

**Economic and Social Commission for Asia and the Pacific**

Eighth Asia-Pacific Forum on Sustainable Development

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Item 2 of the provisional agenda*

**Regional perspectives on accelerating progress on the
2030 Agenda for Sustainable Development****Sustainable and resilient recovery from the coronavirus
disease pandemic in Asia and the Pacific****Note by the secretariat***Summary*

The present document contains a discussion of the impacts of the coronavirus disease (COVID-19) pandemic on sustainable development progress and highlighted lessons on key policies to mitigate the risk of worsening pre-existing vulnerabilities and thereby prevent the exacerbation of disparities within and among countries. It also contains an analysis of the key aspects of digitalization, especially in the areas of governance, health care and finance, that have the potential to aid inclusive recovery and resilience. Lastly, emphasis is placed on the need for a new form of regional cooperation, adhering to the overarching principle of leaving no country behind and with a particular focus on the digitalization of economies, to build an inclusive post-COVID-19 Asia-Pacific region.

Member States, major groups and other stakeholders may wish to review the document with a view to sharing national and stakeholder perspectives and best practices with regard to building back better through regional cooperation to prevent divergence among countries in the post-COVID-19 era, and discuss opportunities for regional cooperation to support efforts in that regard to leave no country behind.

* ESCAP/RFSD/2021/L.1.

I. Introduction

1. The coronavirus disease (COVID-19) pandemic is taking a heavy humanitarian and economic toll on developing countries and threatening to reverse progress on the Sustainable Development Goals. Besides unleashing an unprecedented health crisis, the pandemic has induced the worst recession since the Great Depression of the 1930s, and one that has proved far worse than the global financial crisis of 2007–2009, as economic activities have shut down and physical isolation and other measures have been imposed to contain the spread of the virus. Member States reliant on tourism, remittances and exports and especially those participating in global value chains for their growth are experiencing particularly large disruptions. They also face additional challenges such as unprecedented reversals in capital flows with adverse impacts on growth that was already sluggish and external debt levels that were already high before the pandemic.

2. Several member States are facing the compounding crises of COVID-19 and large-scale climate-related disasters, such as floods, cyclones, droughts and extreme heat. Approximately 51.6 million people are estimated to be doubly affected by the pandemic and climate-induced disasters in 2020 worldwide, 80 per cent of whom are in the Asia-Pacific region. Climate risks continue to be a significant risk multiplier in Asia and the Pacific as the region strives to achieve sustainable development and build resilience against future shocks.

3. While the pandemic has reached all countries, not all Governments have the same capabilities to tackle shocks, especially when multiple shocks strike simultaneously. Therefore, in the context of recovery efforts, there is a real danger of divergence in socioeconomic progress not only between vulnerable communities and the rest of the population within countries but also among countries. Such a divergence would jeopardize the achievements made in recent decades.

4. Among the many tools and modalities adopted to respond to the pandemic, digital technologies including information and communications technology (ICT) have been critical. Digital technologies were quickly put in place for contact tracing and treatment delivery. They have enabled improved communications, coordination, and the provision of essential services including government aid payments to vulnerable individuals and small businesses. The COVID-19 pandemic has reinvigorated e-governance and remote learning. Digital financial services such as payments, credit, insurance and remittances have seen an exponential rise as physical distancing drives these activities online, providing avenues for some businesses to survive and even thrive.

5. Digital technologies have proved useful with regard to pandemic preparedness and response, but they can also be useful in building resilience against future shocks. Moving the digitalization agenda forward will be critical to creating more robust and resilient societies and achieving the Sustainable Development Goals. However, the consequences of the digital divide have been highlighted as billions of people in the region with limited access to digital technologies have been cut off from vital assistance, services and information when they needed them most. For example, when remote learning was adopted during the first wave of the pandemic, it did not serve all countries and population groups uniformly. The unaffordability of Internet service and lack of digital skills are critical barriers to opportunity and resilience. With more than half of the region's 4.3 billion people offline and denied access to digital innovations like remote learning, the digital divide could exacerbate inequality

of opportunity during the pandemic and leave societies more vulnerable in its wake.

6. The present document contains highlighted issues that are key for regional cooperation to achieve inclusive relief and recovery at the national level and build resilience in the region. Member States need to work together to enhance governance capabilities in the context of digitalization, particularly in the area of finance, to address the societal, ethical, legal and economic impacts of digital technologies in order to maximize benefits and minimize further disparities. These findings are drawn from the forthcoming 2021 Sustainable Development Goal Partnership report, prepared jointly by the Economic and Social Commission for Asia and the Pacific (ESCAP), the Asian Development Bank (ADB) and the United Nations Development Programme.

7. The Asia-Pacific Forum on Sustainable Development is a unique inclusive intergovernmental platform for sharing knowledge, expertise and resources to ensure that the recovery from the pandemic is aligned with the overarching principle of leaving no one behind as set forth in the 2030 Agenda for Sustainable Development.

II. Pandemic has set back Asia-Pacific development

A. Exacerbating pre-existing vulnerabilities

8. Even before the current pandemic, many member States were not on track to achieve the Sustainable Development Goals, according to the United Nations publication entitled *Asia and the Pacific SDG Progress Report 2020*. Some of the vulnerabilities that existed prior to the pandemic are likely to worsen unless relief and recovery packages are designed to tackle them head-on.

1. Economic vulnerabilities

9. Economic growth in the Asia-Pacific region had already slowed to a more moderate pace in recent years compared with its historical trend. The region's export-oriented economies faced high volatility in exchange rates, capital flows and commodity prices amid weakness in external demand. Importantly, the region's least developed countries, landlocked developing countries and small island developing States have largely failed to achieve desired structural transformation; their growth has been jobless and their informal sectors remain significant, accounting for up to 87 per cent of their employed populations.

10. An estimated 233 million people in the Asia-Pacific region live below the extreme poverty threshold as defined by the World Bank, earning less than \$1.90 a day. An estimated 1 billion people, or 22 per cent of the region's population, are estimated to live below the international poverty line for lower-middle-income countries as defined by the World Bank, earning less than \$3.20. The situation is much bleaker when indicators of multidimensional poverty are taken into account.

2. Social vulnerabilities

11. Rising income inequality, which already figured among the region's key challenges before the pandemic, has worsened. Indeed, the top decile income group in the region owns almost half of total income, compared to the 12–15 per cent owned by the bottom fiftieth percentile income group, according to the United Nations publication entitled *Economic and Social Survey of Asia*

and the Pacific 2020: Towards Sustainable Economies. In addition, the increase in inequality in Asia and the Pacific is greater than in other regions, with its level of inequality surpassing the world average. The rise in inequality is even more striking when considered on a population-weighted basis owing to higher inequality in the most populous countries in Asia. The region has also witnessed rising inequality of opportunity in areas such as access to education, health care, social protection, financial services and digital services.

12. In addition, the social protection systems in most countries in the region are inadequate, as highlighted in the 2021 United Nations publication entitled *The Protection We Want: Social Outlook for Asia and the Pacific*. More than half the region's population is entirely without social protection coverage. At approximately 7 per cent of gross domestic product (GDP), public social spending in Asia and the Pacific only equals approximately one third of the 20 per cent average among Organization for Economic Cooperation and Development (OECD) countries. Excluding health spending, many States members of ESCAP spend less than 2 per cent of their GDP on social protection, in contrast to the global average of 11 per cent. Social protection in most member States is fragmented and covers only formal sector workers. As a result, large numbers of people in the region are vulnerable to contingencies that could adversely affect their welfare, such as poverty, illness, disability and unemployment.

13. The lower level of participation in the labour force among women further accentuates gaps in social protection coverage. The labour force participation rate among women aged 25 and older in the Asia-Pacific region is 50 per cent, compared with 84 per cent among men of the same age group. Health-care workers, who are more exposed to the pandemic, are predominantly women. Women are more likely to bear the burden of unpaid care work than men. While countries in Asia and the Pacific are undergoing rapid digital transformation, Internet usage among women still lagged behind men at the end of 2019. Furthermore, owing to high levels of informality, women-owned enterprises are often likely to have limited access to public sector stimulus and support mechanisms. Women entrepreneurs also tend to have lower levels of collateral and financial literacy, which further impacts their access to formal financial services.

14. Despite significant progress, the region has the widest disparity in access to financial services (Sustainable Development Goal target 8.10). This is made particularly evident by the notable gap between the share of adults with bank accounts in the top 60 per cent and the bottom 40 per cent of the income distribution, such as exists in the Lao People's Democratic Republic and the Philippines. While there are more than 200 automated teller machines per 100,000 adults in Japan and the Republic of Korea (compared with a global average of around 50), countries such as Myanmar are lagging behind, with only 2 machines per 100,000 adults. Examining other indicators of financial inclusion such as bank accounts yields comparable results. Furthermore, the financing gap for formal micro-, small and medium-sized enterprises in developing countries is valued at \$5.2 trillion, while the financing gap for women-run or women-owned micro-, small and medium-sized enterprises is approximately \$1.7 trillion.¹ Owing to economic and sociocultural barriers, women-owned enterprises make up only 23 per cent of micro-, small and medium-sized

¹ Miriam Bruhn and others, "MSME finance gap: assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises in emerging markets", (Washington, D.C., World Bank, 2017).

enterprises, yet they account for 32 per cent of the financing gap for micro-, small and medium-sized enterprises.

15. Although the number of Internet users in the region has increased, millions of people still do not have access to the needed infrastructure. A large proportion of the population also lacks the ICT skills needed to participate in and benefit from an increasingly digital society (Sustainable Development Goal target 4.4). In more than 70 per cent of the countries in Asia and the Pacific for which data are available, one out of three youths and adults do not have basic skills such as creating an electronic presentation or spreadsheet. Approximately 300 million people in South Asia, East Asia and the Pacific live beyond the reach of a mobile network.

3. Environmental vulnerabilities

16. The Asia-Pacific region is the most disaster-prone region in the world, with 5 of the 10 countries most vulnerable to climate change located in the region. More than 2 million people, or an average of 43,000 per year, have been killed by natural disasters in the region since 1970, during which time the region has suffered some of the world's worst natural hazards, including frequent earthquakes, cyclones, floods, droughts and volcanic eruptions. According to the United Nations publication entitled *Asia-Pacific Disaster Report 2019: The Disaster Riskscape across Asia-Pacific – Pathways for Resilience, Inclusion and Empowerment*, potential disaster- and climate-related economic losses are estimated to average \$675 billion annually, with climate risks accounting for approximately 85 per cent of that figure. Specifically, acute vulnerability to drought in several least developed countries contributes significantly to the regional riskscape.

17. The Asia-Pacific region is also home to 97 of the 100 cities with the worst air pollution in the world. Approximately 4 billion people, or 92 per cent of the region's population, are exposed to levels of air pollution that pose a significant risk to their health, and 2.3 billion people are exposed to levels of air pollution several times higher than the level set by the World Health Organization (WHO) in its guideline for safe air. In 2015, 35 per cent of global deaths from outdoor air pollution occurred in East Asia and the Pacific and 33 per cent occurred in South Asia. According to the 2020 United Nations publication entitled *Changing Sails: Accelerating Regional Actions for Sustainable Oceans in Asia and the Pacific*, marine plastic pollution has become an urgent challenge for Asia and the Pacific, placing the region at the centre of global marine plastic crisis.

18. As highlighted in the *Economic and Social Survey of Asia and the Pacific 2020*, the resource-intensive growth model in the region has led to a concomitant rise in greenhouse gas emissions. The region is the largest carbon dioxide emitter in the world; in 2019, it emitted 17.27 billion tons of carbon dioxide, even though the world's largest per capita carbon dioxide emitters (except Australia) are located outside the region, according to World Bank data.

19. The region is also highly vulnerable to biodiversity loss, deforestation and environmental degradation, all of which facilitate the emergence of pandemics such as COVID-19. More than 40 per cent of coral reefs and 60 per cent of coastal mangroves have already been lost. In addition, in 2020, Asia and the Pacific was the region with the world's highest number of threatened species. Forest degradation and declining health and vitality remain major problems in Asia and the Pacific; from 2000 to 2015, the region accounted for 10.6 per cent of the world's total natural forest loss. Freshwater ecosystems in the region are threatened by pollution and by overextraction for drinking

water, energy production and irrigation. The continuing loss of biodiversity and ecosystems represents direct and indirect threats to health and well-being.

20. Environmental vulnerabilities exacerbate the health and socioeconomic impacts of the pandemic. For example, COVID-19 infections can be more complicated and turn fatal in the presence of other health conditions, especially respiratory diseases caused by air pollution. However, the significant challenges posed by COVID-19 demonstrate that having one or two government agencies narrowly focus on a small set of hazards is not enough to prevent or even respond to complex disaster risks.

B. Undermining progress on the 2030 Agenda for Sustainable Development

21. Even before the COVID-19 pandemic, the Asia-Pacific region needed to accelerate actions to ensure the achievement of the Sustainable Development Goals, and the pandemic has certainly constituted a setback in that regard, especially in the areas of poverty, decent work, education, health and gender. The pandemic is also threatening to undermine the overarching principle of leaving no one behind as it accentuates pre-existing disparities.

1. Economic impacts

22. Early in 2020, ADB estimated that the pandemic could result in a loss of \$16 billion to \$43 billion in developing Asia, excluding China. If the pandemic had been contained in 6 months, losses in Asia and the Pacific would have reached up to \$2.5 trillion (or 9.3 per cent of the region's GDP), accounting for more than one third of projected global losses. However, the pandemic rages on. The region's job losses accounted for a disproportionate 70 per cent of the global losses projected in the analysis. As a result, economic growth in developing Asia in 2020 may be at its lowest point since 1961, dashing earlier confidence in a V-shaped recovery.

23. Contracting economies, job losses and shrinking household incomes are likely to exacerbate poverty levels. It is estimated that an economic contraction of 5 per cent would push 93 million people below the international poverty line for lower-middle-income countries of \$3.20 per day. In a more extreme scenario, a 20 per cent economic contraction could increase the number of people in the Asia and the Pacific region living below that poverty line by around 414 million, upsetting the region's past progress on Sustainable Development Goals 1 (No poverty) and 2 (Zero hunger).

24. The COVID-19 pandemic is expected to contribute to a steep decline in human development for the first time since 1990. The attendant increase in deprivations may set poverty levels back approximately 9 years, with an additional 490 million people falling into multidimensional poverty globally. Given that approximately half the 1.2 billion multidimensional poor currently live in Asia and the Pacific, it is estimated that the region will account for approximately 245 million of the new multidimensional poor.

2. Social impacts

25. People in vulnerable situations, such as women, older persons, children, persons with disabilities and migrants, were among those most affected by the pandemic. The majority of older persons in several countries in Asia reported that they were worried about income loss. Persons with disabilities faced reduced services and increased expenses. Children in the region faced increased risk of malnutrition, forced begging and loss of education leading to reduced

opportunities to secure their future, according to World Vision International. Migrant workers in the region are disproportionately affected by their exclusion from social safety nets, including health services, and by border closures and lockdowns, which leaves many vulnerable to exploitation and abuse, according to the United Nations publication entitled *Asia-Pacific Migration Report 2020: Assessing Implementation of the Global Compact for Migration*.

26. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) found that 84 per cent of women in the region who had lost their jobs during the pandemic did not receive unemployment benefits or government support. Women and girls suffered increased domestic violence and risk of trafficking. The crisis has also disproportionately affected women's mental and emotional health, as COVID-19 has increased the unpaid care and domestic workload with which women are disproportionately burdened. In addition, women and girls are particularly vulnerable to the negative impacts of education disruption caused by school closures. Meanwhile, tens of thousands of girls have been subjected to early and forced marriage since the beginning of the pandemic.

3. Environmental impacts

27. In the initial phase of the pandemic, some temporary reduction of environmental pressure was observed, owing mainly to lockdown measures and associated reductions in energy use, transport and manufacturing. However, these short-term gains do not amount to changes in development patterns or development pathways. The trend of reduced levels of air pollution and greenhouse gas emissions has not been uniform across the region, and levels have since rebounded substantially. At the same time, the short-term focus on supporting economic recovery has been at the expense of the environment as enforcement of environmental rules and regulations is relaxed and financial resources are diverted from environmental protection. Global and regional efforts to accelerate action on biodiversity conservation and climate change have been delayed or given lower priority. In addition, there has been an increase in plastic pollution and medical waste, as COVID-19 has triggered an increased use of face masks, gloves and single-use plastic containers, which are ending up in rivers and oceans in significant numbers and creating fatal hazards for marine life.

28. The pandemic has also brought to the forefront the underlying risks, fragilities and inequities in food systems. The restrictions on the movement of people and goods around the world are putting major strains on local, regional and global supply chains and testing the resilience of food systems. Nearly half a billion people in Asia and the Pacific are permanently hungry and malnourished and therefore especially vulnerable to the effects of the pandemic. Light has also been shone on the precarious situation of food workers and farm workers, who have continued working all over the region to keep food supplies flowing despite major risks to their own health.

III. Preventing increased polarization and inequality in recovery efforts

A. In relief and recovery packages, design matters

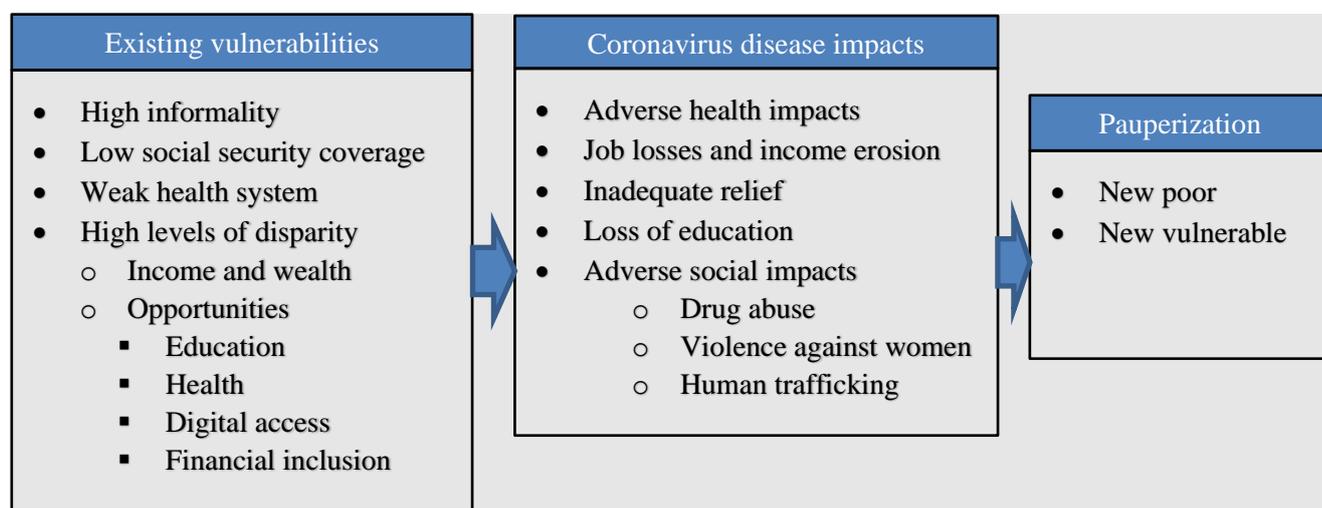
29. Many Asia-Pacific governments have implemented significant fiscal and financial packages to mitigate the pandemic's effects. These packages include cash transfers to households, extending social safety-net benefits, supporting micro-, small and medium-sized enterprises, temporarily deferring tax payment

deadlines, and increasing credit guarantees and loans to businesses. However, their impact has varied depending on the pre-existing coverage of social safety nets, fiscal space and degree of informality and digitalization.

30. Early stimulus packages were based on the assumption that pandemic shocks would be short lived and easily reversible. They did not reflect any distinction between immediate relief measures and economic recovery measures, nor did they take into account the significance of the structural weaknesses in economies and social systems that had already been coming to a head before the health crisis emerged. Throughout successive waves of the pandemic, most relief and recovery packages have been found inadequate with regard to assisting the most vulnerable and needy. Therefore, there is a risk that pre-COVID-19 inequalities will be exacerbated.

31. It is therefore critical that appropriate policies be designed to prevent pre-existing vulnerabilities from worsening. The absence of pro-poor and inclusive relief and recovery measures will have the undesirable results of increased pauperization (i.e. poverty), as shown in figure I, and polarization (i.e. exclusion), as shown in figure II, which will produce a K-shaped recovery, which occurs when different parts of the economy recover at different rates, times or magnitudes.

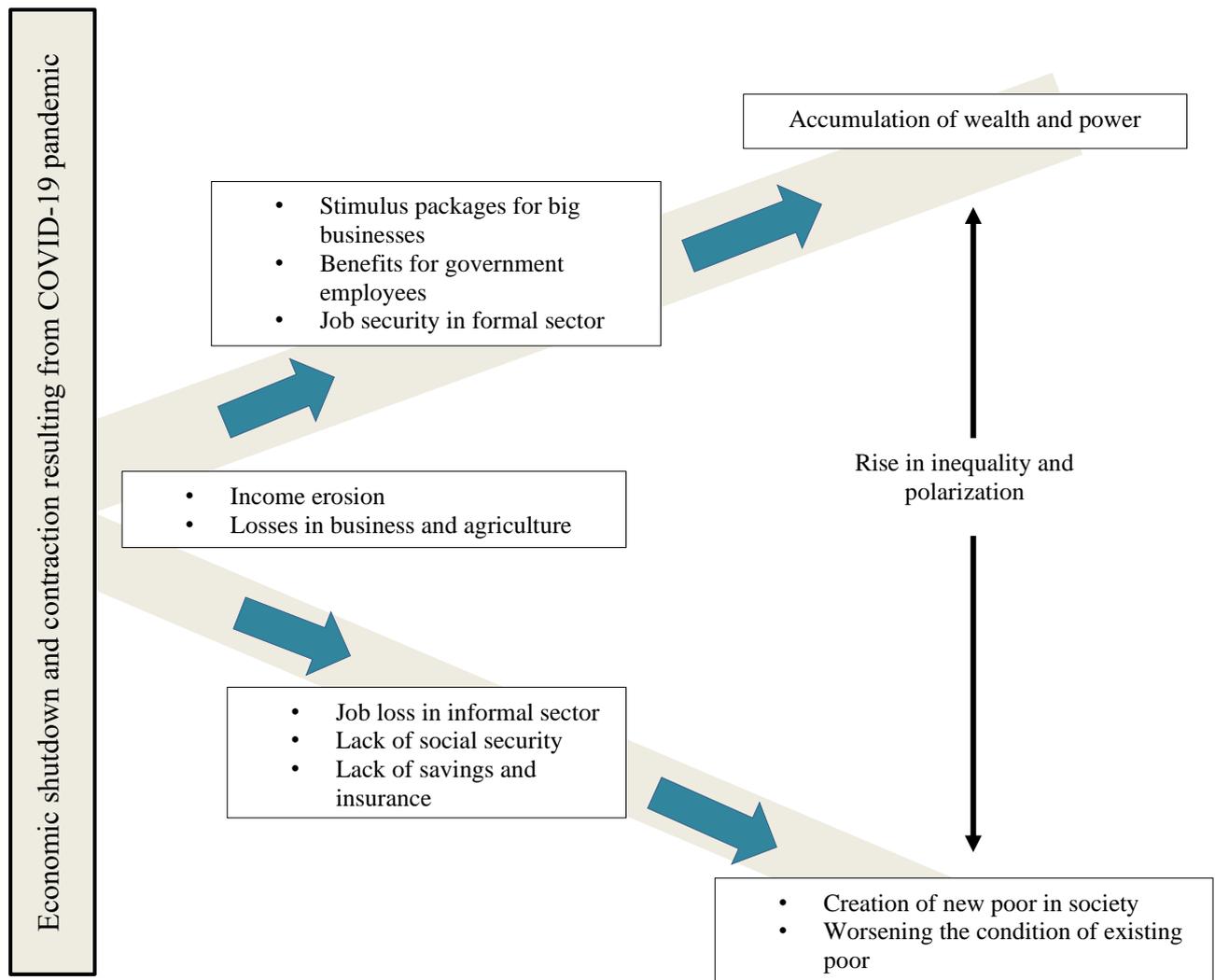
Figure I
Process of pauperization



Source: Adapted from Rashed Al Mahmud Titumir, “Class, power and inequality in Bangladesh”, in *COVID-19 and Bangladesh: Response, Rights and Resilience*, Rashed Al Mahmud Titumir, Nichole Georgeou and Anis Chowdhury, eds. (Dhaka, University Press, forthcoming).

32. Several factors could contribute to polarization and a K-shaped recovery, including policy-induced impacts on vertical inequality (between individuals or households), and systemic horizontal inequality (between population groups). For example, there are still learners who lie beyond the reach of digital and broadcast remote learning modalities in many countries in the region. The differential impacts of multiple and simultaneous covariate shocks, namely a global pandemic, economic shutdowns and extreme weather events, can accelerate polarization between different sections of the population (see figure II).

Figure II
Process of polarization



Source: Rashed Al Mahmud Titumir, “Which recovery path may we pursue?”, New Age, 15 October 2020.

Abbreviation: COVID-19, coronavirus disease.

33. The pauperization process is likely to accelerate owing to natural disasters and extreme weather events, which left numerous communities stranded and despondent in the middle of the pandemic. But carefully designed pro-poor and inclusive policies can actively restrain such pauperization and polarization outcomes.

B. Salient features of inclusive policies to leave no one behind

34. Governments must sustain livelihoods to prevent COVID-19 recessions from becoming protracted depressions. Income maintenance policies need to help those who have lost their livelihoods. Digital payments and online essential services such as telemedicine as well as online businesses have been found useful as alternative income-generation channels.

35. The pandemic is an opportunity to invest in social protection systems that sustainably provide income security and make populations more resilient to future shocks. Universal social protection will be key in effectively reaching those who need support at the moment they need it the most. Digitalization of social protection systems can prevent data leakages and help Governments to provide social protection services in a more targeted and efficient manner, but special considerations are still needed for offline populations.

36. In the circumstances created by the pandemic, extraordinary social protection measures are needed to assist businesses and workers. One novel approach is for Governments to serve as a payer of last resort to help owners of businesses in suspension or hibernation to continue paying their workers instead of firing them and to settle unavoidable bills to prevent bankruptcy. Such programmes can be affordable if they complement effective measures to contain contagion and, together, enable early resumption and recovery of economic activity.

37. With firms preoccupied with the economic uncertainty and continued economic vulnerabilities surrounding the pandemic, investment and recovery may be delayed; government spending and guarantees are needed to break vicious circles. Income-contingent loans have proved useful in encouraging consumer spending and desirable business investments, such as investments in renewable energy. The pandemic is also an opportunity for Governments to reorient their investment strategies towards green and sustainable sectors and away from polluting industries.

38. Equitable opportunities for education are vital for addressing intergenerational disparities. Therefore, affordable and reliable Internet access, especially for children living in rural areas and in lower income households, is critical. Public television channels, radio programmes and mobile phones have been adopted during the pandemic as means of offering free learning opportunities.

IV. Digital financial services and financial technologies are key to inclusive and resilient recovery

A. Digital technologies are vital for pandemic preparedness and response

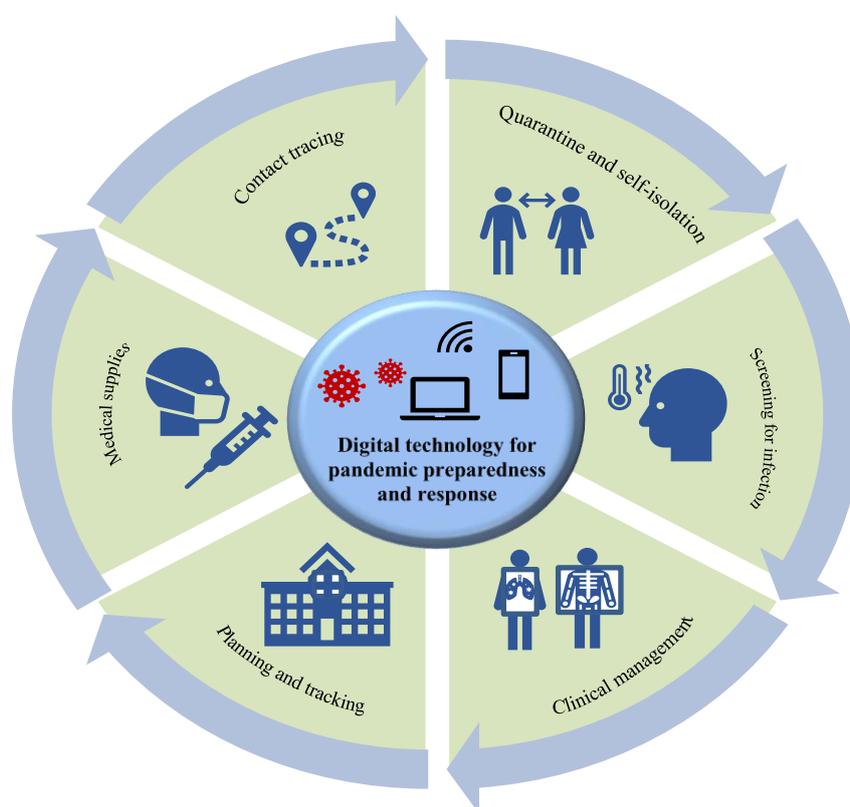
39. The pandemic has revealed the importance of ICT and digital technologies. Telecommunications, networks and connectivity have proved more vital than ever. With many in society confined to their homes, the economy has come to depend on such technologies. Besides providing vital information, digital technologies have been essential in monitoring, coordinating and managing the crisis, for example by providing tools necessary for contact tracing, social mobilization and delivery of relief measures. Hence, digitalization is a critical component of building a pandemic-resilient world and filling gaps in the health and social protection systems as well as in good governance, as emphasized in the Secretary-General's Road Map for Digital Cooperation.

40. Even before COVID-19, digital technologies were transforming the way people worked, socialized and created economic value. The pandemic has accelerated the digitalization of economies by triggering an unprecedented demand for digital governance and platforms to provide health technologies and share successful solutions such as screening, tracking, prioritizing the use and allocation of resources, and designing targeted responses. E-commerce platforms and digital payments solutions have enabled many businesses not only

to survive but to thrive by pivoting their operations to online platforms. Online learning allowed students to continue their study during lockdowns. For a summary of digital technology applications in pandemic preparedness and response, see figure III.

Figure III

Digital technology applications in pandemic preparedness and response



Source: Adapted from Sera Whitelaw and others, “Applications of digital technology in COVID-19 pandemic planning and response”, *The Lancet Digital Health*, vol. 2, Issue 8 (1 August 2020).

41. Member States that have maintained low COVID-19 per capita mortality rates appear to share strategies that include early surveillance, testing, contact tracing and strict quarantine measures. To successfully achieve the scale of coordination and data management required for effective implementation of these strategies, Governments have relied on adopting and integrating digital technology into policy and health-care responses.

42. Digitalization is a critical component of building a pandemic-resilient world. Policy lessons provided by digital technologies during the COVID-19 pandemic will be valuable in scaling up digitalization as an integral part of strategies to rebuild. In addition to requiring appropriate regulatory frameworks, digital transformation would require strengthened digital connectivity through impactful investments in the digital ecosystem and broadband infrastructure for inclusive, affordable, reliable and speedy Internet access.

B. Digital finance is an essential component of rebuilding and resilience

43. In its final report, entitled *People’s Money: Harnessing Digitalization to Finance a Sustainable Future*, the Secretary General’s Task Force on the Digital Financing of the Sustainable Development Goals highlighted the historic opportunity to accelerate and expand the transformative impact of digitalization in financing the Sustainable Development Goals. Financial services accessed

and delivered through digital channels including mobile devices involve established instruments (e.g. debit and credit cards) as well as new solutions built on cloud computing, digital platforms, and distributed ledger technologies spanning mobile payments, cryptoassets and peer-to-peer applications. These new digital solutions are commonly referred to as “fintech”.

44. The COVID-19 pandemic has demonstrated how critical it is to be financially inclusive and enable households and enterprises to stay afloat by ensuring that they have access to a basic account capable of, at a minimum, sending and receiving payments, in order to deliver timely and much needed support to them. It has also shown that regulators and Governments can act more swiftly and effect greater change in that regard in order to reduce financial exclusion overall. The disruptions created by fintech have applied further pressure to the banking sector to improve its financial services.

45. When Governments sought to provide cash transfers to individuals to alleviate the impact of the COVID-19 pandemic, countries with advanced government-to-person payment ecosystems had systems already in place to execute the transfers. For the millions of people living in extreme poverty, immediate cash support can be lifesaving. Digitizing government-to-person payments can scale up social protection programmes at low cost and provide remote communities with easier access to funds. For example, in Kazakhstan, it is possible to transfer social benefit payments via digital communications. For beneficiaries without a bank account, the funds can be transferred using the mobile phone number of the recipient. However, last-mile communities often face challenges including lack of energy and digital services. It is critical that Governments ensure special considerations for last-mile individuals and businesses to ensure that they are not left behind. Designating mobile money agents as essential workers and training them to onboard new clients to receive government-to-person payments is one option in that regard.

46. Online payments and trading helped many businesses, especially micro-, small and medium-sized enterprises, to survive during lockdowns. Forced to stay at home, many people have opted for physically distanced banking options. The use of electronic means of payment for government salaries, pensions, tax refunds and other government-to-person payments in India and wage payment digitization in Bangladesh and the Philippines have shown that paying public wages and other public transfers digitally is also more cost-effective. Even before the pandemic, as of 2017, approximately 16 per cent of individuals were already receiving government payments or transfers digitally, according to the World Bank publication entitled *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Digital payment methods have also been increasingly used for government-to-business payments.

47. Making women the default recipient of direct cash transfers can have positive impacts for the entire household, as experience has shown in Indonesia. Direct payments create a gateway to savings, credit and other financial services. Greater control over household resources by women also changes spending in ways that benefit children by improving their survival, health and educational outcomes, and that ultimately enhance countries’ growth prospects.

48. The COVID-19 pandemic has led to a dramatic spike in remittances being sent digitally. For example, digital money transfers from Australia and New Zealand to Fiji and Samoa during the pandemic have grown by up to 400 per cent. The integration of digital payments can address the critical issue of domestic resource mobilization. It enhances the efficiency of the taxation system and enables small savers to have access to a range of financial services, including savings accounts and insurance products.

49. Fintech developments could give financial service providers and non-bank financial institutions the ability to better track spending patterns in real time and then report back to Governments on the basis of metrics set out by central banks. As a result, Governments would be able to identify the sectors that are suffering the largest declines in spending and target their assistance accordingly. Granular payments data that allow Governments to see not only transaction values but also a breakdown of transaction volumes and prices in various sectors could also help them to quickly pinpoint production bottlenecks. The collection and disclosure of such data would, however, depend on national laws governing information and privacy.

50. In sum, digital financial services and fintech can be good for inclusive growth and resilience. They take on added value during crises as Governments seek to disburse funds to those in need quickly and effectively and many households and firms aim to rapidly access online payments and financing. However, digitalization also carries risks related to technology and usage. Technology-centric risks include those related to cyber security, including spam, malware, hacking and violation of digital property rights. Non-technology-centric risks include online theft, cyberbullying, aiding the commission of crimes, data leakages, and privacy violations. Digitalization of financial services can pose risks to the stability and integrity of the financial system, including cyberattacks, fraud and money-laundering.

51. Therefore, member States that seek to develop digital financial services have to satisfy important preconditions to ensure a smooth transition towards their use. These conditions include having an adequate digital infrastructure and putting in place legal and regulatory requirements for addressing cybersecurity risks and money-laundering; preventing anti-competitive behaviour and monopolistic tendencies of large digital platforms; and ensuring consumer privacy while promoting the efficient and safe collection, processing and exchange of data. Incentives for local adoption and the existence of a national identification system can also facilitate the development of digital financial services.

52. Broader implementation of digital financial services at the regional level requires the harmonization of legal and regulatory frameworks among member States as well as an agreed framework for the exchange of information. As the Governments of developing countries seek to rebuild the gains lost during COVID-19-induced economic contractions, those of developed countries in the region need to extend their cooperation and provide financial and technical assistance to increase investment in innovative technologies and big data and improve digital literacy. Regional cooperation and partnerships among Governments, regional organizations and the private sector are needed to ensure whole-of-society digital transformation for human well-being and security.

V. Regional cooperation in the post-coronavirus-disease era

A. Risk of regional K-shaped recovery

53. There are several ways the COVID-19 pandemic may cause divergence among countries in the region. The pandemic is not a symmetric shock to the economies in the region. A country's preparedness, its level of investment in people and the resiliency of the economy, and the state capabilities to respond with relief and recovery measures are all factors that determine the degree of the shock.

54. Education, health-care and social protection systems are inadequate in many developing countries in the Asia-Pacific region, particularly least developed countries. On average, people in these countries have completed lower levels of education, possess fewer skills and are more likely to be employed in the informal sector or be in vulnerable employment.

55. The countries in the region also differ widely in terms of access and ability to administer the COVID-19 vaccine. Many Asia-Pacific countries may not get the vaccine until mid- to late 2021. There is a fear that access to vaccines in the region will be inequitable, depending on countries' level of development and income.

56. Rising protectionism and escalating trade tensions could further aggravate the challenges faced by the region's developing countries. They are also likely to see further declines in resource flows from development partners that are already under tremendous fiscal pressure to respond to the crisis. Trade and official development assistance are declining. In an environment of heightened uncertainty, the prospects for foreign direct investment are bleak. The primary-commodity-producing countries in the region are also facing declining prices.

57. Therefore, strengthened regional cooperation will be vital to prevent divergence or a K-shaped recovery among countries. No country can achieve and maintain immunity if any one country is left behind in the vaccination process. Regional cooperation and coordination will also be vital to enable the resumption of travel, trade, migrant worker and investment flows, to build resilience to future shocks and to accelerate the digitalization of economies in a secure and inclusive manner.

B. Regional cooperation for recovery and resilience

58. In Asia and the Pacific, regionalism has been a core strength. Regional trade, investment and technology flows have spurred rapid economic growth and development for decades. The Asia-Pacific Information Superhighway initiative of ESCAP is a clear example of regional cooperation involving the private sector, Governments, international agencies, non-governmental organizations, research institutes and regional/international financial institutions. Similarly, the recently concluded Regional Comprehensive Economic Partnership has included a specific focus on the development and expansion of e-commerce among its members, recognizing the significance of digitalization in domestic and regional trade.

59. Although affirmative and wide-ranging experimentation and assorted mechanisms, driven by necessity, were carried out or put in place nationally across the region, the overall regional response to COVID-19 has been tepid, notwithstanding the updating by the Association of Southeast Asian Nations (ASEAN) of its broad strategy on accelerating inclusive digital transformation to combat the impact of COVID-19, the establishment by the South Asian Association for Regional Cooperation (SAARC) of its COVID-19 Emergency Fund or the holding of high-level forums in the Pacific and Central Asia subregions. Therefore, more needs to be done to ensure a robust recovery that encompasses all countries and peoples and provides renewed impetus to achieve the Sustainable Development Goals. In particular, regional cooperation should serve to align recovery measures with the 2030 Agenda.

60. With regard to building back better, the challenge for regionalism is threefold: to help member States to safely reopen their economies to each other, thereby restoring travel, trade and supply chains; to help member States, particularly those in special situations, to avail themselves of opportunities to advance sustainability and address climate change in the recovery; and to help member States to revive their economies through cross-border digital connectivity and access to regional finance and investment and to devise new forms of cooperation to reduce vulnerabilities and build resilience to future shocks.

61. The existing mechanisms for regional cooperation can play a crucial role in reinforcing national commitments to achieve the Sustainable Development Goals. A particular focus in the Asia-Pacific region is fostering collaboration among subregional intergovernmental organizations, for example ASEAN, SAARC, the Pacific Islands Forum, the Shanghai Cooperation Organization and the Central Asia Regional Economic Cooperation Programme.

1. Reopening the Asia-Pacific region

62. An immediate challenge is to initiate a robust economic recovery across the region by helping member States to emerge from lockdown safely. In the context of a regional approach, critical preventive measures will need to be harmonized and reinforced while other containment measures are unwound, in order to restore cross-border activity and boost trade and financial flows.

63. A common policy framework could be implemented to facilitate a collective response, while acknowledging that national measures should reflect national circumstances and needs. For instance, the regional shortage of medical supplies, face masks and protective equipment has been largely overcome, but delivery of health services is uneven. Successful experiences in testing and contact tracing of COVID-19 could be more widely applied in the region through a common policy framework.

64. As vaccines become available, member States must resist nationalism, in the full understanding that the pandemic is a global crisis requiring global responses and that the failure to respond collectively at the outset propelled the morphing of a health crisis into an economic crisis. The guidance on safe procedures for distribution and inoculation can help Governments to designate approved vaccinating centres, in compliance with WHO regulations, to issue international certificates of vaccination.

65. While member States are rolling back some of the trade barriers applied at the onset of the outbreak, a collective policy framework on travel could introduce coordinated precautions at borders (e.g. COVID-19 testing on embarkation, certification of negative test results or vaccination), enabling the safe movement of people without long periods of quarantine.

2. Supporting sustainable national recoveries

66. Governments have implemented measures to help households and businesses to cope with income losses, unemployment and economic inactivity. These emergency safety nets strain public budgets, foreign exchange reserves and debt servicing capacity. There are, however, ample financial resources and instruments in the Asia-Pacific region that could in principle be deployed to alleviate liquidity and fiscal constraints. Also, a few member States have established COVID-19 response funds that pool private donations, public resources and external finance, and there is potential for wider replication in the region.

67. In countries with weak facilities, there is a need to raise the bar with policies to strengthen health-care systems. This is especially relevant in the Asia-Pacific region, where more than 40 per cent of the population lacks access to health care. The regional health response mechanisms should support national efforts to strengthen the access to and availability of basic health services and advance progress towards universal primary health coverage.

68. The impact of COVID-19 will continue to grow even after the disease has subsided, owing to disruptions in social services, loss of livelihoods and increased poverty. The Asia-Pacific is ill prepared, with more than 60 per cent of the population lacking access to a social protection scheme. Therefore, emergency measures need to be scaled up to include the missing middle, who slip past safety nets. There is also an opportunity to empower the vulnerable with cash transfers and self-help schemes and through community public work initiatives to build local infrastructure. Regional cooperation should encourage national efforts to protect and to empower those most affected by the pandemic.

69. While most Governments provided support to businesses, in some cases according higher priority to them than to health and social protection, there is further scope to leverage public finance with private domestic finance and external funding for a broader spectrum of priority areas. A scaled-up fiscal stimulus should encourage responsible investor behaviour, catalyse productive and responsible investment, build resilience, accelerate the low-carbon transition and support climate change mitigation and adaptation.

70. Recovery plans should facilitate public investment in decarbonizing the economy and prioritize the most effective environmentally sustainable activities and projects. Projects and activities with detrimental impacts should not be supported, to avoid locking in harmful industries and activities.

3. Digitalization for resilience and inclusiveness

71. Digitalization is a common feature in the responses to COVID-19, with innovative electronic tools helping to mitigate the hardship of lockdowns. While the surge in digitalization has been largely driven by necessity rather than policy, regional cooperation at the policy level is critical, as the full potential of digitalization is contingent upon physical infrastructure, protocols for cross-border connectivity, and affordable digital devices and services for all. These barriers, while challenging, are not insurmountable, as evidenced by the rapid expansion and now near-universal coverage of mobile connectivity. There is a particular need and opportunity for regional cooperation on digital finance.²

72. At the regional level, broader implementation of digital financial systems could greatly facilitate collaboration on key issues in the region: trade, illicit financial flows, financing of terrorism, human trafficking and the high costs of remittances that plague many countries. Better interoperability and harmonization of standards in digital finance across the region will improve money transfers and lower costs. Enhanced digital connectivity would provide more significant opportunities for regional economic activities. E-commerce is one of the key areas warranting a common regional standard for legislation in fostering faster expansion and greater ease of business operations in Asia and the Pacific.

² Secretary-General's Task Force on the Digital Financing of the Sustainable Development Goals, *People's Money: Harnessing Digitalization to Finance a Sustainable Future* (2020).

73. The critical challenges relate broadly to data storage and security, differences in legislation on digital instruments and a lack of technical know-how and public investment. Many applications use data that are stored remotely in more than one territory, necessitating the flow of data across borders, and significant differences in national data protection laws can obstruct that flow.

74. Certain regulatory differences among countries cannot be eradicated; they are necessary and appropriate because sovereign nations have different values and strategic priorities. However, to create trust between nations and allow companies to participate fully in the international data economy, there is a clear need for interoperable policy frameworks that can streamline requirements across borders and create mechanisms to reduce regulatory overload.

75. As noted previously, digitalization and digital financial services are not free of barriers and risks. The Secretary General's Task Force on the Digital Financing of the Sustainable Development Goals emphasized that to harness the power of digitalization and digital financial services, the related regulations and standards need to ensure that the Goals inform the governance of a new generation of global digital financing platforms with cross-border spill-over effects that could impact developing countries disproportionately. This requires an inclusive approach to the processes of rule setting and standards development and to governance of the platforms, as digitalization creates the potential to increase returns to scale. Several platforms with mandates to engage global standard setters on behalf of developing countries exist and should be leveraged.

VI. Conclusions and recommendations

76. The COVID-19 pandemic is taking a heavy toll on countries in the Asia-Pacific region and threatening to undo progress on the 2030 Agenda. It has exposed the profound development challenges facing countries and highlighted their economic, social and environmental vulnerabilities. The pandemic has also highlighted significant differences among member States with regard to their ability to respond to its impact, bringing to the fore the importance of stronger cooperation among Governments to overcome challenges and narrow development gaps, thereby preventing a K-shaped recovery.

77. Member States face the immediate challenge of emerging safely from the lockdown. This will entail the restoration of travel, trade and supply chains through the implementation of a common policy framework that takes into account the circumstances of each country. For a sustainable long-term recovery, member States could support one another by mobilizing the ample public and private resources that are available within the region and cooperate on strengthening social and environmental standards. Moreover, to reduce vulnerabilities and build resilience to future shocks, member States could revive economies by cooperating on strengthening digitalization and utilizing digital financial systems.

78. The Asia-Pacific Forum on Sustainable Development is the most inclusive regional multi-stakeholder platform to deliberate on regional challenges in accelerating the implementation of the 2030 Agenda and on possible solutions to prevent disparities within and among countries from widening. Regional platforms enable member States to share experiences and best practices as well as learn from one another. With greater confidence and interaction come greater benefits to all member States. Efforts to develop policies, implement plans, monitor progress and measure performance become

more manageable and straightforward when member States interact more frequently and meaningfully with one another.

79. Member States, major groups and other stakeholders may wish to take the following actions:

(a) Review the present document with a view to sharing national and stakeholder perspectives on the issues raised and best practices with regard to building back better through regional cooperation to prevent divergence among countries in the post-COVID-19 era;

(b) Discuss opportunities for regional cooperation to support efforts to build an inclusive post-COVID-19 Asia-Pacific region, adhering to the overarching principle of leaving no country behind.
