related website can be used in 21 languages.

Russian Federation – The Ministry of Education and the private sector developed free distance learning solutions at the federal and regional levels, including the Russian Electronic School, Sirius Courses, WordSkills Russia, Proektoria, Moscow Electronic School, Mosobr.TV and MySkills.[15] Russian IT companies have been supporting several online platforms, such as the Russian online school, Yandex.textbook, Teach.ru, and Taklasss.[16] The ministry also launched a TV programme, "My School Online", to provide virtual lecture and learning materials for secondary school students.[17]

Republic of Korea – The Ministry of Health and Welfare administers an online platform on COVID-19 pandemic, including daily case counts, quarantine processes, regular briefings by the Government, and instructions for those under quarantine.[18] In addition, the National Information Society Agency has a website, which includes ICT services used in the four stages of COVID-19 treatment: screening and diagnosis; epidemiological investigation; patient and contact management; and prevention.[19] This information was very useful for the public in the early months of 2020.

India – The Government has several web-based applications for sharing policy announcements to combat COVID-19 and inform about vaccine distribution, including the CoWin-20 application.[20]

Pakistan – Different ministries have developed a governmental platform for COVID-19 information-sharing, including statistics on cases, vaccine information, guidelines for vaccination, and travel advisory policy.[21]

Singapore – The Government has used social media, websites and chatbots to provide news and announce its policy for combating COVID-19. Singaporeans have been able to use Facebook Messenger and Telegram to submit timely questions to the Government. The Government Technology Agency also has established the Covid GoBusiness portal – a one-stop platform for businesses to apply for exemptions from mandatory business closure, additional manpower or registration of essential workers.[22]

Indonesia – The Government has used official websites to provide national COVID-19 Task Force information.[23] These websites are intended to give accurate news, national guidelines, policies, real-time and integrated data; they also have a hoax-buster feature. The Jakarta provincial government is offering an online grocery service that connects sellers and buyers.[24] This initiative has helped the local State-owned enterprise, Pasar Jayat, connect to 50 traditional markets and online delivery services.

Kazakhstan – In the first half of 2021, in partnership with Visa and Mastercard, the National Bank of Kazakhstan implemented projects to create a 'national payment system. The internal banking system of payment cards helped localize card transactions, thereby limiting costs and ensuring the security of payments.[25]

Lao People's Democratic Republic – The Ministry of Technology and Communications has used a local software development company to establish an official COVID-19 website and a mobile application, LaoKYC, which reports government announcements. In addition, the Ministry of Technology and Communications has established an e-Government centre, which provides applications and videoconferencing systems to enable all ministries and government offices staff to work from home. It also enabled street vendors in the country to sell products through social media platforms during the pandemic.[26]

Support to small and medium enterprises

In the past, digital commerce platforms have mostly exchanged information between sellers and buyers. Today, they provide far more complex operations, stretching from e-commerce, digital payments, online travel services, to education and health, and also provide developers with tools to build their own software and applications. In the early days of the COVID-19 pandemic, the Republic of Korea supported small and medium enterprises with videoconferencing solutions, a businesses-only group call system, and remote working solutions. These types of platforms

have enabled small and medium enterprises in many countries to engage in the digital economy and earn additional revenue. In addition, they have offered gig jobs, such as delivery and taxi services. However, these jobs do not tend to provide good quality employment – with adequate social security nets, insurance or pension schemes. Legitimate enterprisers that provide social protection and follow other regulations may face unfair competition from aggressive platforms.

Digital ID and digital finance

The COVID-19 pandemic has spurred the adoption of mobile wallets and contactless payment systems. These systems rely on unique digital identification of individuals and companies. For example, the Government of India, has saved more than $9 billion by eliminating fraud in its beneficiary lists across multiple programmes using a unique ID system for government payments. It should be noted, however, that digital ID systems entail privacy and cybersecurity risks.[27]

Many countries are also exploring the use of central bank digital currencies (CBDC). These would, for example, use the same digital ledger technology as cryptocurrencies, such as Bitcoin, but be backed by central banks. The currencies could offset the migration to private currencies. In April 2020, the People's Bank of China, for example, experimentally launched the Digital Currency Electric Payment, a digital version of the renminbi, to improve the effectiveness of monetary policy, to enhance the international position of the Chinese yuan and to help move towards a cashless society.

Similarly, in a trial between 2018 and 2020, the Bank of Thailand, in collaboration with eight commercial banks, experimented with Inthanon,[28] a CBDC prototype using distributed ledger technology.[29] Due to the declining use of cash and the development of private cryptocurrency, the Bank of Thailand is considering deploying this in 2022.[30]

To support millions of transactions daily a currency requires an efficient mobile wallet platform. This can also promote inclusion, of the 1.7 billion adults worldwide that do not have a bank account, 1.1 billion have a mobile phone.[31] The world's largest mobile payment market is in China, mostly controlled by Alipay and WeChat Pay.[32]

Supply chain and smart transport

During the COVID-19 pandemic, Asia-Pacific countries implemented specific digital technology solutions to ensure timely transport of goods. Among them were digitalizing freight operations, advance submission of digital documents for clearance and web portals for information on lockdown areas or road closures. ASEAN countries, for example, took steps to enable acceptance of electronic certificates of origin and sanitary and phytosanitary certificates.

In North and Central Asia, difficulties in transport connectivity are partly due to the geographical locations of landlocked countries, but also limitations on digital connectivity infrastructure. In addition, the subregion lacks efficient legal frameworks for paperless trade covering e-payments, data protection, network security, interoperability of digital platforms, and mutual legal recognition of trade-related data.[33] The entry into force in February 2021 of the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific provides an opportunity for countries to address these legal gaps.

Digital applications for environment, climate change and air pollution

The faster the world experiences climate change and the longer it puts off adaptation efforts, the more difficult and expensive it will be to lessen or avoid damages and losses.[34] Some countries in the Asia-Pacific region, such as Australia and the Republic of Korea, are taking action, but many of the poorer countries are doing far less. New digital technologies can, however, unlock innovative solutions and help them make development gains.[35]

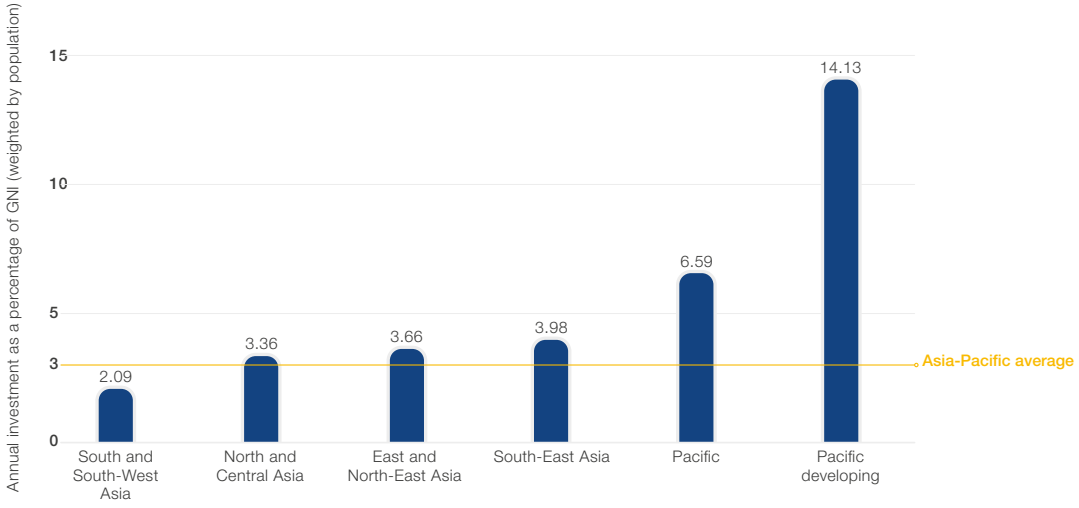
Digital systems using satellite and drones, and frontier technologies, including GIS, GPS and CCTV cameras, smartphone applications and website portals, can monitor and can track dangers from forest fires, flooding, air pollution and any other climate-based disasters. Satellites, complemented by frontier technologies, have saved billions of lives with earlier warnings of an imminent disaster.[36, 37, 38] For example, in 2020, the Government of the Republic of Korea used frontier technologies to reduce the time taken to detect a forest fire from 30 minutes to 5 minutes, and to extinguish one from 32 hours to 13 hours.[39]

In China, a pilot project in Changzhou city is using data from government monitoring stations and instruments fitted to taxis to identify pollution hotspots and curtail polluting activities.

Finance and technology

Extending the benefits of the digital technology requires greater investment in ICT infrastructure, particularly in South and South-West Asia, the Pacific and South-East Asia. Some Pacific island developing economies, French Polynesia, Kiribati and Tonga are making significant investments in telecommunication services less progress in this regard has been noted in other subregions (figure 3-4).

Figure 3-4 Annual investment in telecommunication services as a percentage of gross national income (weighted by population)



Source: *ITU, World Telecommunication/ICT Indicators Database 2021 (July 2021 Edition) (https://www.itu.int/en/ITU-D/Statistics/Pages/publications/wtid.aspx); World Bank, World Bank Open Data database (https://data.worldbank.org/).*

Note: *These data represent only the countries that had data available for 2017, 2018 or 2019.*

Capacity-building in digital literacy and skills

The ESCAP secretariat and partners have collaborated in organizing workshops on digital connectivity, including ICT infrastructure and improving the efficiency of Internet network traffic management. The secretariat has also helped countries build national expertise and capacity in e-government information security and privacy, disaster risk management and women's entrepreneurship. In addition, partner institutions have trained more than 10,000 people annually, strengthening skills of government officials, students, and young people in general, as well as women entrepreneurs.[40] The secretariat has also conducted capacity-building programmes for policymakers on e-commerce. While e-commerce has largely been market-driven, policymakers can guide e-commerce to make it more inclusive.

Regional cooperation and multi-stakeholder partnerships

The ESCAP secretariat and partners are conducting customized training and workshops on various areas of digital connectivity, including ICT infrastructure and improving the efficiency of Internet network traffic management. The secretariat has also promoted the Asia-Pacific Information Superhighway (AP-IS) This regional cooperative framework is being used to promote regional policy dialogues on digital-related agendas, together with technical studies, capacity-building workshops, intergovernmental meetings and study tours.[41] To accelerate Internet traffic in the Pacific region AP-IS has helped to establish a working group on a Pacific IXP. ESCAP has also conducted technical studies for a subregional IXP in Cambodia, the Lao People's Democratic Republic, Viet Nam and Thailand. In North and Central Asia, the AP-IS initiative has helped Kazakhstan, Kyrgyzstan and Mongolia develop policies and mechanisms for transboundary information and communications technology that combine Internet connections with energy and transport infrastructures.

In South and South-West Asia, through the AP-IS framework, the ESCAP secretariat has helped Bangladesh and Maldives develop regulatory "sandboxes" for small-scale live testing of innovations in frontier technologies. Kazakhstan has identified autonomous vehicles and decentralization, digitalization and decarbonization in the energy sector, while Maldives plans to experiment with CBDC and mobile wallets.

Building on the achievements of the AP-IS Master Plan 2019–2022, the ESCAP secretariat has cooperated with member States to develop the AP-IS Action Plan 2022–2026. The Action Plan has three pillars: connectivity for all; digital technology and applications; and digital data. It serves as a regional blueprint for regional cooperative actions and the acceleration of regional policy dialogues and regional cooperation among Asia-Pacific countries, while contributing to the regional implementation of the 2030 Agenda for Sustainable Development and other global development agendas.[42]

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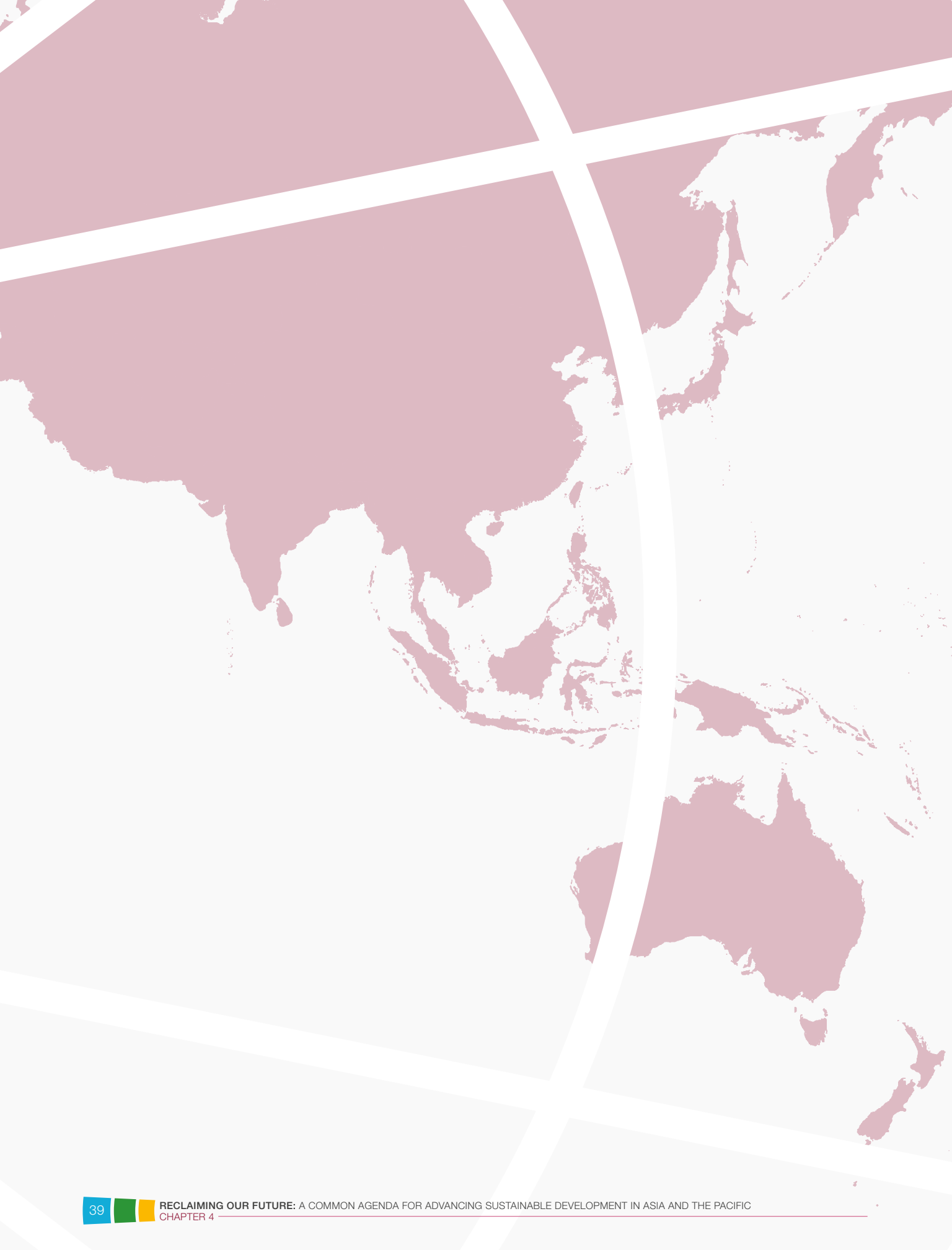


CHAPTER 4
TRADING AND INVESTING TOGETHER

International trade and foreign investment have been key engines of growth in Asia and the Pacific, helping lift millions out of poverty. However, the multilateral trading system has come under increasing strain, leading to a proliferation of regional preferential trade agreements.

The multilateral trading system needs to be updated to meet present-day and upcoming demands. The World Trade Organization (WTO) Doha Development Round has failed to materialize, and its dispute resolution system has also become increasingly ineffective. The multilateral trading system has failed, for example, to achieve an intellectual property waiver for COVID-19 vaccines or provide timely guidance on trade at a very difficult time.

Faced with deficiencies in the multilateral trading system, countries in Asia and the Pacific have increasingly turned to regional trade agreements along with investment agreements and frameworks. These agreements typically have wider depth and coverage than the WTO rules, particularly in digital trade and e-commerce, and increasingly address social and environmental issues, which are not appearing to being resolved at WTO.[1] Among the regional trade agreements, economic partnership agreements are the Regional Comprehensive Economic Partnership[2] and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, both of which are described as mega-trade deals.

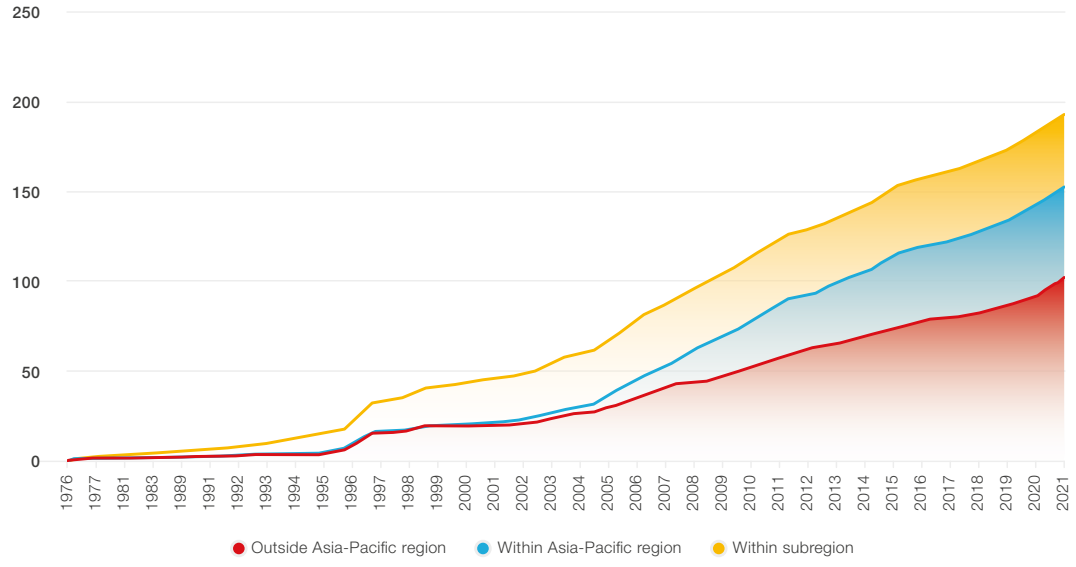
Preferential trade agreements

As of October 2021, approximately half the world's 350 preferential trade agreements involved at least one Asia-Pacific economy, In fact, prior to COVID-19, all 12 free trade agreements that came into force in 2018 and 2019 involved Asia-Pacific economies.[3] More modern types of agreements centred on digital trade and digital-economy integration, including the Digital Economy Partnership Agreement and the Australia-Singapore Digital Economy Agreement,[4] were among the 15 signed during 2020–2021.

Between 1973 and 2021, the number of Asia-Pacific preferential trade agreements in force increased from 0 to 195 (figure 4-1). Since the early 2000s, Asia-Pacific economies have signed more agreements with partners outside their subregions. These agreements cover approximately half of the region's trade agreements in force.

Figure 4-1 Number of Asia-Pacific preferential trade agreements in force

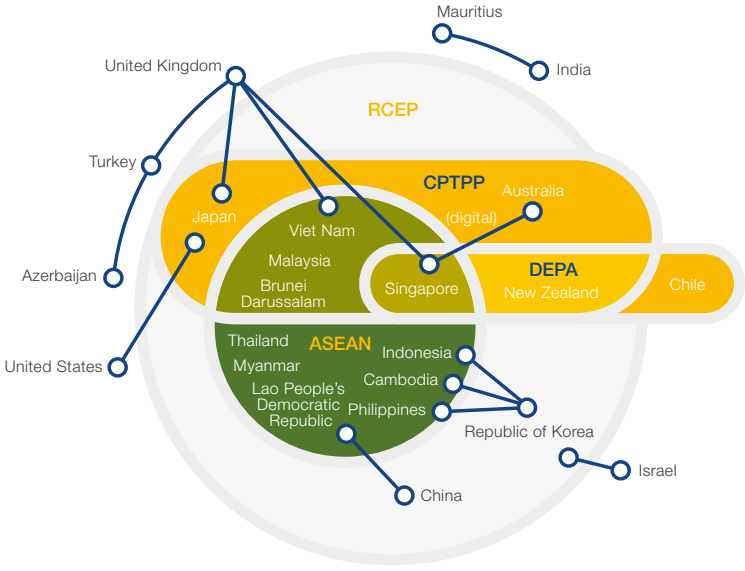
(by geographical region)



Source: *ESCAP calculation, based on data obtained from the Asia-Pacific Trade and Investment Agreement Database (https://www.unescap.org/content/aptiad)(accessed October 2021).*

More trade agreements are incorporating provisions to cover services and investment. At the same time, more provisions are covering labour protection, the environment, sanitary and phytosanitary measures, trade facilitation, technical barriers to trade and e-commerce. Approximately 80 per cent of the 195 preferential trade agreements are bilateral, and together with plurilateral agreements often involve the same countries, resulting in a complex "'noodle bowl" of links that can add to trade costs due to differing rules of origin and technical standards. Figure 4-2 presents the preferential trade agreements signed since January 2020. Generally, these agreements do not involve the smaller countries, which may lack the negotiating capacity, or may have little incentive to get involved with preferential trade agreements if they enjoy non-reciprocal trade preferences.

Figure 4-2 Preferential trade agreements in the Asia-Pacific region, signed since January 2020



Source: *ESCAP, based on preferential trade agreement information from the Asia-Pacific Trade and Investment Agreement Database (https://www.unescap.org/content/aptiad) (accessed November 2021).*

Note: *DEPA, Digital Economic Partnership Agreement; RCEP, Regional Comprehensive Economic Partnership; CTCPP, Comprehensive and Progressive Agreement for Trans-Pacific Partnership.*

Ten of the 13 preferential trade agreements signed in 2020 and 2021 encompass policy areas, such as investment, movement of capital, intellectual property rights, the environment, and labour.[5] Moreover, preferential trade agreements increasingly incorporate digital elements, such as online consumer protection, data flows and personal data protection. Even before COVID-19, these agreements had climate-related provisions.[6] The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, for example, prohibits relaxing environmental laws to boost trade and investment, and requires enforcement of domestic environmental laws.

Regional trends in trade

In 2019, intraregional trade in goods constituted more than half of exports and imports – with China as the major trading partner for many of the economies. Approximately three quarters of intraregional Asia-Pacific exports are used as inputs for the production of other goods, reflecting the deep integration of regional value chains, though most of the final demand originates from other regions.

Between 2019 and 2020, China and Hong Kong, China increased their shares of regional trade the most, having relaxed their lockdowns ahead of most other economies. These economies were able to meet much of the demand for medical supplies and electronic components. Meanwhile, Japan, India, the Republic of Korea and the Russian Federation recorded the largest declines in their shares of regional trade.

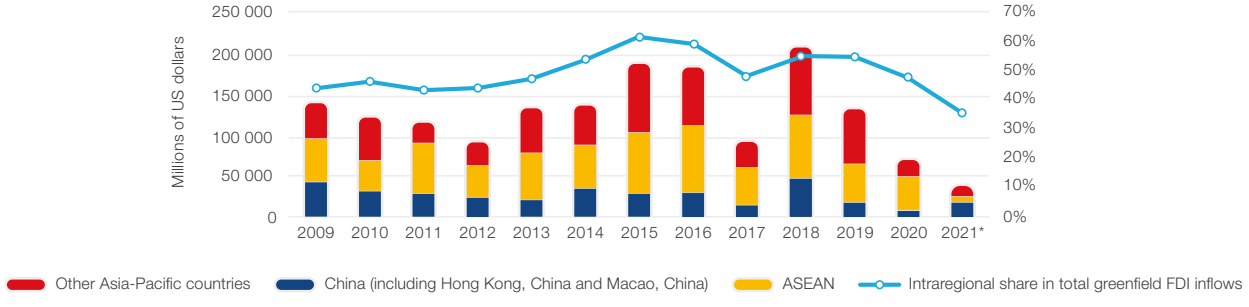
As a result of COVID-19, in 2020, trade in services declined by approximately one fifth. The greatest impact was in travel services, for which in 2020, trade contracted by approximately 60 per cent. According to the Organisation for Economic Co-operation and Development (OECD), Asia and the Pacific was more restrictive in trade in services as compared to other global regions, especially in rail freight transportation, accounting and telecom.[7]

Cooperation in foreign investment

Trade is deeply linked with foreign direct investment (FDI). Generally the two are mutually supportive. Since 2018, the Asia-Pacific region has been the largest source of the world's FDI flows, and over the medium term this trend is likely to continue.[8] The Asia-Pacific region has seen steady and strong FDI growth. The conclusion of Regional Comprehensive Economic Partnership has advanced regional cooperation in investment and there has been more focus on investment in existing regional forums, such as ASEAN and the Asia-Pacific Economic Cooperation (APEC) forum.

Since 2009, intraregional flows have been responsible for more than half of all greenfield investment. The East and North-East Asia and South-East Asia subregions have been the largest sources of funds, while ASEAN member countries have been the major recipients. However, in 2020, prompted by the pandemic, intraregional and other greenfield FDI decreased from $138 billion to $66 billion, and continued to decline in 2021.

Figure 4-3 Intraregional greenfield foreign direct investment inflows and destinations, 2009–2020



Source: *ESCAP calculations based on fDi Intelligence data (https://www.fdiintelligence.com/)(accessed October 2021).*
**2021: January–September 2021*

Over the past decade, intraregional investment flows have been supported by bilateral investment treaties, of which there are more than 1,000 of them in Asia and the Pacific, or by treaties with investment provisions.

Despite the flows, there are, nevertheless, a number of barriers to intraregional FDI, such as overlapping international investment agreements, poor business environments, lack of investment cooperation, barriers to trade and challenges related to investment promotion.

Making regional trade and investment integration more inclusive and sustainable

The road to recovery from the COVID-19 pandemic is going to be difficult and gradual, and will require a significant influx of resources. As public financing will be tight, FDI will be an especially important resource.[9] However, while overall FDI flows to the Asia-Pacific region are expected to increase slightly in 2022 from the previous year, the flows will likely remain below pre-crisis levels. How can regional trade be made more inclusive and sustainable? The main priorities should be to do the following:

Simplify and digitalize trade procedures

Full digital facilitation could cut average trade costs in the region by more than 13 per cent.[10] However, implementation of cross-border paperless trade remains low, at 39 per cent, and bilateral and subregional paperless trade systems are mostly at pilot stages.

To move forward, countries in the region can take advantage of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, a United Nations treaty that is intended to provide a dedicated, inclusive intergovernmental platform for exchanging data across borders in a reliable and safe environment. This platform could help build national capacities, while also fostering cooperation and trust among countries. Several countries have already completed related readiness assessments and have developed initial action plans.[11] In accordance with the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific and elsewhere, ESCAP will continue to support countries in adopting trade digitalization by conducting national readiness assessments[12] and providing online courses for policymakers.[13]

Expand sustainable cross-border e-commerce

Digital trade offers a springboard to foreign markets for disadvantaged or underserved population groups – small businesses and women, in particular.[14] Digital technology not only improves women entrepreneurs' access to international markets and external finance, but it also enhances their ability to engage in domestic and cross-border business.

The number of Internet users is growing rapidly. Asia and the Pacific accounts for 43 per cent of the e-commerce market.[15] However, digital trade is mostly managed through domestic regulations and various regional agreements, whose governance has proven complex and multifaceted. There should be greater cooperation among countries and with international organizations and the private sector.

Make trade and investment climate-smart

Trade is closely linked to climate change. Many regional trade agreements contain chapters on the environment. Approximately, 85 per cent of the trade agreements signed after 2005 that involve an Asia-Pacific economy contain at least one climate-related provision.

At the multilateral level, only limited progress has been made in initiatives related to climate, the environment and environmental goods.[16] However, some gaps have been filled by regional measures. APEC members have, for example, reduced tariffs on environmental goods to below 5 per cent and Costa Rica, Fiji, Iceland, New Zealand, Norway and Switzerland have launched negotiations for an agreement on climate change, trade and sustainability, which is aimed at eliminating tariffs on environmental goods and advocates the use of climate-smart non-tariff measures, such as energy efficiency labelling and minimum energy requirements for imports. To enhance effectiveness, climate-related provisions should specify more precise, measurable and binding commitments. These agreements should have credible mechanisms for enforcement.

The Association of Southeast Asian Nations, which already has "communities" based on security, economic and sociocultural pillars, may consider establishing a climate community to enhance collaboration on climate endeavours among members and across the wider Asia-Pacific region.[17]

Facilitate transit and transport

Transport facilitation remains uneven among Asia-Pacific subregions and is generally better in East Asia compared to South Asia.[18] Here again, a key priority is digitalization, particularly, for electronic cargo tracking[19] – together with automatic customs systems. Such a system is being implemented along the India-Nepal transit transport corridor and has proved to have immense benefits.[20]

The exponential increase in the number of Asia-Europe freight trains over the past decade has also opened new opportunities.[21] A working group constituted under the intergovernmental agreement on the Trans-Asian Railway network provides a well-established platform.

At the same time, countries in the region need to address the negative externalities generated by freight transport, including CO_2 emissions. To this end, ESCAP supports member States in achieving an optimal balance among the economic, social, and environmental pillars of sustainable development.[22]

Improve investment governance with transparency and predictability

Investment promotion and protection have primarily been carried out through international investment agreements, which have often resulted in overlaps, inconsistencies and some investor-State disputes.[23] In South-East Asia, for example, individual countries maintain national investment laws and bilateral agreements, resulting in a complex network of obligations and rules.[24] Better regional investment governance would consolidate and streamline bilateral investment treaties and international investment agreements to make international investment rules more transparent. Many developed and emerging economies have started to build capacity in this area.

At the same time, it is vital that investment policies and regulatory frameworks are oriented towards sustainable development. For example, rather than providing across-the-board tax deductions for FDI, tax and other incentives can target investments in green sectors or sectors that generate more jobs.

Countries also need to streamline measures on investment facilitation for development (IF4D). Asia-Pacific developing countries have been driving the IF4D agenda at bilateral, regional and multilateral levels, including through the ASEAN Investment Facilitation Framework[25], the Regional Comprehensive Economic Partnership and WTO.

Build an investment cooperation platform

A country's inward FDI is typically promoted by an investment promotion agency, whereas outward FDI promotion efforts are usually under the purview of several agencies that often do not communicate with each other.[26] To this end, ESCAP plans to further develop its FDI Network into an inward and outward FDI cooperation platform and thereby bring together the many actors supporting outward FDI in one country with those involved with the inward investment promotion agency of another. This can be a win-win situation for both sides. At the same time, regional cooperation can also strengthen PPPs (box 4-2).

Trade in vaccines

Trade interdependencies and efficient supply chains have a major influence on the production, distribution and administration of vaccines. One problem is that tariffs remain high on vaccines and vaccine ingredients. Among the 27 manufacturing economies, a few countries impose tariffs that exceed 10 per cent, and during the pandemic, some countries imposed export restrictions.

During the COVID-19 pandemic, it was possible to give priority to vaccines, but the situation was more difficult for vaccine inputs. This is because vaccines produced with new technology may require inputs or materials not on existing ingredient lists, resulting in delays in clearance and regulatory approvals. Moreover, some countries' rules and regulations on trade in inputs can be very complicated, requiring approval from different agencies following different regulatory frameworks

There have also been bottlenecks resulting from shipment delays, poor trade facilitation and coordination mechanisms, lack of cold chains, and limited and unreliable airline connectivity, and regulations that classify certain cooling materials needed for vaccine storage, as dangerous goods. A related constraint has been lack of skilled personnel.

Facilitating availability of vaccines

Asia and the Pacific and the rest of the world is now seeking ways to improve vaccines supplies. These should include:

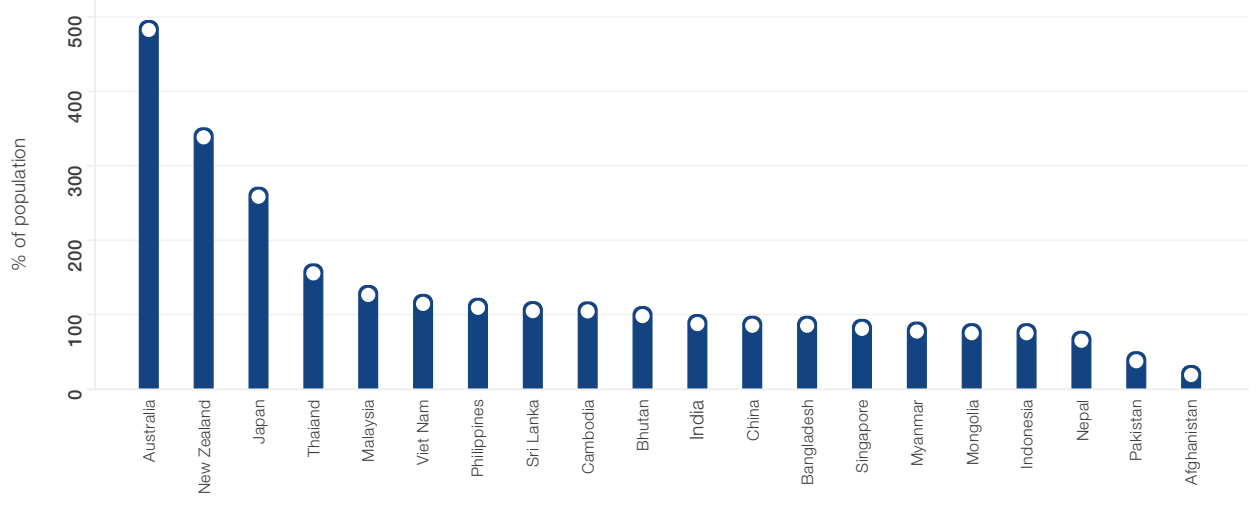
Stimulating research and development and production – Vaccines have high social returns, but they may not be profitable for manufacturers. Accordingly, governments and international organizations may need to share part of the risk and incentivize firms to invest in research and development. This can be done through development partnerships or international organizations. Governments could also make advanced market commitments and purchase agreements.

Regional research cooperation in research and development – This should include informal cooperation between scientists and other stakeholders for pooling research and development. Governments and pharmaceutical firms can also mobilize and pool financial resources, research infrastructure and human capabilities, and facilitate the sharing of scientific knowledge and data.

South-South cooperation – There is also scope for South-South and South-South triangular cooperation by facilitating cross-border mobilization of medical supplies, vaccines and their intermediates, and through pooled purchasing, and coordinating the support of donors and partners.

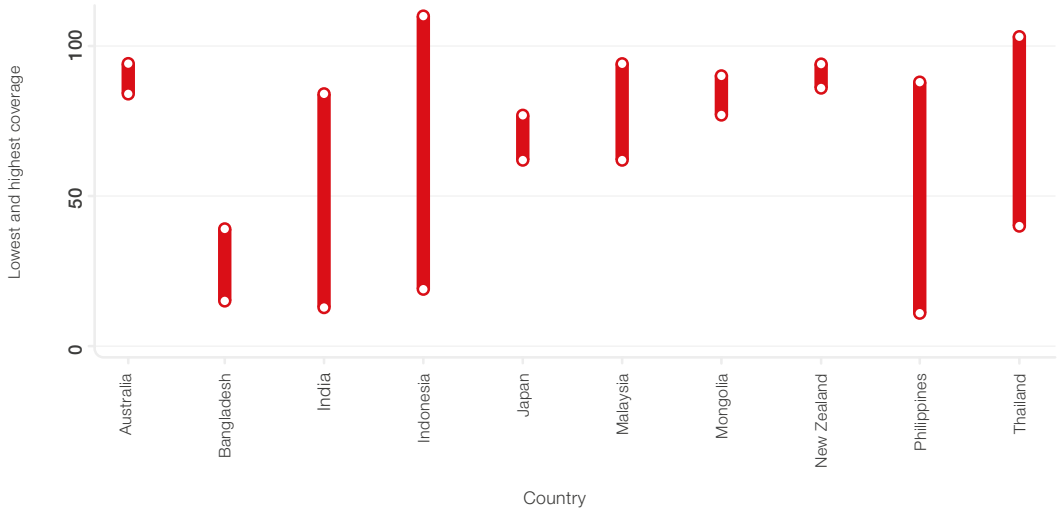
Harmonize regulations and trade policies – These will smooth cross-border flows for vaccines and vaccine inputs, and ensure control measures that prevent imports of substandard and falsified vaccines.

Figure 4-4 Supply of COVID-19 vaccines, selected countries, December 2021



Source: *Data from IMF.*

Figure 4-5 Disparity in vaccination coverage, selected countries, December 2021



Source: *Data from IMF; data from Department of Health of the Philippines.*

Complementary policies for sustainability and resilience

The pandemic has revealed weaknesses not just in the multilateral trade system, but also at regional and national levels. To enhance national and regional resilience, countries may consider taking action in the following areas.

- *Essential goods and services* – The multilateral WTO rules and regional trade agreements permit exceptions for societal and environmental objectives, allowing countries to restrict exports on essential goods.[27, 28] However, such provisions were crafted for exceptional circumstances in one country, not for regional or global crises. Regional trade agreements should, therefore, have provisions to identify essential goods and services under different crises and prescribe specific treatments and mechanisms.
- *Sanitary and phytosanitary measures and technical barriers to trade* – Sanitary and phytosanitary measures, and technical barriers to trade are often necessary to protect human, animal and plant life or health and ensure the quality of products, but they can be unnecessarily restrictive. Regional trade agreements could foster the compatibility of such measures with binding obligations on mutual recognition, equivalence and harmonization, and by increasing the engagement of international organizations such as WHO.
- *Transparency* – Regional trade agreements should require timely disclosure of emergency trade measures and the prompt updating of information in crisis situations. Additionally, they can incorporate provisions to promote information-sharing such as through regional online libraries and databases, and interconnected trade information portals.
- *Sustainable development provisions* – Multilateral rules cover health and environmental concerns, but they fail to address other concerns, such as labour and gender issues. These concerns are more likely to be covered by regional trade agreements, which can incorporate or refer to multilateral labour agreements or climate agreementsts

Promote technology transfer

A vital component in tackling unequal development is technology transfer. This includes emerging technologies, such as big data, the Internet of things and artificial intelligence, which are transforming the manufacturing of goods, delivery of services and other socioeconomic activities. According to a recent World Economic Forum report, 70 per cent of the 169 targets underpinning the SDGs could be achieved through the Fourth Industrial Revolution technologies that exist today.[29]

Governments can enhance collaboration with enterprises and research institutions.[30, 31] They can also integrate their intellectual property regimes to increase their negotiating capacity and competitiveness and improve their access to foreign technology.[32] ASEAN, for example, is developing a regional intellectual property framework for greater cooperation.[33] Countries can also use technology transfer networks, which can identify opportunities and provide technology matching, intellectual property assessment services, and legal and marketing services.[34]

Technology transfer can also be promoted through South-South and triangular cooperation. In addition to providing funding and technical assistance, such cooperation can be helpful towards developing human and institutional capacities through training, advisory services, and study visits.[35, 36, 37]

Technology transfer arrangements at the regional level can address critical challenges, such as COVID-19, climate change, food security and disasters. Towards this goal, ESCAP and its regional institution, APCTT, provide an equitable and inclusive environment for member States.

Conclusion

In Asia and the Pacific, a lot of progress has been made in regional cooperation and integration, which can serve as building blocks for achieving a more inclusive, resilient and sustainable development-oriented multilateral trading system. Nevertheless, regional trade and investment also need to be more inclusive and sustainable. Regional initiatives and those at the multilateral level must continue to be focused on special and differential treatment, such as provisions in trade agreements that grant developing countries and least developed countries special rights and support.[38] These should include longer time periods for implementing commitments of trade agreements, and more technical assistance. At the same time, attention must be paid to building up capacities, such as in digital skills and infrastructure, climate readiness and epidemic resilience.

The Economic and Social Commission for Asia and the Pacific will continue to assist Asia-Pacific member States in these areas through its capacity-building activities, analytical studies and intergovernmental platform, and boost efforts to support the emergence of a multilateral trading system that is more fair, resilient, transparent, inclusive and respectful of the environment.

BOX 4-1

The Association of Southeast Asian Nations and subregional integration

Since its founding in 1967, ASEAN has made important strides in deepening integration among its members and beyond. The free trade area within ASEAN, and the "ASEAN+6" framework of free trade agreements signed between the bloc and major regional economies – Australia, China, India, Japan, the Republic of Korea and New Zealand – have advanced economic integration in the region by connecting East Asian, South Asian, and Pacific countries. Notably, the framework has underpinned efforts by the bloc to contribute towards the establishment of the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.[39]

However, integration in ASEAN is not as deep as in the European Union, which has a regional parliament with legislative powers, a central bank, and a single market and single currency. In 2020, the average share of intra-European Union goods exports of European Union member States was 62 per cent,[40] whereas 21 per cent of ASEAN goods exports were intraregional[41]. Nevertheless, by 2030, it is estimated that ASEAN will be equivalent to the fourth-largest economy in the world,[42] and its performance and initiatives will have an increasing significance in the region.

BOX 4-2

Strengthening public-private partnerships in regional cooperation

Public-private partnerships can bring important benefits to investments and projects that contribute to sustainability – particularly social outcomes, such as health care, schools, access to clean water, wastewater treatment and access to affordable housing. PPPs enable project costs to be spread over longer time frames, allowing governments to initiate important projects without overly constraining their ability to spend in other areas.

To promote PPPs, governments need to improve practices related to government procurement. Trade agreements in the region, such as the Regional Comprehensive Economic Partnership, do not effectively address government procurement,[43] and some agreements do not address it at all.[44] The process for selecting the partners should be openned, non-discriminatory and transparent.

Governments also need to improve processes for settling disputes. A typical project is based on many complex legal contracts that should be backed by a dispute settlement system that is robust, transparent, efficient and credible.[45] Dispute settlement mechanisms can help to ensure that PPPs do not harm the environment or local communities.

Members of the Regional Comprehensive Economic Partnership, for instance, could look to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and its "world-class procurement"[46] standards – which are guided by principles of national treatment, transparency, impartiality and accountability[47] – and develop dispute settlement mechanisms to reassure potential PPP investors. Countries that look unfavourably towards traditional investor-State dispute settlements could explore multilateral investment court systems or cooperation and facilitation investment agreements. ESCAP could serve as a regional partner to help countries create more conducive environments for PPPs through their trade agreements and leverage those partnerships to tap into intraregional investment flows and promote inclusive and sustainable development.

References

1 Entered into force on December 30, 2018, among the first six countries to have ratified the Agreement are Canada, Australia, Japan, Mexico, New Zealand and Singapore.

2 The Regional Comprehensive Economic Partnership was signed in November 2020 by 15 countries, including all 10 ASEAN countries, China and Japan. Entry into force is expected in 2022.

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4 Ten of the 15 agreements have not been notified to WTO despite being in force or signed, and are, therefore, not in line with the transparency mechanism agreed by WTO members.

5 Examples include the Comprehensive Economic Partnership Agreements between Indonesia and the Republic of Korea, and between the United Kingdom and selected Asia-Pacific economies.

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8 Heather Taylor-Strauss, Tom Becker, and Vanika Sharma (2021), Asia-Pacific trade and investment trends 2021-2022: foreign direct investment trends and outlook in Asia and the Pacific.,Available at *chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/viewer.html?pdfurl=https%3A%2F%2Frepository.unescap.org%2Fbitstream%2Fhandle%2F20.500.12870%2F4146%2FESCAP-2021-RP-Foreign-Direct-Investment-Trends-Outlook-AP.pdf%3Fsequence%3D1%26isAllowed%3Dy&clen=8078106&chunk=true.*

9 It is still unclear whether developing countries of the region have enough fiscal space to invest in key sustainable development sectors in the recovery period. Furthermore, the packages that governments have put together, whether small or large, will considerably increase government debt burdens in the medium term and thereby further limit the resources available for development purposes, underscoring the significance of FDI for these purposes in the recovery period. (ESCAP (2020), An assessment for fiscal space for COVID-19 response and recovery in Asia-Pacific developing countries, MPFD policy briefs. Available at *https://www.unescap.org/resources/mpfd-policy-brief-no-116-assessment-fiscal-space-covid-19-response-and-recovery-asia).*

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12 Completed and ongoing national readiness assessments for adopting trade digitalization are available at *https://www.unescap.org/resources/readiness-assessments-cross-border-paperless-trade.*

13 Online courses on trade facilitation and trade policy are available at *https://www.unescap.org/kp/2021/e-learning-courses-trade-policy-negotiation-and-facilitation.*

14 Contributing respectively to SDG targets 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services" and 5.b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.

15 In six South-East Asian countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam), for example, Internet users increased from 260 million in 2015 to 400 million in 2020.

16 WTO, "67 WTO members are participants in the initiative on plastics pollution", informal discussions. Available at *https://www.wto.org/english/tratop_e/ppesp_e/ppesp_e.htm.*

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CHAPTER 5

RAISING FINANCIAL RESOURCES AND DEALING WITH DEBT

The COVID-19 pandemic has taken a heavy toll on human well-being and demonstrated the urgent need for more people-and planet-centric development pathways. This shift to a new agenda requires additional fiscal and financial resources. To attain this, countries in the region can explore a number of options. In terms of national policies, they can, for example, reform public expenditure and taxation, develop deeper capital markets, issue innovative financing instruments, including green or sustainability bonds, and arrange debt-for-climate swaps. Countries also need to work together to accelerate financing of climate action, facilitate multi-stakeholder debt discussions, and combat illicit cross-border financial flows and tax evasion.

The COVID-19 pandemic has had a major economic impact on Asia-Pacific countries. Recent estimates of the potential medium-term output losses due to the crisis in the region range from 6 to 12 per cent of GDP. Worst off are the economies more reliant on tourism and large service sectors, and economies that were unable to provide extensive fiscal support.[1]

The countries that have extended such support often invested large sums of fiscal resources to save lives and livelihoods, and reinvigorate economic activities. As a result, between 2019 and 2021, the average fiscal deficit among Asia-Pacific developing countries increased from 1.2 to 6.2 per cent of GDP, and it is projected to increase by 5.5 per cent in 2022.[2] National debt as a percentage of GDP rose in 37 of 45 Asia-Pacific developing economies. The average public debt-to-GDP ratio across the region increased from 42 per cent in 2019 to an estimated 51 per cent in 2021 and it is projected to be 52 per cent in 2022 (figure 5-1).[3]

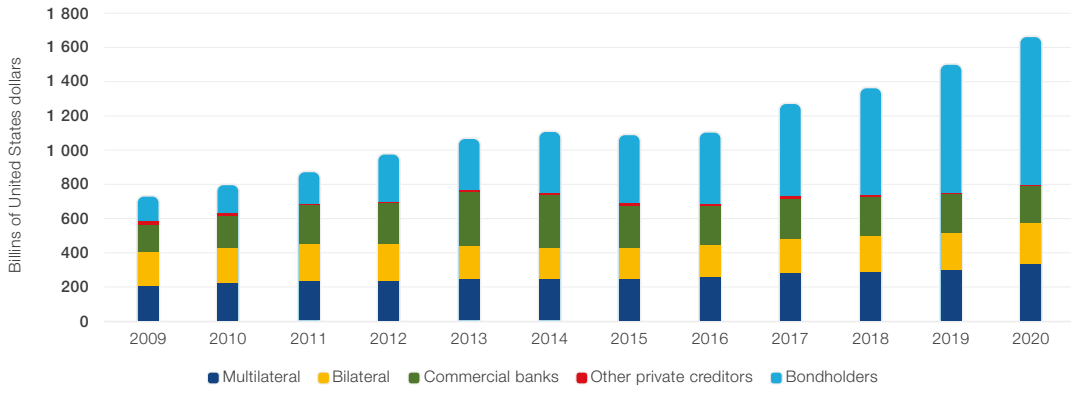
For most Asia-Pacific countries debt servicing still remains sustainable – below the commonly used debt-to-GDP benchmark of 60 per cent. For some, however, debt sustainability is becoming a serious concern. The public debt-to-GDP ratio of Maldives, for example, surged by more than 60 percentage points in 2020.

However, governments should not try to reduce necessary fiscal expenditure, as this could hamper economic recovery and efforts to achieve SDGs.

To service this debt, countries need to use funds that could be channelled to productive avenues, such as supporting effort to achieve SDGs. Meanwhile, debt owed in other currencies, referred to as "external debt", can threaten macroeconomic stability. Between 2009 and 2019, public and publicly guaranteed external debt of the Asia-Pacific developing countries increased from $727 billion to $1.47 trillion. But because GDP was also growing rapidly in some developing countries, the weighted average debt-to-GDP ratio, excluding China, only increased from 12 to 13 per cent.[4]

Notably, over this period, there was a change in the structure of debt. International finance came less from multilateral development banks, bilateral lenders or commercial banks, and more from the issuance of sovereign bonds. As a result, the share of the region's debt that was owed to bondholders increased from 19 to 52 per cent (figure 5-1)

Figure 5-1 External public and publicly guaranteed debt of the Asia-Pacific developing countries, 2009 to 2020

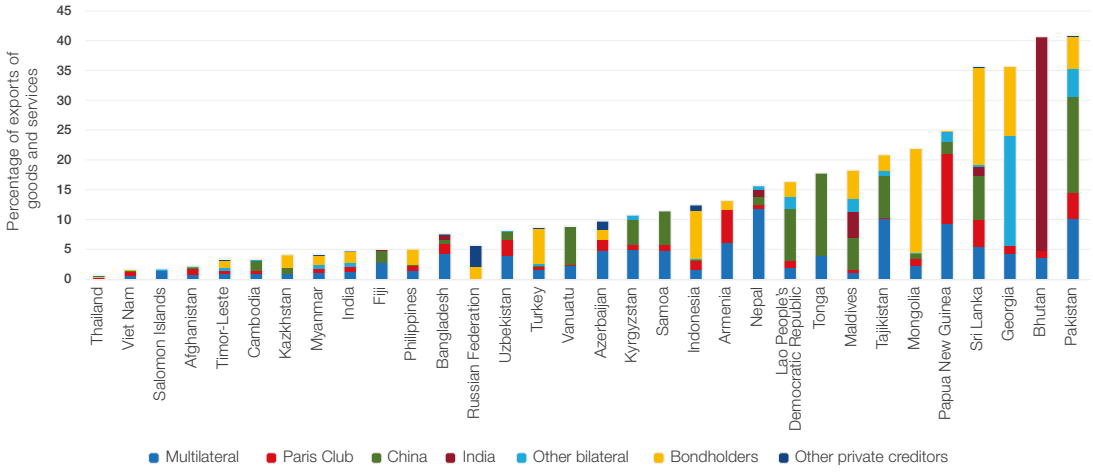


Source: *ESCAP based on data from World Bank, "DataBank: international debt statistics". Available at https://databank.worldbank.org/source/international-debt-statistics (accessed 10 December 2021).*

Note: *The data includes 35 Asia-Pacific developing countries that report to the World Bank debt or reporting system.*

Going forward, many countries will undoubtedly face higher debt service payments, which will mostly need to be funded by exports. Figure 5-2 shows estimates of the debt service-to-exports ratios for 2021 and 2022. The figures partially factor in the impact of COVID-19 by using the generally lower 2020 exports.[5]

Figure 5-2 Debt services-to-exports ratios in 2021 and 2022, public and publicly guaranteed debt



Sources: *ESCAP based on data from World Bank, "DataBank: International Debt Statistics". Available at https://databank.worldbank.org/source/international-debt-statistics; World Bank, "Exports of goods and services (Current US$)" Available at https://data.worldbank.org/indicator/NE.EXP.GNFS.CD; IMF, IMF Data, "Direction of trade statistics (DOTS)". Available at https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85 (all accessed 10 December 2021).*[6]

Depending on a country's institutional capacity and macroeconomic performance, sustainable debt-to-export ratios should be between 10 and 21 per cent.[7] So, for most developing countries of Asia and the Pacific, debt servicing still appears to be sustainable. For 17 out of 32 Asia-Pacific countries, the ratios are below 10 per cent, while in another seven countries, they are below 21 per cent. However, for six countries, the ratio exceeds the 21 per cent threshold – Bhutan, Georgia, Mongolia, Papua New Guinea, Pakistan and Sri Lanka.

The issuance of sovereign bonds also carries risks. For instance, at the onset of the pandemic, there was a massive capital outflow in the emerging markets, which substantially increased credit spreads on their sovereign bonds. These markets have since stabilized starting from April 2020, as the central banks of developed countries embarked on asset purchase programmes.[8] Some developing countries have also implemented smaller asset purchase programmes and many developing countries in the region were able to issue new debt. These programmes, however, have contributed to an underpricing of risk and are, in some cases, inflating asset bubbles, which could trigger debt crises.

Additional risks are associated with private, non-guaranteed external debts and short-term debts, which can create contingent liabilities for governments. To prevent bank runs, bankruptcies or mass unemployment, governments may choose to bail out banks or large corporations.

Securing fiscal resources for socioeconomic recovery and the Sustainable Development Goals

Debt is a concern but governments should not try to reduce necessary fiscal expenditure, as this could hamper economic recovery and the achievement of SDGs. Instead, they should raise more financial resources and create additional "fiscal space".

Curbing non-developmental expenditures

Governments can create more fiscal space by curbing non-developmental expenditures, notably funds allocated for defence. In Bangladesh, China, Georgia, India, Pakistan, the Republic of Korea, the Russian Federation and Singapore, defence accounts for more than 10 per cent of total public expenditure. Some Asia-Pacific countries allocate far more to defence than to health and education. Countries could also reduce expenditure in other areas. In several Pacific economies, more than half of public expenditure is directed to salaries and wages – much of this for unproductive staff working in weak and inefficient institutions

Governments can also remove untargeted and unnecessary subsidies, particularly those on fossil fuels, which would release considerable financial savings for reinvestment. For example, reducing the use of fossil fuels has led to an annual saving of $5.3 billion in the Islamic Republic of Iran and $10 billion in Indonesia.[9]

Improving pricing policies

Governments can improve the efficiency and pricing policies of public enterprises by, for example, levying higher tolls and fees on public services, such as highways, information technology services, media and basic municipal services. They can also reduce the potential budgetary burden of the public sector by promoting PPPs.

Taxation reforms

Governments can also raise more funds through more equitable and fair taxation. Much of the income can come from indirect taxes, such as sales taxes, as long as the proceeds are used for progressive redistributive purposes. Some countries should be able to introduce a comprehensive and nationwide value added tax on both goods and services – especially as this is now easier to automate through more affordable point-of-sale technology.

Overall, governments should be aiming to raise a higher proportion of funds from direct taxation on income, which is inherently "progressive" as it requires those with higher incomes to pay higher rates. In the OECD countries, more than half of revenue comes from direct taxes, but in Asia and the Pacific the proportion is only 38 per cent.[10] Well-designed personal income taxes exempt the poorest and minimize loopholes for the rich, but the effectiveness of these taxes depends a lot on the capacity of tax administrators to ensure compliance.[11]

The wealthy in developing countries could also pay their fair share through taxes on types of wealth - assets that are easy to find, easy to value and easy to liquidate. Some examples are the introduction of advance or withholding taxes on unearned incomes, such as capital gains, dividends and interest income. This can be efficient, even if it leads to distortions.[12, 13] Another good option is taxation of land and buildings, which can also promote efficient land use.[14] These may be excellent options for countries with weak tax administrations. Inheritance tax, on the other hand, is more difficult to gather because of difficulties related to disclosure and valuation.

Better public debt management

There is considerable scope for lower financing costs for public debt through better management.[15] This covers issues, such as what types of debt to issue and for what purpose, strong legal and accounting frameworks and risk assessments, and regular reporting. In recent years, the quality of public debt management, as measured by an index of 14 indicators, appears to have declined in several Asia-Pacific countries, notably in Kiribati, the Lao People's Democratic Republic, Maldives and Tajikistan.

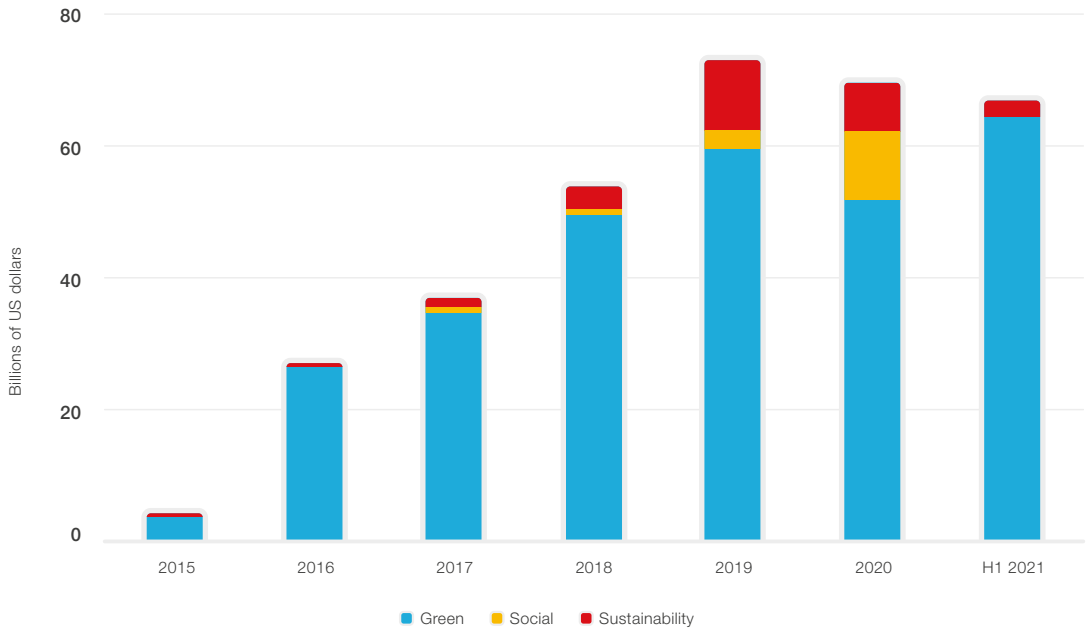
When borrowing, governments should be clear what the funds will be used for, as investors that are uncertain about the purpose of the debt demand higher risk premiums. They should also coordinate debt and monetary policies because fiscal deficits financed through domestic borrowing could, for example, crowd out credit available to the business sector. Several mechanisms have been adopted to ensure better coordination. For example, Indonesia has established the Financial System Stability Forum, which comprises the Ministry of Finance, the Bank of Indonesia, the Financial Services Authority and the Deposit Insurance Institution.[16] In the Philippines, all government borrowing has to be approved by the Monetary Board, which includes representatives from the Ministry of Finance. In Vanuatu, the central bank provides the Ministerial Budget Committee with views and advice.

The best way to effectively manage debt is through separate and accountable public debt management offices. In most Asia-Pacific countries, debt management agencies operate under ministries of finance, while the remainder are either under central banks or jointly managed by ministries of finance and central banks – which may have different objectives. Having independent debt management units not only helps avoid policy conflicts, but it also strengthens credibility, signalling the government's commitment to meeting its obligations.[17] Several countries have separate and accountable debt management offices, including, among them, the Islamic Republic of Iran, Nepal and Malaysia. Efforts are also being made to strengthen accountability. The debt management office of Thailand releases an overview of its annual implementation plan. In Viet Nam, the State Audit Office carries out annual audits of public debt management.[18]

Thematic bonds

Developing countries have increasingly been raising funds through "thematic' bonds" – including green, social, sustainability, and SDG bonds (figures 5-3 and 5-4). These are issued on the condition that they are to be used for projects with social and environmental benefits.[19] To ensure the proceeds from these bonds are used effectively, and prevent "greenwashing", issuers should follow international standards, such as the Green Bond Principles set by ICMA[20], and the environmental and social impacts should be verified by a third party.

Figure 5-3 Thematic bond issuance in Asia and the Pacific



Source: *ESCAP (2021), Financing the SDGs to Build Forward Better from the COVID-19 Pandemic in Asia and the Pacific (United Nations publication, Sales No. E.21.II. F.13).*

Thematic bonds have been issued in a number of Asia-Pacific countries:

- *Fiji* – In October 2017, Fiji was the first developing country to issue a sovereign green bond. The issuance was based on the principles of ICMA and raised $46.5 million. The funds have benefited an estimated 29,000 Fijians by generating 1.39 million KWh of renewable energy and enabling an annual reduction of CO_2 emissions of 2,000 tonnes.[21]
- *Indonesia* – In 2018, Indonesia issued the first sovereign bond compliant with Islamic law (sukuk) to fund its climate change commitments. In total, the country has raised $3.24 billion, $2.75 billion through global issuances and the equivalent of $490 million through domestic issuances.[22]
- *Thailand* – In 2020, Thailand issued a bond for 50 billion Thai baht ($1.6 billion) to finance, among other projects, the construction of the Orange Line of the Bangkok Mass Rapid Transit system, health expenditures and a support programme for small and medium-sized enterprises affected by COVID-19.
- *Malaysia* – In April 2021, the Government issued the world's first sovereign U.S. dollar denominated Sustainability Sukuk for $800 million, with a 10-year maturity.[23] The offering was oversubscribed 6.4 times.

Non-sovereign entities have also issued hematic bonds. The China Development Bank, for example, has issued a $1.9 billion bond to finance infrastructure linked to COVID-19 responses. Similarly, in order to finance and refinance small and medium-sized enterprises hindered by the pandemic, the Kookmin Bank of the Republic of Korea has issued bonds for $500 million[24] and Bank of the Philippine Islands, has issued bonds worth $300 million. More recently, Surbana Jurong, a Singapore-based consulting firm specializing in sustainable infrastructure, issued the first sustainability-linked bond in South-East Asia.[25]

Diaspora bonds

In 17 Asia-Pacific countries, annual diaspora savings are estimated to total $1 billion.[26] Governments are tapping these savings by selling diaspora bonds. Emigrants who buy these bonds contribute to their home country, while also get better returns, as they would otherwise keep their cash in banks with low interest rates. In general, however, because emigrants have a better sense of the risks of default than international investors, the interest rates for diaspora bonds are typically lower than for sovereign bonds. Emigrants are also less likely to sell their bonds during financial panics.

India, for example, issued five-year diaspora bonds in 1991, 1998 and 2000, generating a total of $32 billion. Bangladesh, Nepal, Pakistan, the Philippines and Sri Lanka have also issued diaspora bonds, with varying degrees of success. Other countries are considering to issue such bonds, including Armenia for SDG investments,[27] Georgia and Indonesia.[28]

Governments issuing such bonds need to have some understanding of the capacity and interests of their diasporas and the diasporas' trust in the government. The country should also have sufficiently developed domestic capital markets and the ability to offer a diverse range of bond structures in terms of maturity, currency denomination, fixed versus floating rates, frequency of interest payments, minimum purchase amounts and conditions on early redemption.[29]

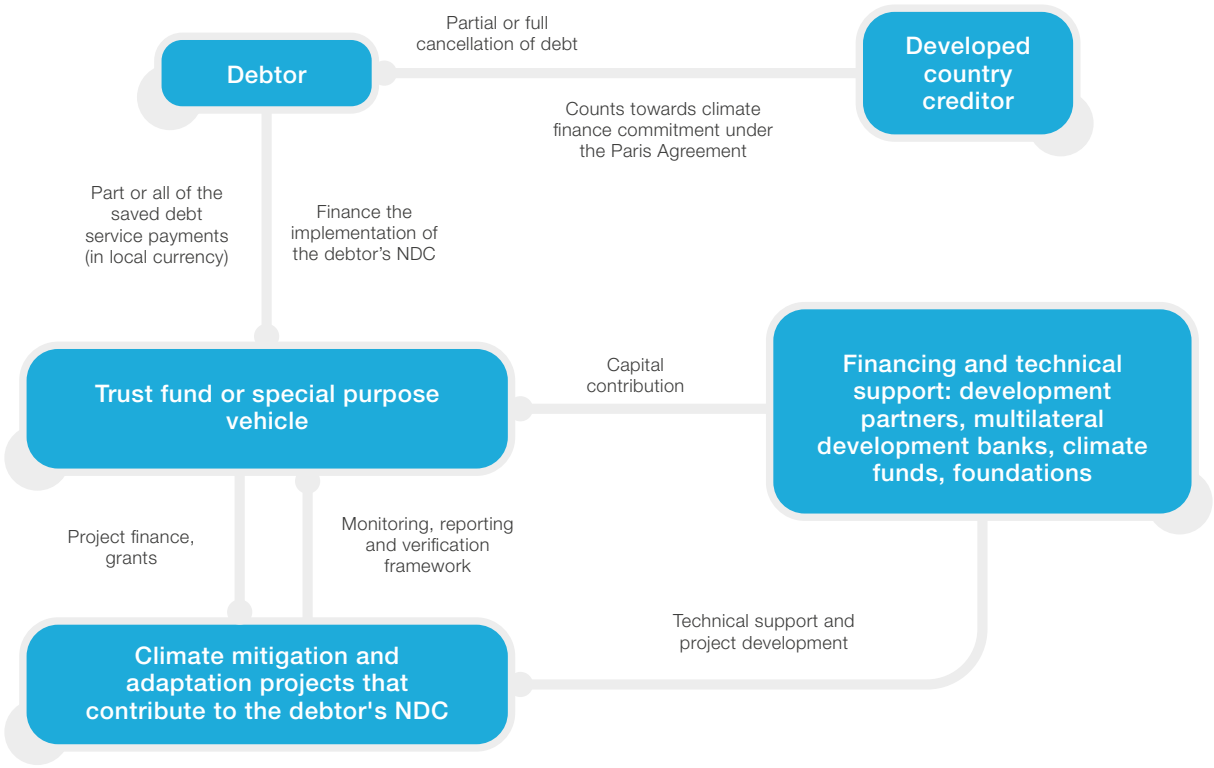
Offshore public bonds

Smaller countries with less developed capital markets or weaker credit ratings, can issue public bonds in the economy of a more developed neighbour. The Lao People's Democratic Republic, for example, has issued bonds in Thailand. Between 2013 and 2020, the Government of the Lao People's Democratic Republic and other entities issued a total of 43 Thai baht-denominated bonds. By the end of 2020, the total value was approximately $2.1 billion. In 2015, the Lao People's Democratic Republic also issued United States dollar-denominated public bonds in Thailand, raising $182 million.[30] Such issues should be a supplement to, rather than a substitute for, well-developed capital markets at home and be pursued cautiously, as they carry exchange rate risks.

Debt for development swaps

A debt-for-development swap is an agreement to write off debt in exchange for a commitment to specific actions – such as measures for climate mitigation or adaptation. Such swaps can provide valuable funds. However, as demonstrated by the debt-for-nature swaps in the 1990s, they are likely to be complex with high transaction costs. There is also the risk that the commitment may unravel as a result of financial crises or political change. In addition, the amount may be too small to have an impact or subsequently be diminished by a drop in the value of the local currency.

Figure 5-4 A debt-for-climate swap scheme to support the implementation of the Paris Agreement



Source: *ESCAP (2021), Financing the SDGs to Build Forward Better from the COVID-19 Pandemic in Asia and the Pacific (United Nations publication, Sales No. E.21.II. F.13).*

Projects involving debt-for-climate swaps projects should be based on NDCs and national planning documents.[31] The conditions can be encapsulated in a debt-for-climate swap "term sheet", similar to a term sheet for an investment deal. The monitoring, reporting and verification framework can be based on the targets and indictors in the ICMA Sustainability-Linked Bond Principles.[32]

A successful swap also demands a broad consultation process between the government, its creditors and other domestic stakeholders, including indigenous and local communities. Moreover, the funds should be in addition to the creditor government's official development assistance (ODA) commitment and not be used to legitimize spending cuts in other areas.

Regional cooperation

As indicated, governments have options for securing additional financing for socioeconomic recovery and implementing the 2030 Agenda, but some sources of financing are only viable through regional cooperation.

Financing climate action

The global Coalition of Finance Ministers for Climate Action, launched in 2019, brings together fiscal and economic policymakers from more than 60 countries, but only 12 Asia and the Pacific countries, 10 developing countries and two developed countries, Japan and New Zealand, participate in it. To promote national climate action through fiscal policy, the Coalition has agreed the Helsinki Principles (box 6 1). ESCAP can encourage regional countries to participate in the Coalition through side events at major intergovernmental meetings, such as the seventy-eighth session of ESCAP, to be held in May 2022, and the Regional Economic Cooperation and Integration meeting, to be held in September 2022. In the medium term, ESCAP can also partner with the Coalition in various activities.

The Economic and Social Commission for Asia and Pacific can also provide support related to thematic bonds and debt-for-climate swaps through feasibility studies and policy advice on aspects of these instruments that may be beyond the technical capacity of some developing Asia-Pacific countries.[33] To facilitate the secretariat's technical assistance at the country level, ESCAP, in collaboration with its member States, is establishing a consultative group on financing strategies for sustainable development.

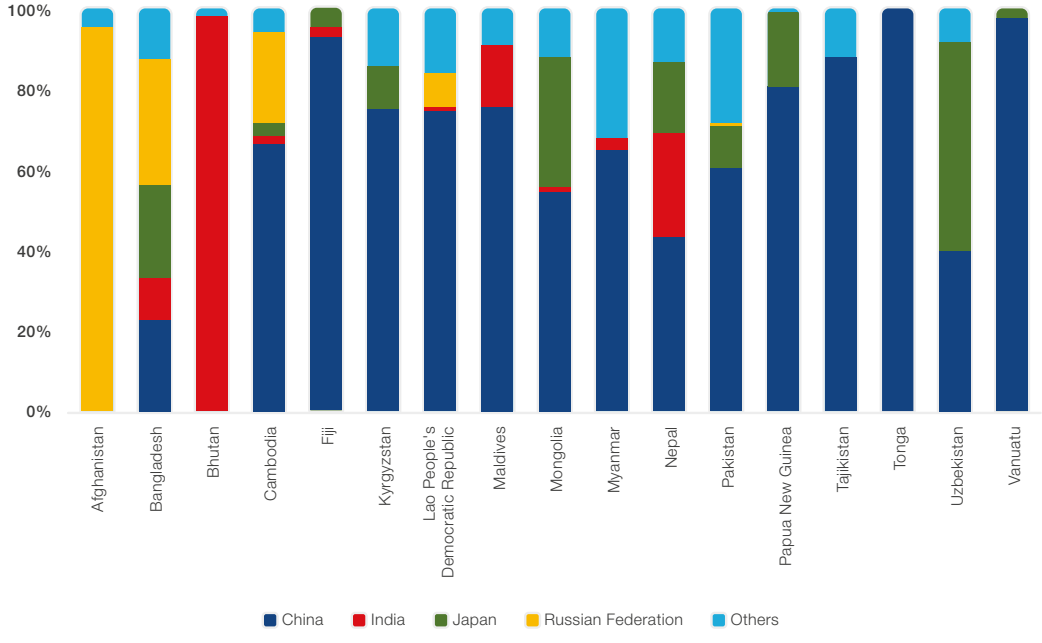
Multi-stakeholder debt discussions

The Secretary-General has called for a larger portion of international funding be directed to developing countries.[34] In this proposal, he argues, for example, for the International Monetary Fund (IMF) to make better use of special drawing rights (SDRs), which are largely going to the countries that need them least; of the recent $650 billion allocation, only 3 per cent – $21 billion – was allocated to low-income countries.[35] The Secretary-General has, therefore, called for IMF to place unused SDRs in the Poverty Reduction and Growth Trust Fund to support countries with liquidity difficulties. Unused SDRs could also be allocated to the proposed IMF resilience and sustainability trust.[36]

A second element to the Secretary-General's proposal is for continued debt suspension and actual debt relief. In October 2020, the G20 announced the Common Framework for Debt Treatment for G20 and Paris Club Creditors. The objective of this is to share the burden fairly among official and private creditors, but exclude many affected countries because they are not classified as "low-income" countries.

Debt relief can also be sought from the regional bilateral creditors, particularly China (figure 5-5). In some small Pacific island economies, such as Fiji, Tonga and Vanuatu, China accounts for more than 90 per cent of their maturing official bilateral debts. Similarly, virtually all bilateral debt of Afghanistan maturing in 2021 is owed to the Russian Federation. This is also the case for Bhutan to India. Finally, Japan is also a creditor country for Mongolia and Uzbekistan.

Figure 5-5 Bilateral debt service due in 2021, by donor



Source: *ESCAP, based on World Bank (2021), International Debt Statistics, Washington, D.C., World Bank Publications.*

At a more fundamental level, the debt landscape has become increasingly complex and restructuring mechanisms need to be revisited. The United Nations report "Debt and COVID-19: a global response in solidarity", presents an argument for debt relief and more responsible borrowing and lending.[37] In 2021, at the United Nations Financing for Development Forum, global leaders called on the international community to strengthen inclusive dialogues and mechanisms on sovereign debt".[38] ESCAP has already supported such dialogue through high-level regional conversation events, held in August 2020[39] and October 2021[40] and at a high-level side event at the seventy-seventh session of the Commission session, which was held virtually in April 2021.

The United Nations, which is not itself a creditor, provides a neutral platform for inclusive dialogue among sovereign debtors, creditors and other stakeholders. ESCAP could support these global initiatives at the regional level by organizing a regional forum. The secretariat could also help regional least developed countries to improve their capacity to engage with the international community in these complex discussions.

Through a resolution by member States at the seventy-eighth session of the Commission session, ESCAP could set up a platform to strengthen inclusive dialogue and mechanisms on sovereign debt.[41] The ESCAP Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development could also deliberate on debt as a recurring agenda item. Additionally, the Consultative Group on Financing Strategies for SDGs could hold more detailed and technical discussions, with ESCAP providing secretariat support.

Combating tax evasion and harmful tax practices

Multinational enterprises and wealthy individuals are able to take advantage of the internationalization of business and the easy mobility of capital and wealth around the world to evade or avoid taxation. Through "base erosion and profit shifting", they artificially move their profits, income or wealth to low-tax jurisdictions. For Asia and the Pacific, ESCAP estimates that the resulting tax losses range between $190 billion and $240 billion per year, approximately 7 per cent of the region's total tax revenue.[42] Although richer countries account for the lion's share, the impact could be even greater in developing countries, given their narrower economic and tax bases and greater vulnerability to drains on public revenue.

The international community has taken a series of steps to combat tax evasion and avoidance, including the 2015 Addis Tax Initiative. The main body driving the reform is the OECD/G20 Framework on Base Erosion and Profit Shifting Inclusive Framework, but only 26 of the 53 ESCAP member States are members of it, and none of the region's least developed countries are on board. Another, initiative is the United Nations Model Taxation Convention, which favours the host country retaining more of the taxing rights,[43] and different treatment for the digital economy.

Tax cooperation in Asia and the Pacific could be advanced through regional dialogues that articulate the voices and demands of developing countries, especially the least developed countries. ESCAP is the region's most inclusive intergovernmental platform and can join with global and local partners to promote broad-based dialogues and knowledge exchange. It can also collect conclusions emerging from these dialogues and communicate them to global tax cooperation processes under the auspices of the United Nations system.

Regional tax cooperation should also extend to related issues, such as financial transparency and integrity, statistics and monitoring, and the challenges of digitalized currencies. In this regard, ESCAP facilitated the Asia-Pacific regional consultation by the United Nations High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (the FACTI Panel) and has been contributing to the United Nations system-wide initiative on Financing for Development in the Era of COVID-19 and beyond. ESCAP can continue to bridge knowledge and engagement between United Nations global initiatives and regional countries on this front.

The pandemic has exacerbated financing gaps in the region. Many countries face significant fiscal constraints and rising public debt. Fortunately, governments have many options to expand their "fiscal envelopes". Other sources of financing require regional consensus-building and advocacy as well as regional knowledge-sharing. In these areas, ESCAP can use its convening powers and its ability to provide technical support.

BOX 5-1

Helsinki Principles of the Coalition of Finance Ministers for Climate Action

1. Align our policies and practices with the Paris Agreement commitments.
2. Share our experience and expertise with each other in order to provide mutual encouragement and promote collective understanding of policies and practices for climate action.
3. Work towards measures that result in effective carbon pricing.
4. Take climate change into account in macroeconomic policy, fiscal planning. budgeting, public investment management, and procurement practices.
5. Mobilize private sources of climate finance by facilitating investments and the development of a financial sector which supports climate mitigation and adaptation.
6. Engage actively in the domestic preparation and implementation of nationally determined contributions (NDCs) submitted under the Paris Agreement.

Source: The Coalition of Finance Ministers for Climate Action. Available at *https://www.financeministersforclimate.org/helsinki-principles.*

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CHAPTER 6
RECLAIMING OUR FUTURE

The recommendations for a common agenda to advance sustainable development in Asia and the Pacific are inspired by the Declaration on the Commemoration of the Seventy-Fifth Anniversary of the United Nations. Progress towards attaining the SDGs has been slowed by the setbacks of climate change and a global pandemic, which have threatened the future we have set our sights on. A common agenda for sustainable development in Asia and the Pacific involves political will and leadership through reinvigorated multilateralism based on values of trust and solidarity.

From the ravages of the Second World War, in which only a few countries in the region had emerged as independent nation States, the Asia-Pacific region has, albeit to varying degrees, been "advancing together", when dealing with crises, while gradually building up systemic resilience.

The 2030 Agenda for Sustainable Development takes an ambitious yet pragmatic approach, stressing that no one should be left behind:

"As we embark on this great collective journey, we pledge that no one will be left behind. Recognizing that the dignity of the human person is fundamental, we wish to see the Goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first." (paragraph 4)

Within the framework of the report of the Secretary-General entitled "Our Common Agenda", which is a global vision for accelerating the achievement of the Sustainable Development Goals, the common agenda proposed below is focused on advancing sustainable development in Asia and the Pacific. The principles of a common agenda are guided by the need to be prepared, leave no one behind, protect the planet, place women and girls at the centre, listen to and work with young people, improve digital cooperation, boost partnerships and ensure sustainable financing:

A wealthier but riskier world

Be prepared – No one knows which extreme event will come next. Governments, therefore, need to be prepared through strategic foresight and forward-looking policies that encompasses systemic risk management, national and local, supported by regional frameworks – and backed by innovations that integrate digital and geospatial big data analytics. For example, through its Regional Space Applications Programme, ESCAP could facilitate a coalition of space-faring countries that would provide high resolution satellite imagery and big Earth data analytical tools for consistent natural disaster risk monitoring and reduction, with a focus on countries facing special situations.

Protecting people and the planet

Leave no one behind – In most countries being poor is the most important factor for being left behind. More than half of the region's population is left unprotected against any form of contingency throughout their life. A central solution is to design, build and implement social protection systems that ensure the right to social protection for all without discrimination throughout the life cycle. Universality is key to reaching those who need support, when they need it. The ESCAP Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific calls on members and associate members to establish an intermediate target of coverage by 2025 for the achievement of universal coverage by 2030.

Protect our planet – The region needs to phase out the use of coal, stop fossil fuel subsidies and make use of carbon pricing, while moving to renewable resources and integrating actions on biodiversity, ecosystems, air pollution and climate change into national policies and ensuring that such measures are also integrated into trade agreements. Asia and the Pacific needs to accelerate climate mitigation, possibly through a regional coalition. Climate adaptation actions, including through ecosystem-based approaches, also require greater ambition. The objective should be to mend the broken relationship with nature, including through adopting new economic model and rights-based environmental management. In this regard, there is scope to develop a regional modality on air pollution.

Place women and girls at the centre – This is critical to fulfilling their rights and empowerment. Women's active participation in decision-making, and designing and implementing policies and programmes will also contribute to the formulation of inclusive and sustainable solutions. In this regard, the design of adequate social protection for women matters for gender equality. Recognizing, redistributing and rewarding, through subsidized services, care for children and the elderly, assumes urgency in the context of the rapidly ageing societies in which women live longer than men and women are the primary caregivers.

Listen to. and work with young people – Future generations are underrepresented in decision-making. To attain intergenerational equity, governments can, for example, create seats for young parliamentarians and citizens assemblies in which young people have equal representation. In particular, young people should be involved in developing sound environmental regulations that articulate the needs of future generations. There is also scope to establish committees for the future or future generation commissioners who advise governments and public bodies, as some countries have done already. Importantly, dialogue and solidarity between generations is fundamental for sustainable societies for all ages.

Digital by default

Improve digital cooperation – Accelerating the digital transformation in the post-COVID-19 economy and society has exposed the compelling need to achieve universal access to affordable, reliable and safe broadband Internet by 2030. A big push in infrastructure investments is needed, utilizing blended public-private investments in remote rural areas. There are also opportunities for governments to reduce infrastructure costs by coordinating the deployment of new cables along transport and energy links. Government investment in universal national digital identifications can help identify those most likely to be left behind and enhance their inclusion in social protection systems for better crisis preparedness, and more digital job opportunities for the region's young people can be created through government -business partnerships that match training programmes to market requirements. The implementation of the Asia-Pacific Information Superhighway initiative action plan developed by ESCAP members and associate members will help improve digital cooperation on these matters.

Trading and investing together

Boost partnerships – International trade and foreign investment have been key engines of growth in Asia and the Pacific, but trade procedures need to be simplified and digitalized. To move forward, countries in the region could take advantage of the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. At the same time, attention must be paid to building up productive capacities in such areas as digital innovation, climate readiness and epidemic resilience to ensure that regional trade and investment are supportive of emergency needs in a more inclusive and sustainable way. In all aspects of trading and investing, governments need to work closely with the private sector, academia, development banks and community groups. With demand from investors of all sizes increasing for investment-ready opportunities that support the Sustainable Development Goals, ESCAP can provide a platform for commercially viable, environmental, social and corporate governance projects through, for example, regional Sustainable Development Goals investment fairs that match project sponsors with private investors and/or public development banks.

Raising financial resources and managing debt

Ensure sustainable financing – To create sufficient fiscal space, it will be important for countries at the national level to curb non-developmental expenditures, move to more progressive forms of taxation, and raise funds through thematic bonds, diaspora bonds and debt swaps for development. In terms of strengthening regional cooperation, countries can further climate action through fiscal policy; engaging in inclusive dialogue on debt issues; and combating illicit cross-border financial flows and tax evasion.

ESCAP ready to serve

The Economic and Social Commission for Asia and the Pacific, at 75, has served the region as the most inclusive intergovernmental platform with an ambitious vision, and broad, open-ended programme. As an impartial and credible convener, ESCAP has developed and implemented many regional cooperation agreements and frameworks that focused, in particular, on enhancing regional transport connectivity and trade integration. While these upstream normative interventions have provided valuable guidance for the implementation of more coordinated downstream operational interventions aligned with standards and good practices promoted by the United Nations, future cooperation frameworks must continue to put the region's population at the core.

With people at the centre, there is further scope to strengthen the role of ESCAP as a marketplace for sharing knowledge, ideas and programmes (see box 6-1). In particular, ESCAP should engage the enthusiasm of the younger generation on climate change issues and environmental, social and corporate governance, and promote intergenerational dialogue and solidarity. Across all sectors, ESCAP must invest more in improving data collection, analysis, dissemination and the statistical visibility of groups in vulnerable situations, and build new capacities in areas, such as strategic foresight to manage systemic risk and behavioural sciences that deepen understanding of policies that incentivize individuals and private sector companies towards protecting people and the planet.

BOX 6-1

A marketplace for knowledge, ideas and projects

I use the idea of a marketplace to clarify what the Economic and Social Commission for Asia and the Pacific (ESCAP) has been doing for many years and what can shape its future direction. While ESCAP has an ambitious vision, it has modest capabilities. ESCAP, thus, does not make the headlines, but it is there somewhere in the picture playing a helpful role.

The success of ESCAP as a marketplace for knowledge, ideas and projects depends on how useful it is to those who utilize its services. I highlight five aspects, which are present, to varying degrees.

Be apolitical with an open architecture: A marketplace should be welcoming and safe. Visitors should enjoy freedom to buy or sell or just to look around. The agenda of ESCAP should remain broad, open-ended and inclusive. It exists for its members and not the other way around, with the promotion of sustainable development as its driving mission. However, marketplaces are never static. Some activities die out; new ones appear. There must always be space for spontaneity. Marketplaces have to be regulated but the regulations must never be bureaucratic. For example, a country or non-governmental organizations (NGOs) may have good ideas on removing plastic from waterways. ESCAP is a ready-made platform to bring together all those interested in the subject who can contribute expertise or resources, or who may just want to learn. Among NGOs, ESCAP should always be seen as a good and fair platform.

Serve as a data repository: Sustainable development in the Asia-Pacific region requires us to work across national and regional boundaries. The availability of data is not only a precondition for effective cooperation, but it is also a strategic asset. ESCAP should provide the best data network for the region for data on economic and social development. Establishing ESCAP as a go-to regional platform requires both insertion and marketing. Insertion means working with member States and regional organizations, engaging NGOs and making ground visits in a spirit of learning and investigation. Marketing could be strengthened by the secretariat recruiting more staff with some understanding of data analytics. Visitors to a marketplace always discover or learn new things; that's what makes markets interesting places and ESCAP should try to achieve such a position in people's minds

*Support all least development countries in their graduatio*n: The value of ESCAP will be further enhanced if it puts a special focus on helping these countries take off economically. The principal assistance extended by ESCAP to them is not financial, but in network support. Enlisting the help of NGOs and business corporations is important. A voluntary buddy system to help least developed countries in specific areas should be considered. Existing buddies can become more effective by working with ESCAP. A marketplace puts peers together. The presence of least developed countries side by side with more advanced countries naturally generates peer pressure and learning opportunities that uplifts the least developed countries.

Engage young people: Engaging the enthusiasm of the younger generation is critical. Few in the younger generation have heard about ESCAP. They are passionate about climate change. They are moved by the environmental and social governance. By inserting ourselves into the consciousness of young people, especially students in schools and universities, we will also generate new ideas for ESCAP to pursue. Getting young people from developed and developing countries involved in extending helping hands to least developed countries is also good education for them.

Strengthen inclusivity: ESCAP is part of the United Nations and derives its mandate and mission from the New York headquarters. Thus, it begins as a top-down initiative. However, for ESCAP to be more successful in its mission, much of its work has to be bottom-up, which is why creating enthusiasm among NGOs and young people is so important.

However, in staying close to the ground, our culture must be inclusive. Our instinct must be to reduce divisions, not accentuate them. The moral foundation of ESCAP is our common humanity. We do not want to preach, but our values should shine through in the work we do.

The current global wave in the corporate world to promote environmental, social, and corporate governance (ESG) presents a huge opportunity for ESCAP. ESG began as an idea in the 1990s, giving wider meaning to corporate social responsibility. It received a major boost with the Millennium Development Goals and, further support from the 2030 Agenda for Sustainable Development. The Conference of Parties meetings have also added force to the movement. In a sense, ESG takes the SDG goals, structures them and lays out specific targets to be met. In short, while SDGs sets the goals, it is ESG which will get us there.

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Over the past two decades, the region has lifted millions out of poverty. Most countries are now in a position to offer their citizens many more opportunities to live longer, healthier, more productive and secure lives. In a wealthier but riskier world, these achievements are threatened by three overlapping crises. The most immediate is the coronavirus disease (COVID-19) pandemic which has cost many lives, brought economies to a standstill and pushed back an estimated 85 million people into extreme poverty measured at $1.9 per day. Second, rapid economic growth has often had devastating environmental consequences by exhausting natural resources, generating dangerous levels of pollution and contributing to global heating. An existential threat from climate change looms large. Third, is the damage from natural disasters that recur with increasing frequency and intensity. More recently a rapidly evolving crisis in Ukraine is expected to have wide-ranging socioeconomic impacts that disproportionally affect the poor through higher fuel and food prices and declining remittances, with countries in North and Central Asia particularly affected.

The present study describes pathways to achieve more inclusive and sustainable post-pandemic recovery. It identifies elements for a common agenda for present and future generations centred on protecting people and the planet, leveraging digital opportunities, trading and investing more together, raising financial resources and managing debt. It underlines the need to listen and work with young people, placing women at the centre for crisis-prepared policy action and new people-centric partnerships, with the readiness of the Economic and Social Commission for Asia and the Pacific (ESCAP) to serve.

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