

Economic and Social Survey of Asia and the Pacific 2020

Towards sustainable economies

Jyoti Bisbey and Zhenqian Huang

Macroeconomic Policy and Financing for Development
Division, United Nations ESCAP

**Presentation to the World Bank Group
Thailand, the Philippines and Malaysia**

Policy Dialogue

8 May 2020



Key messages

- Rapid economic growth in the region is coming at a cost to People and the Planet
 - Our region is not on track to achieve any of the SDGs
 - Region remains highly susceptible to disasters and climate risks
 - Material consumption is outpacing population and income growth
 - Current COVID-19 pandemic and economic crisis has exposed these vulnerabilities and lack of emergency preparedness

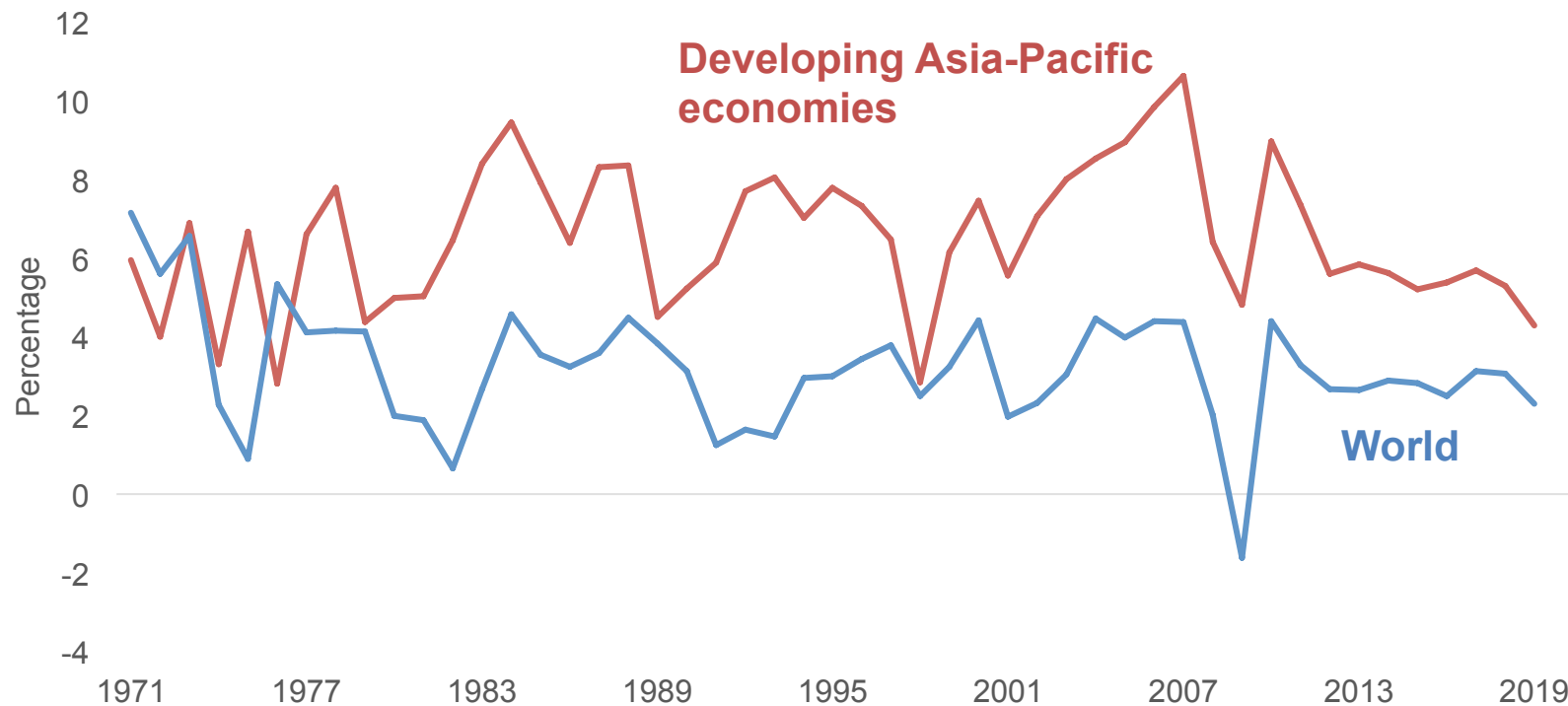
Key messages

- *Survey 2020* emphasizes sustainable consumption and production (SDG12), by...
- ...linking all stakeholders to act collectively and calls for UN Decade of Action:
 - *Local action* – embedding the green transitions into policies, budgets and regulatory frameworks
 - *People action* – moving **businesses** towards cleaner production and **consumers** towards sustainable lifestyles
 - *Global action* – collectively raising our level of ambition and seeking for smart solutions



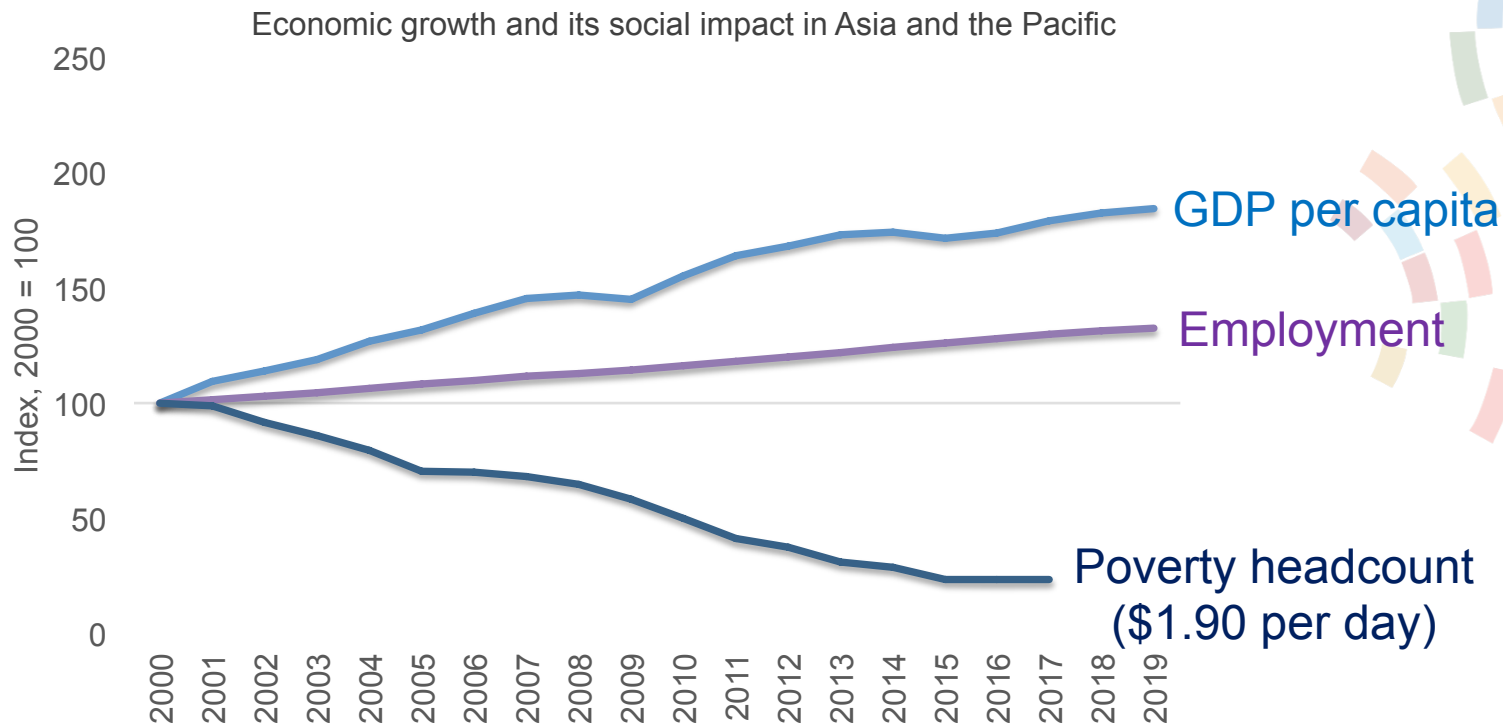
**GDP growth-centric development approach
has come with costs to
PEOPLE and the PLANET**

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



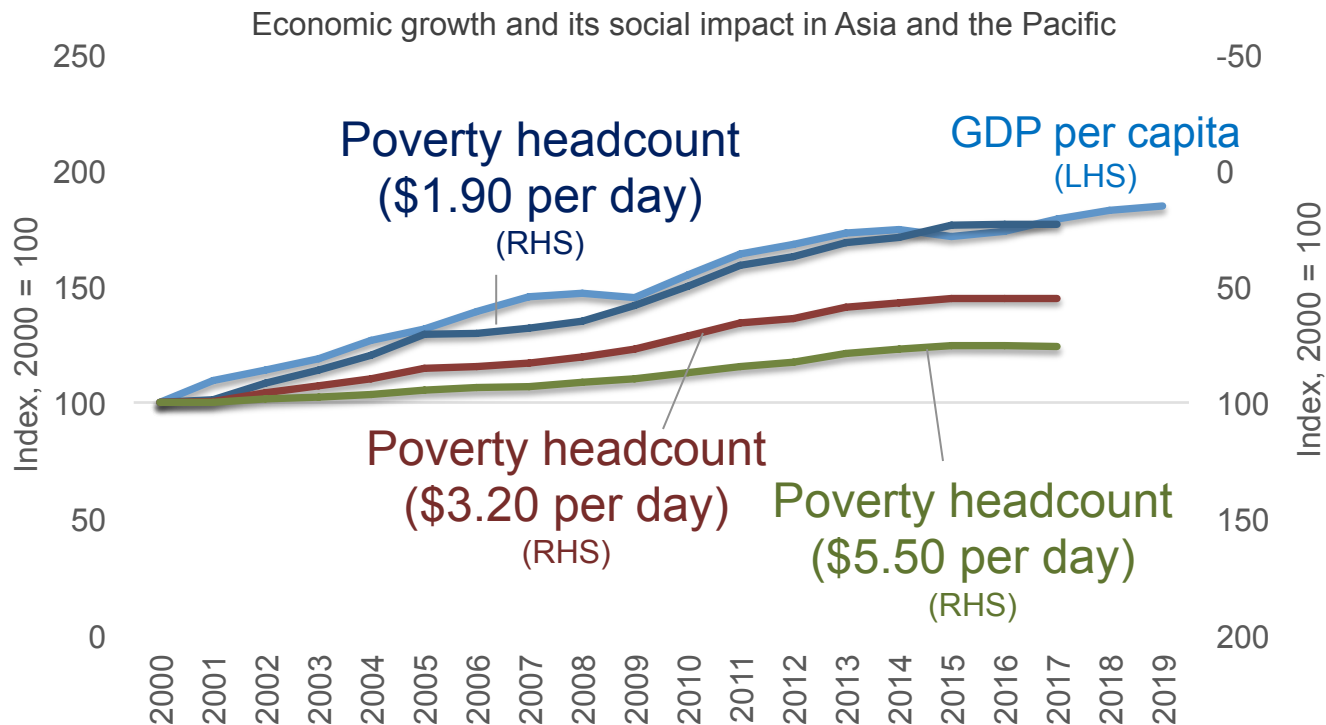
Source: ESCAP and UN DESA.

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



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

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

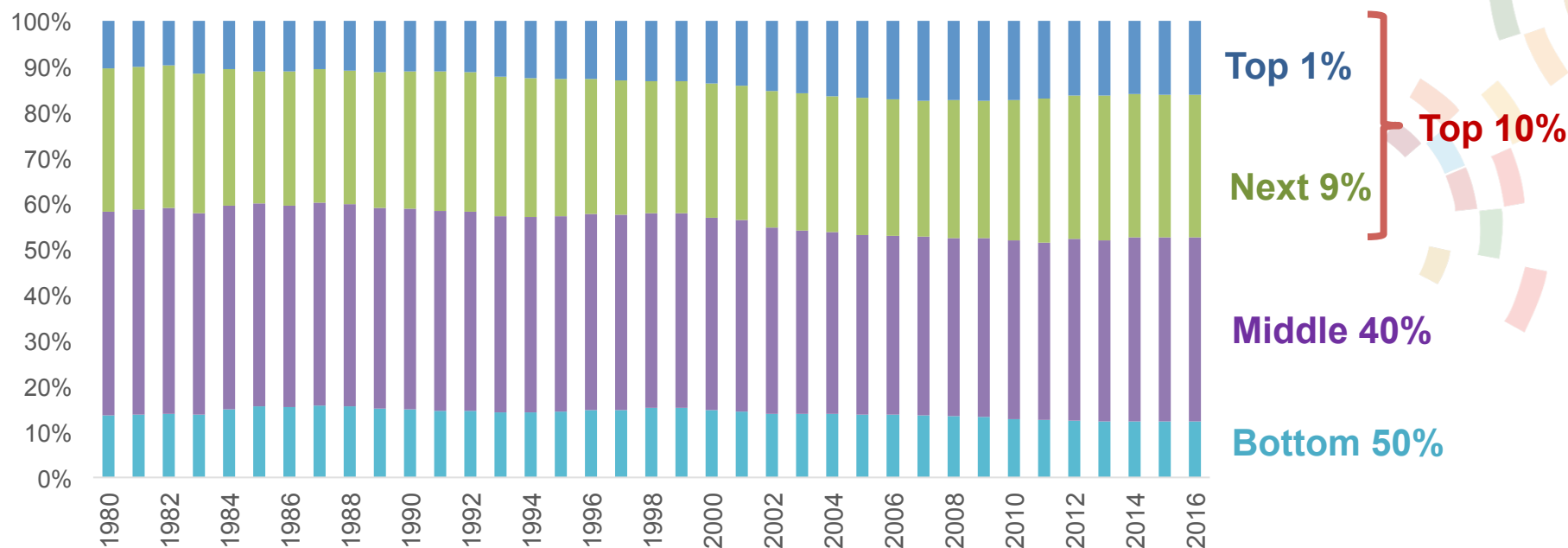


Source: ESCAP data portal (accessed on 4 December 2019); ESCAP calculation based on World Bank, PovcalNet, available at <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed on 13 February 2020); IMF, World Economic Outlook database, October 2019 (accessed on 4 December 2019); Global Carbon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

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

...and the distribution of income has been unequal

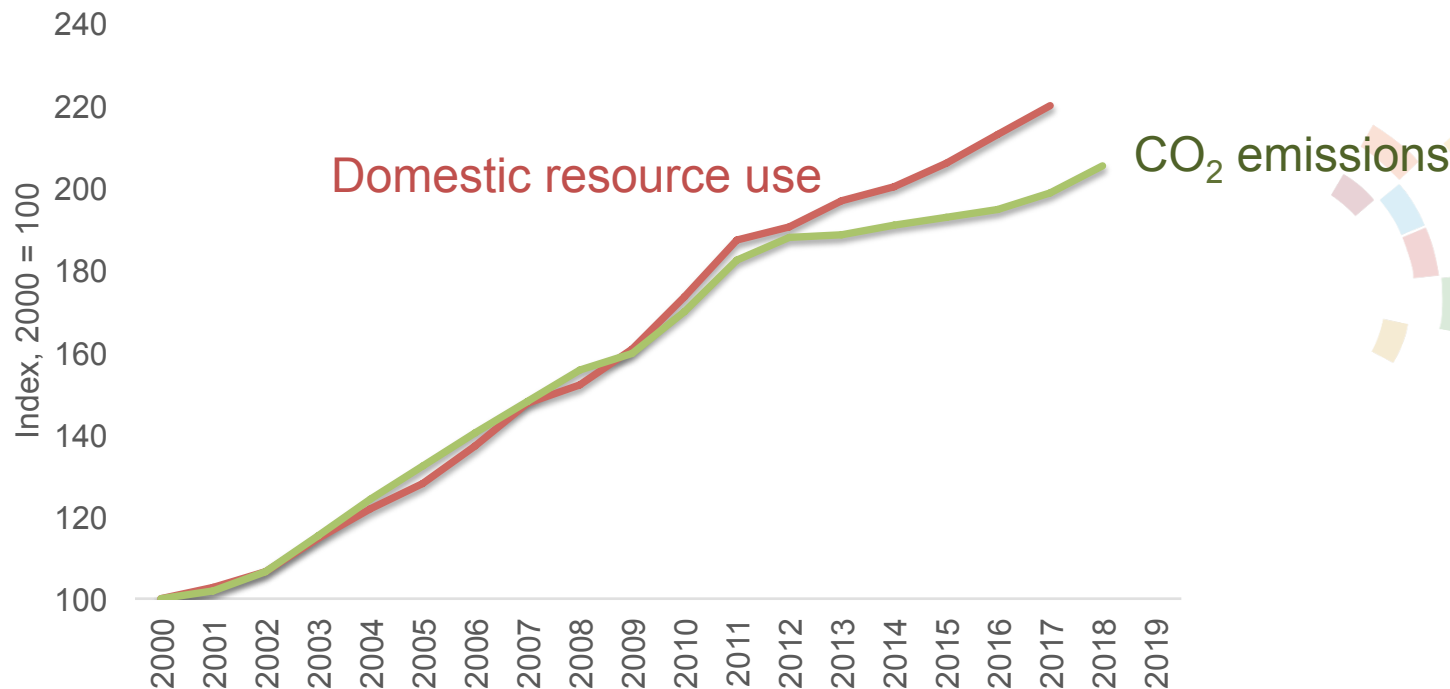
Share of income (pre-tax national income) by income groups in Asia



Source: World Inequality Database (accessed 3 October 2019)

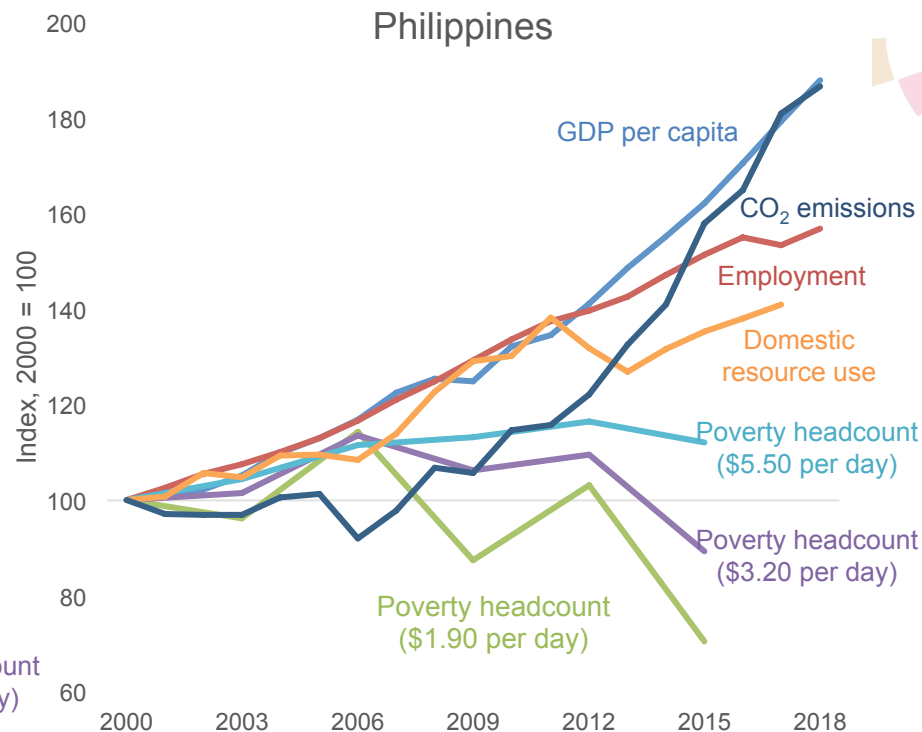
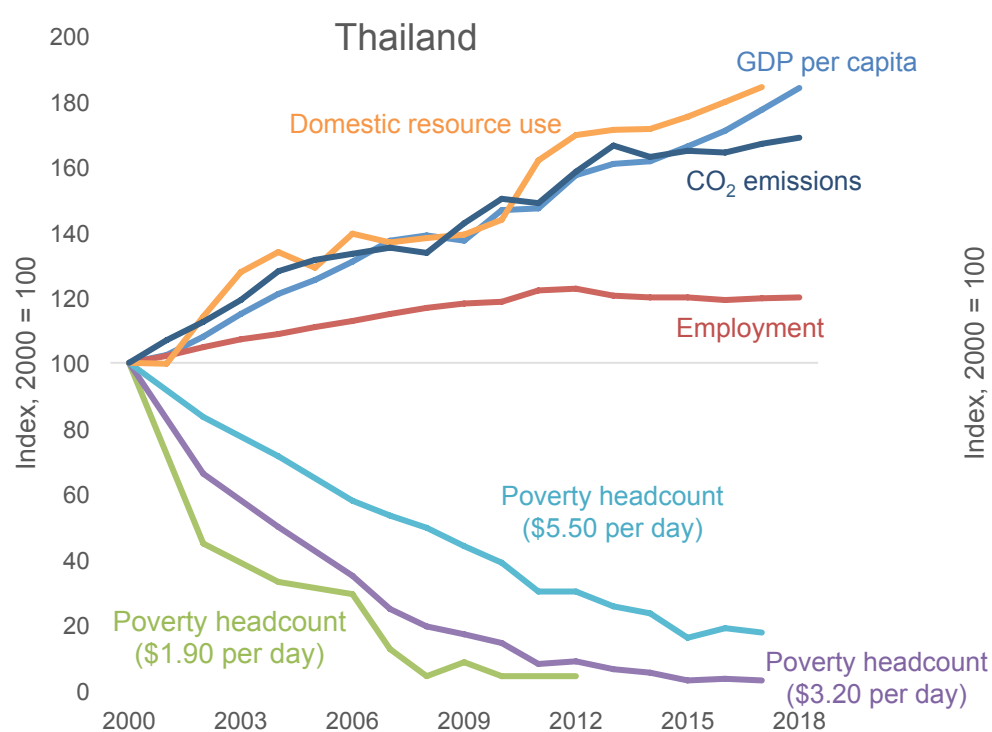
...while the costs to the **PLANET** have also been significant

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



Source: ESCAP data portal (accessed on 4 December 2019); Global Carbon Atlas, available at www.globalcarbonatlas.org/en/CO2-emissions (accessed on 13 February 2020).

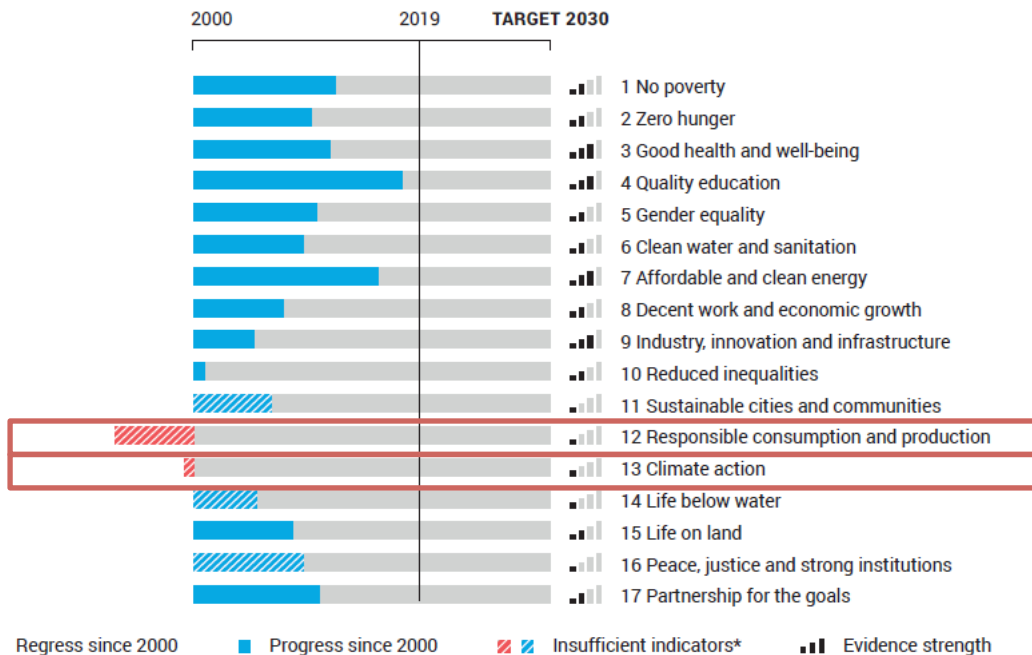
Similar trends are observed in South-east Asian countries



Source: ESCAP data portal (accessed on 2 May 2020); ESCAP calculation based on World Bank, PovcalNet, available at <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed on 13 February 2020); IMF, World Economic Outlook database, October 2019 (accessed on 4 December 2019); Global Carbon Atlas, available at www.globalcarbonatlas.org/en/CO2-emissions (accessed on 13 February 2020); UNEP-IRP, Global Material Flows Database (accessed 2 May 2020).

Asia and the Pacific is off-track to achieve the 2030 Agenda, with Goal 12 regressing the most

Snapshot of SDG progress in 2019: Asia-Pacific region



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

SDG 12: Ensuring sustainable consumption and production patterns

8 Key Targets focusing on sustainable...



Resource Management



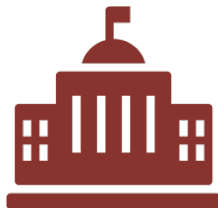
Business Practices
& Reporting

TOURIST

Tourism



Finance



Green Public Procurement



Market Mechanism



Living

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

Synergies between Goal 12 and other Goals

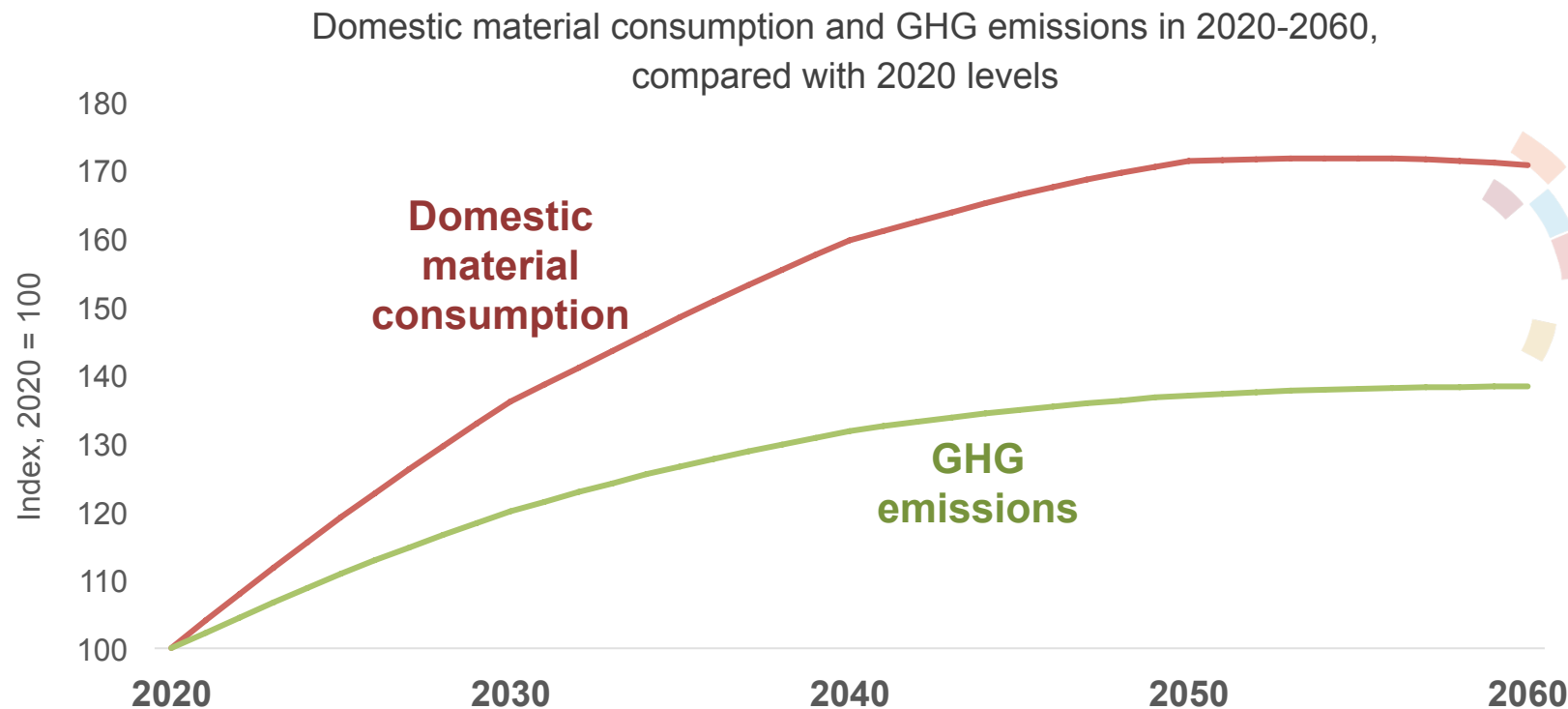


Source: One Planet Network, 2019.

The background of the slide features a blurred image of hands. One hand is at the top right, holding a pen, and another is at the bottom left, near a row of wooden blocks. Overlaid on this background are various white line-art icons representing economic concepts: a coin with the number '1', a calculator, a lightbulb, a target with an arrow, a percentage sign, a globe, a dollar sign, a magnifying glass, a line graph with an upward arrow, a pie chart, a wrench and screwdriver, a Euro symbol, and three stacks of coins with upward arrows. A faint, semi-transparent box with the word 'Sustainable' is also visible behind the main text.

**Current economic slowdown should not deter
policy actions to facilitate transition towards
sustainable consumption and production**

Business-as-usual cannot continue in the face of **climate emergency**...



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

... which requires collective actions by all stakeholders

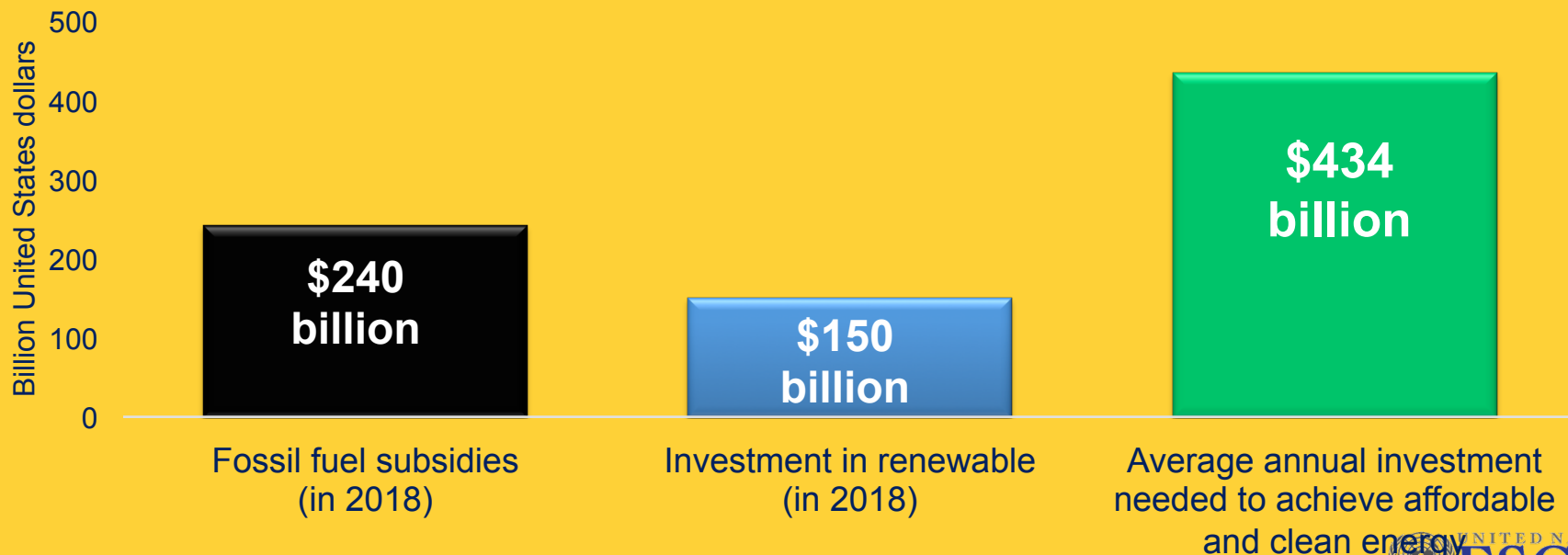


Local action



Governments should embed sustainability in policymaking and decarbonize their economies

☐ Remove fossil-fuel subsidies



Source: ESCAP (2020 and 2019).

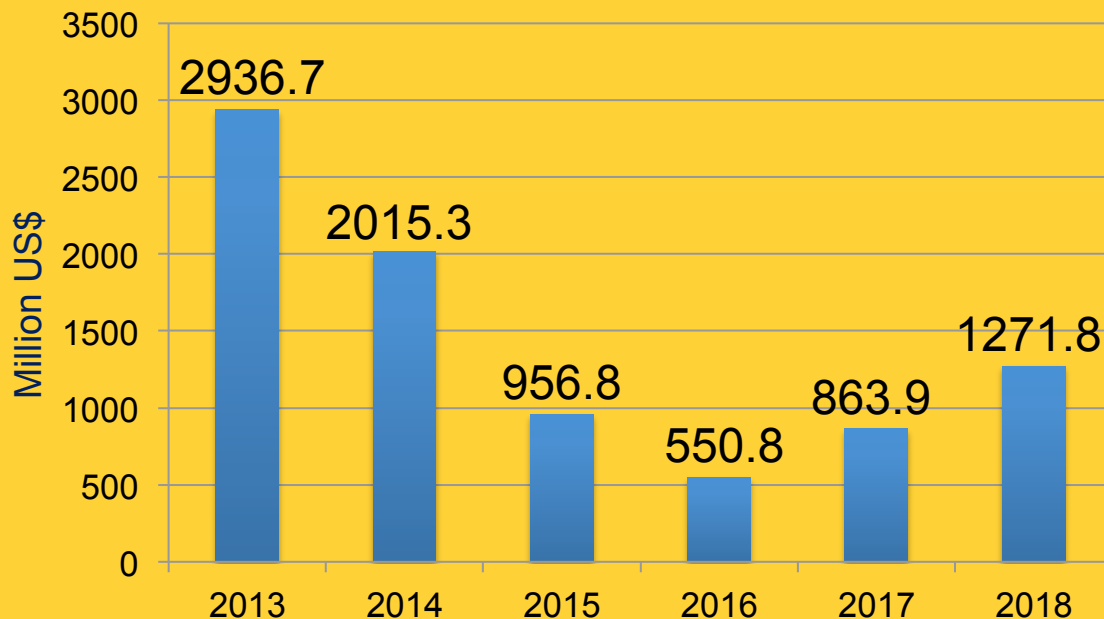
Local action



Governments should embed sustainability in policymaking and decarbonize their economies

 **Remove fossil-fuel subsidies**

Fossil Fuel Subsidies



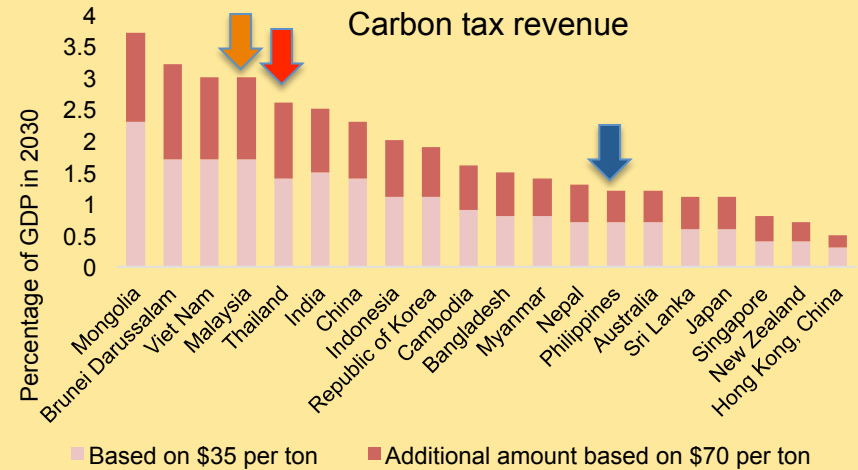
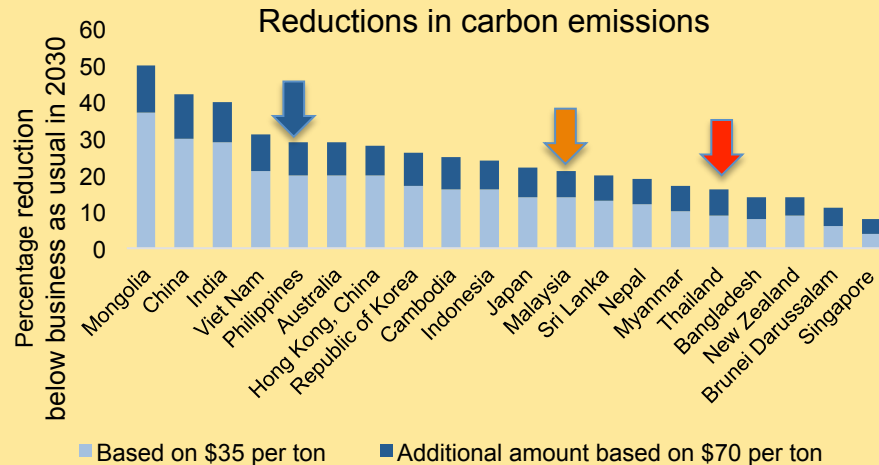
- Inconsistent pattern with downward in the past and now increasing
- Thailand needs to adopt long-term policies to phase out fossil fuel subsidies

Local action



Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies
- Adopt carbon pricing



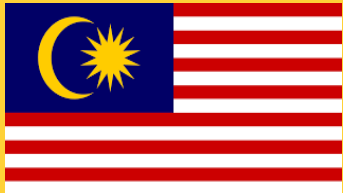
Source: ESCAP, based on IMF (2019g)



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



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



- No immediate plans to implement carbon pricing

Local action



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

The Bangko Sentral ng Pilipinas is not a member of NGFS.

Financial Incentives

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

Regulatory Incentives

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

Governments should embed sustainability in policymaking and decarbonize their economies

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





Sustainability-related guidelines

- Stock Exchange of Thailand(SET)
 - 2010: Sustainable reporting guidelines
 - 2012: Principles of Good Governance
 - 2017: Corporate Governance Code
- Thai Bankers' Association(TBA) and Bank of Thailand(BOT)
 - 2019: Sustainable Banking Guidelines- Responsible Lending

- BSP announced its sustainable finance framework, circular #1085 on April 29, 20

- Securities Commission Malaysia(SC)
 - 2014:Sustainable and Responsible Investment Sukuk Framework
- Bursa Malaysia Securities Berhad
 - 2015: Sustainability Reporting Guide
- Bank Negara Malaysia (BNM)
 - 2019: Value-based Intermediation Financing and Investment Impact Assessment Framework for Islamic banking

Partnership with IFC

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

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

-



Capacity building
and knowledge-
sharing platforms



... which requires collective actions by all stakeholders



Businesses should internalize the externalities of their business operations



People action

- ❑ Incorporate ESG considerations in making decisions



Environment

- Water and pollution
- Resource depletion
- Greenhouse gas emission
- Deforestation
- Climate change



Social

- Employee relations and diversity
- Working conditions, including child labour and slavery
- Local communities; seek explicitly to fund projects or institutions that will serve poor and underserved communities globally
- Health and safety
- Conflict



Governance

- Tax strategy
- Executive remuneration
- Donations and political lobbying
- Corruption and bribery
- Board diversity and structure

Businesses should internalize the externalities of their business operations



People action

- ❑ Incorporate ESG considerations in making decisions



Guidelines to integrate ESG into business functions

Participation in PRI in Asia-Pacific is only

15%

Malaysia: 10

Thailand: 2

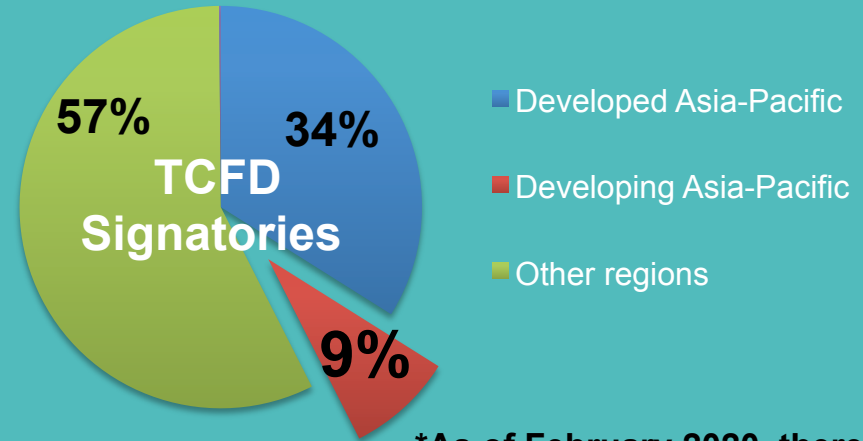
Philippines: 0

Businesses should internalize the externalities of their business operations



People action

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



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

The first Philippine business signed TCFD in February 2020

Bursa Malaysia and the Securities Commission Malaysia are the only TCFD signatories from Malaysia.

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

Businesses should internalize the externalities of their business operations

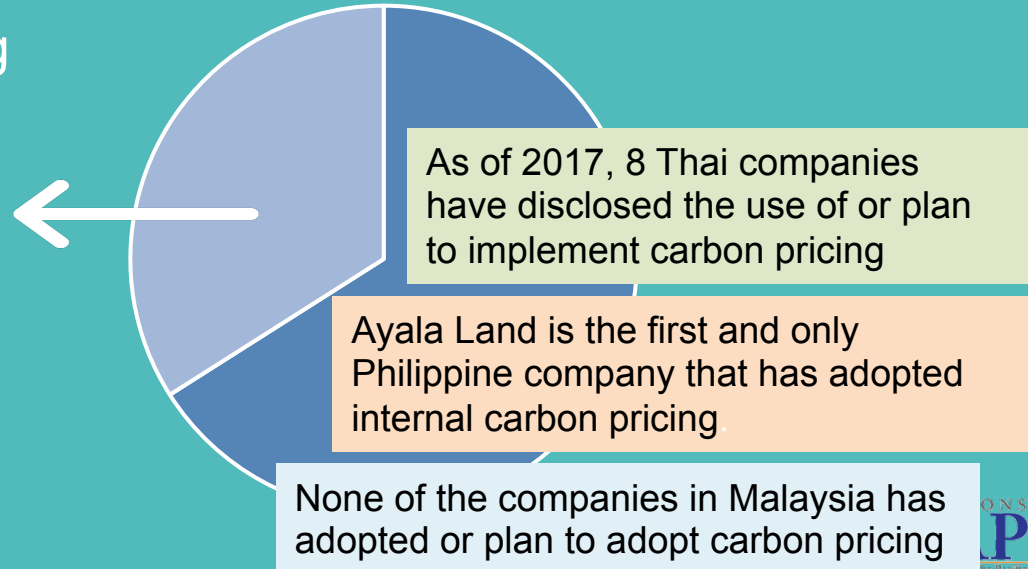


People action

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

About 35%

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



Internal Carbon Pricing in Thailand



Companies that have adopted internal carbon pricing	Price (US\$)
PTT	18.70
PTT Exploration & Production Public Company Ltd.	Undisclosed
Delta Electronics (Thailand) PCL.	Undisclosed
Indorama Ventures PCL	15.00
True Corporation	Undisclosed
Companies planning to adopt internal carbon pricing	
Charoen Pokphand Foods PCL	
PTT Global Chemical	
Global Power Synergy Public Company Limited	

Businesses should internalize the externalities of their business operations



**People
action**

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

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

... which requires collective actions by all stakeholders



Consumers need to move towards sustainable lifestyles



People action

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

Consumers need to move towards sustainable lifestyles



People action

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- ✓ Growing appetite for vegetarian food in Thailand
- ✓ 2.4% increase in spending at the annual vegetarian festival (Kin Jae festival) from 2018-19 despite slowing economy

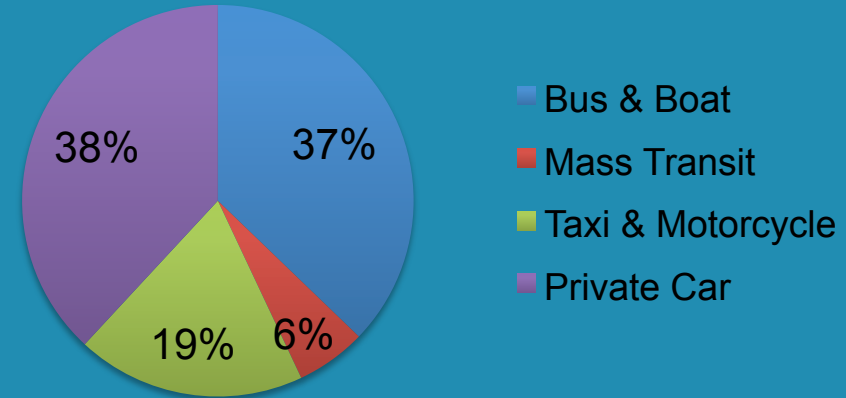
Consumers need to move towards sustainable lifestyles



People action

Vehicle Type	Percentage change in registrations from first half of 2018 to first half of 2019
Private Cars (Up to seven seats)	+ 8.0
Private Cars (More than seven seats)	+ 1.0
Private Transport Vehicles	+ 6.0
Motorcycles	- 4.0
Buses	- 6.0

Share of transportation modes in Bangkok (2015)



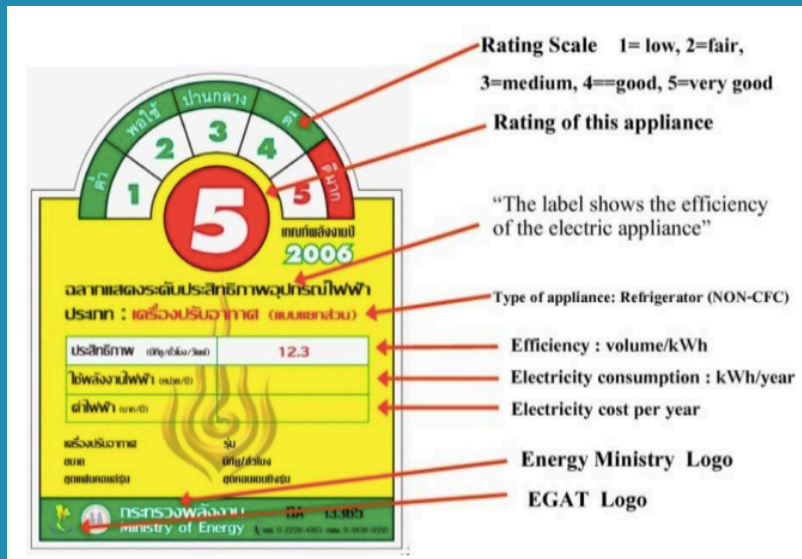
- X High reliance on private transport**
- X Inadequate public transport infrastructure**

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



People action

❑ Nudging



EGAT executives wearing power-saving T-shirts at a fashion show

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

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



People action



... which requires collective actions by all stakeholders



Global action



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



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

Global action



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



- ❑ Establish cooperation on regional climate-related policies
- ❑ Move towards decarbonization
 - Develop regional carbon markets
 - Scale up transboundary power trade

Global action



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

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



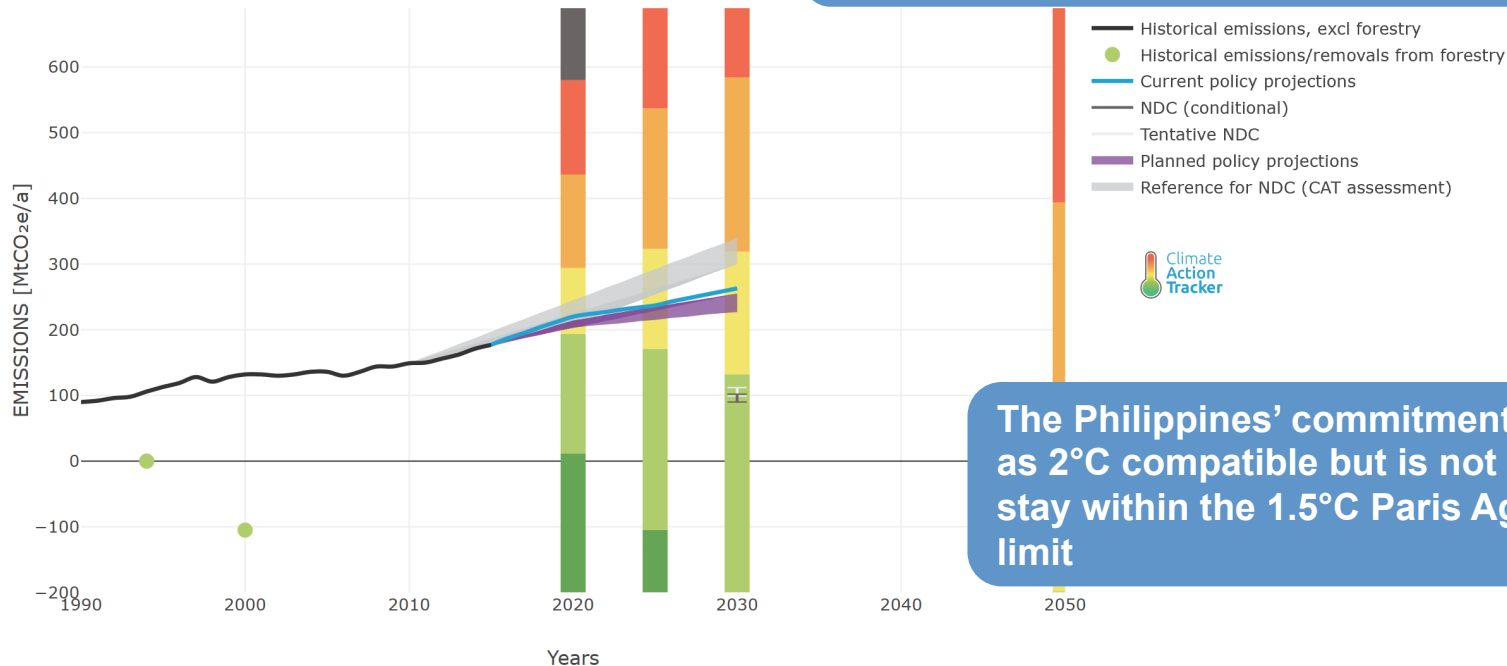
Thailand: Launch of the project “Towards SDG12 – SCP Patterns through the Implementation of 10YFP” in 2017

The Philippines have made progress on 10YFP, especially eco-labeling of environmentally friendly goods

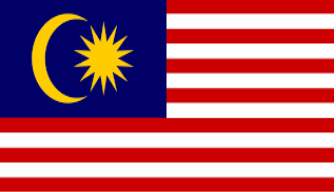
Malaysia: National SCP Blueprint 2016-2030

NDC Progress for the Philippines

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



The Philippines' commitment is rated as 2°C compatible but is not sufficient to stay within the 1.5°C Paris Agreement limit



NDC Target

- 35% reductions in GHG emissions compared to 2005 (unconditionally-with domestic resources)
- 45% reductions (conditionally-with support from developed countries)

Current Policies

- National Energy Efficiency Action Plan 2016-2025
- Minimum Energy Performance Standards and Labelling for washing machine and refrigerators
- Feed-in-Tariffs (FIT) System
- Climate Change Act (currently being drafted)





NDC Target

- 20% reductions in GHG emissions by 2030 compared to 2005

Current Policies

- Climate Change Master Plan
- Power Development Plan 2018-2037
- Alternative Energy Development Plan
- Energy Efficiency Plan
- Roadmap on Plastic Waste Management 2018-2030
- Environmentally Sustainable Transport System Plan



Recommendations

Local action



Local - Government

- Reduce fossil fuel subsidies while implementing policies that are needed for a just transition
- Establish a National ETS and adopt carbon pricing
- Greening financial system: move beyond dialogues and take necessary regulatory and coordination actions on standardization and taxonomy
- Join NGFS (for Philippines)

People action



People - Businesses

- Engage businesses in ESG disclosures
- Encourage businesses to adopt internal carbon pricing and participate in UNPRI, TCFD

Recommendations

People action



People – Consumers

- Prioritize public infrastructure development
 - e.g. Thailand: remove tax rebates under first time owner-car schemes
- Adopt the use of behavioral nudges to encourage sustainable behaviors

Global – Cross-border action

- Consider hosting sustainability-related policy dialogues with other countries in the region to foster information-sharing and capacity building
- Commit to the 10-Year Framework of Programmes on SCP

Global action



... which requires collective actions by all stakeholders



Takeaway messages

- Current challenging economic conditions could set back the region's progress towards the 2030 Agenda...
... but the good news is that Asia and the Pacific still has ample policy space to respond
- COVID-19 pandemic can become a catalyst to change the development approach that prioritizes people and the planet...
...which is critical as the region is facing a climate emergency
- All stakeholders must act collectively at local, people and global levels:
 - Governments should prioritize sustainability and decarbonize their economies (local action);
 - Businesses should internalize the externalities of their business conducts and consumers should be more mindful of their lifestyles (people action); and
 - Countries should enhance global and regional cooperation towards more ambitious solutions (global action).

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**Towards sustainable
economies**

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