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Theme topic, “Building back better from crises through regional cooperation in Asia and the Pacific”: general debate**Summary of the theme study on building back better from crises through regional cooperation in Asia and the Pacific****Note by the secretariat***Summary*

From the moment it was first detected in early 2020, the coronavirus disease pandemic has triggered simultaneous, unprecedented global health, social and economic crises, which threaten to roll back hard-won development gains and complicate the attainment of the Sustainable Development Goals in Asia and the Pacific.

The present document contains an analysis of the socioeconomic impacts of the pandemic in the region, actions taken and recommendations for policymakers for building back better to put the region back on track to achieve the Sustainable Development Goals and build resilience to future pandemics and similar wide-scale crises. A number of areas for regional cooperation are highlighted, in particular: (1) broadening social protection; (2) investing in a sustained economic recovery; (3) strengthening connectivity and supply chains; and (4) protecting environmental health.

The Economic and Social Commission for Asia and the Pacific may wish to take note of the report and endorse the recommendations therein.

I. Introduction

1. The coronavirus disease (COVID-19) pandemic has created the worst crisis in Asia and the Pacific since the Second World War. It has attacked the core of societies: few countries have been spared the shock waves or the heartbreaking health consequences. Across the Asia-Pacific region and the world, countries have suffered sudden economic contractions, interruptions to trade, broken supply chains and the collapse of international tourism. The results have been widespread job losses and increases in poverty. Everyone has had to make intricate changes to the way they live, work or study.

* ESCAP/77/L.1.

2. The virus does not discriminate between rich and poor; anyone can be infected, but poor and marginalized people in developing countries are hardest hit because they are less able to adapt and adjust. They typically live in precarious situations and have less to fall back on, nor do they benefit from the kind of inclusive national policies that could offer greater protection.

3. People in richer countries, including some in Asia and the Pacific, are also under enormous pressure. Indeed, COVID-19 is often more prevalent and fatalities greater in richer countries than in many developing countries, although the challenges are offset by the fact that Governments of richer countries are in a stronger position to protect their people. They can deliver more robust government services and medical care and protect the livelihoods of households and the education of children and young people. Rich countries also have more robust and extensive Internet infrastructure and connectivity which, combined with greater digital skills, have enabled them to move many services online, in particular education. They also have access to greater financial resources, even if it entails massive public borrowing. For many developing countries in the Asia-Pacific region, on the other hand, COVID-19 has been a harsh wake-up call, revealing gaps in health services, social protection, and digital connectivity and skills, which have left people harshly exposed.

4. In all countries, the economic shock caused by the pandemic has exposed many structural weaknesses and fault lines, in particular the extent to which the business-as-usual approach has been destroying the environment. However, once the virus hit, environmental indicators suddenly improved. Widespread lockdowns and travel restrictions, for example, dramatically boosted air and water quality while reducing greenhouse gas emissions. However, the pandemic also created new problems, for example the generation of significant, if temporary, flows of waste material, mainly from plastics and food packaging as well as from medical equipment, gloves and face masks. The question now is whether the improvements will also prove fleeting, which seems likely unless member States address the underlying causes of environmental degradation.

II. Four interconnected areas for sustainable recovery

5. Even before the pandemic, many member States struggled to address a variety of vulnerabilities and systemic weaknesses, notably in health-care and social protection systems, digital connectivity and skills, and transport links. They had also become entrenched in increasingly unsustainable patterns of consumption and production. As member States now work to stem the unprecedented challenges of the pandemic, they also need to address pre-existing weaknesses to build back better.

6. Four critical interconnected areas for regional cooperation are proposed in the theme study: broadening social protection; investing in a sustained economic recovery; strengthening connectivity and supply chains; and protecting environmental health. If Governments in Asia and the Pacific can combine concerted national action with coordinated regional cooperation, they – and the world – can emerge from the pandemic more prosperous, resilient and unified.

A. Broadening social protection

7. The COVID-19 pandemic has aggravated many underlying ills and highlighted gaps in social protection. More than half the region's people are completely unprotected throughout their lives. If China is excluded from the equation, the proportion rises to three quarters. The lack of protection is partly

due to so many people working in the informal economy, but it is also a reflection of a lack of political will to provide adequate protection.

8. As a result, most individuals and families in Asia and the Pacific manage life's risks on their own, which not only leaves them very exposed but reduces their opportunities and life prospects. Children living in poor and deprived communities can suffer from nutritional and health deficiencies with lifelong consequences. Adults who lose their work, even because of something as natural as pregnancy or giving birth, can suddenly fall into poverty. Living with a disability often means living with very little income. Many older people without an adequate pension are forced to continue working or depend on other family members for their survival. At the same time, when confronted with the ever-present danger of sickness, people without social protection may be forced to work while ill and contagious. Without affordable health care, people often do not seek treatment or wait until it may be too late. The lack of protection and security is damaging not only to individuals but to the country as a whole, because it stifles innovation and overall economic progress.

9. Simulations for 13 developing countries in the Asia-Pacific region show that if Governments offered universal child benefits, disability benefits and old-age pensions at conservative benefit levels, more than one third of people living in poverty would be lifted out. In some countries, the figure is even greater: in Indonesia, for example, it rises to more than half. In the poorest households in Indonesia, Maldives, the Philippines and Sri Lanka, basic social protection would increase purchasing power by approximately 50 per cent.

10. Providing a basic social protection package would require significant investment, namely 2 to 6 per cent of gross domestic product (GDP). It is an affordable investment for all member States in the region, especially when the cost of doing nothing is taken into account. Nevertheless, many Governments spend less than 2 per cent of their GDP on social protection, and the regional average spending, approximately 5 per cent, is less than half the global average of 11 per cent. Member States, therefore, need to extend coverage to everyone while also ensuring that benefit levels are sufficiently high to make a difference to people's lives.

B. Investing in a sustained economic recovery

11. Governments around the world have responded to the pandemic by releasing extensive government funds for health care and for supporting business and household incomes. Over the first eight months of 2020 in the region's developing countries, some \$1.8 trillion or 7 per cent of their combined GDP went towards crisis-related emergency spending and accommodative monetary and fiscal policies. In most countries, the expenditures, along with declining revenues, are adding to fiscal deficits, which are projected to increase from 1.5 per cent of GDP in 2019 to 6.8 per cent in 2020 and then decrease to 5.6 per cent in 2021. The average debt-to-GDP ratio in the region will rise from approximately 41 per cent in 2019 to 47 per cent in 2020 and could reach 49 per cent by 2021.

12. If countries in Asia and the Pacific are to embark on a sustained economic recovery, Governments will need to extend the commitment to provide ongoing fiscal support and stimulus and guide their economies along more inclusive, resilient and sustainable development pathways. Nevertheless, they should aim to avoid unsustainable levels of debt or undermining macroeconomic stability. To do so and create the necessary fiscal space, Governments can take a number of measures. On the expenditure side, they can aim to improve efficiency and reorient spending away from non-developmental areas, such as defence and

fossil fuel subsidies. On the revenue side, they should be aiming for tax reform and the adoption of alternative forms of finance.

13. Tax reform could include more progressive income tax and taxes on wealth and carbon. At the same time, it is important to combat tax evasion and eliminate harmful, albeit legal, tax practices. In that regard, Governments will need to cooperate in the region and beyond to avoid harmful international tax competition.

14. Governments can also consider more innovative forms of borrowing. They can, for example, issue green bonds, sustainability bonds or pandemic bonds. In that regard, they could look to the international community for technical support and guarantees as well as the possible creation of bond funds aligned with the Sustainable Development Goals. There should also be opportunities to better capitalize on public assets, such as real estate or buildings, with a view to unlocking some of the potential on public balance sheets, for example by identifying assets that could be used as collateral against which to borrow. For issuing these and other types of debt, Governments should also be able to cooperate with central banks, which can support their efforts by lowering interest rates and ensuring sufficient liquidity.

15. Closer integration with global financial markets does, however, come with risks, notably of volatility and capital outflows. Measures may be needed to address them. With the help of the international community, Governments could consider the debt relief options. All the measures will benefit from early engagement among pertinent stakeholders.

C. Strengthening connectivity and supply chains

16. The COVID-19 crisis disrupted global trade and supply chains, often leaving the most vulnerable population groups even further behind. During the first quarter of 2020, aiming to ensure supplies, many Governments restricted exports while liberalizing imports, notably for food products and the medical supplies essential for fighting the pandemic. As a result, general uncertainty rose and, in the course of the year, trade costs were driven up by an estimated 7 per cent across the region. In principle, the World Trade Organization as well as bilateral and regional trade agreements permit such measures but, overall, offer little guidance on how to adapt trade-related measures while preserving the national interests of trading partners.

17. During the pandemic, the transport and logistics industry made efforts to keep borders open to trade. Nevertheless, additional inspections, reduced hours of operation, and road and border closures may have increased transport costs by 25 per cent. Again, because it is the countries that already suffer from lower levels of connectivity that may be affected the most, regional transport gaps are further widened.

18. A more positive outcome was the boost received by cross-border paperless trade. Some countries that previously only allowed original paper documents now accept electronic customs declarations and other certificates, but this shift does require sufficient digital infrastructure, connectivity and skills. Moreover, the quality of digital infrastructure is reshaping international competitiveness and influencing decisions on where enterprises will invest. However, many countries still lack affordable Internet access and the technical capacity to implement and harmonize their systems with those of other countries.

19. Shifting production towards new and enabling digital technologies while modernizing traditional industries will depend on universal access to affordable, reliable broadband Internet. In this regard, the region suffers from a digital divide that has not only persisted but also widened. More than half the region's population remains offline. Only 13 per cent, or 600 million people, have access to fixed broadband subscriptions. Of the remainder, the majority rely on mobile broadband, which is often slower and less reliable but reaches more than 70 per cent of the region's population. In the developing countries in the Pacific, however, uptake even of mobile broadband remains below 15 per cent.

20. There is also a sharp gender divide. Even before the pandemic, the gap between the number of men and women using the Internet was growing faster in the Asia-Pacific region than globally. The pandemic is also expected to widen the gender gap in Internet access and further hamper women's and girls' access to employment and education.

21. If Asia and the Pacific is to withstand future crises, ensure resilient supply chains, keep markets open and safeguard vulnerable groups, Governments across the region will need to embrace digitalization and close the digital divides between and within countries. They should also make better use of international rail freight and multimodal systems. To that end, they will need to not only build hard infrastructure but also develop soft infrastructure and harmonize digital regulations. The capacity of Governments, firms and workforces will also need to be increased, especially in countries with special needs, and issues facing women and small businesses will need to be addressed. In that regard, a coordinated regional approach will be more effective than unilateral policy action.

D. Protecting environmental health

22. The coronavirus disease is a zoonotic disease, transmitted from animals to humans; it thus emerges where people come into close contact with wild and farmed animals. As economic development has gathered pace, land degradation and urban sprawl destroy natural ecosystems and habitats, eliminating some species and radically changing the ways in which humans and animals interact. The extent of the damage is evident from the region's biodiversity intactness index score, which is the lowest in the world. Over recent decades, the Asia-Pacific region has lost more than 60 per cent of its mangroves and 40 per cent of its coral reefs. Environmental damage is also intensifying as a result of global heating. The region is home to 6 of the top 10 global carbon emitting countries, generating more than half of the world's greenhouse gas emissions. Intensive economic activity, especially through transport, has also exposed more than 90 per cent of the region's population to unhealthy levels of air pollution.

23. Heightened exposure to zoonotic and other diseases, and the general degradation of the region's environmental health, reflect critical failings in the way the environment is managed. The failings can involve institutional, structural economic, or behavioural weaknesses.

24. **Institutional weaknesses.** Many countries lack the necessary governance and institutional capacities. Science shows what should be done to address critical environmental issues, but Governments may not respond adequately, especially when various ministries and departments work in separate silos that inhibit concerted and coherent action. There is also a lack of commitment: to act, member States need not only the institutional capacity but also the political will.

25. **Structural economic weaknesses.** Economic growth is often driven by a relentless paradigm that demands ever more intensive use of land while encouraging unsustainable urbanization and multiple forms of air and water pollution. Many enterprises in the financial and business sectors take little or no account of the impact of their activities on the natural environment or on human health.

26. **Behavioural weaknesses.** The drive for growth also encourages unsustainable lifestyles and patterns of consumption, which rely on intensive agrifood systems to sustain them, including the illegal hunting and trade in wildlife as well as international live animal exports.

27. The COVID-19 pandemic must serve as a wake-up call to urgently restore a sustainable relationship between human societies and the natural environment. A useful framework in that regard is the concept of planetary health. In alignment with the 2030 Agenda for Sustainable Development, a planetary health approach can serve as the basis for ambitious policies that address the linkages between human health and the health of the natural world while working within the limits of what nature can provide,

28. The goal of planetary health requires institutional, structural economic, and behavioural solutions. Key institutional solutions include a regional agenda for monitoring planetary health that would bring in all relevant actors; strengthen environmental laws, regulations and their enforcement; and address the biodiversity and climate crises. Structural economic solutions would also be aimed at more sustainable land management and better forms of urbanization as well as pollution control. Behavioural solutions would be focused on sustainable consumption, promoting sustainable agrifood systems and better managing wildlife.

29. Globally, the estimated annual cost of preventing zoonotic diseases ranges from \$22 billion to \$30 billion. It is a major investment, but one that is far overshadowed by the estimated \$8 trillion to \$15 trillion that the COVID-19 pandemic is predicted to cost. Good planetary health makes good economic sense.

III. Beyond the pandemic: recommendations for building back better in Asia and the Pacific

30. Governments across the region have responded to the unprecedented situation created by the COVID-19 outbreak and worked hard to curb the fallout. Most have concentrated on short-term measures. However, if economies are to recover faster and in a more inclusive way, Governments must also aim for long-term sustainability, including by restoring ecosystems, reducing poverty and building resilience throughout the region. To enable States members of the Economic and Social Commission for Asia and the Pacific to build back better, the theme study includes a policy agenda comprising the following five points: enhance regional cooperation; build universal social protection throughout the life cycle; invest in a sustained socioeconomic recovery, aligned with the Sustainable Development Goals; promote trade facilitation, digitalization and harmonization and fully embed social and environmental concerns into global supply chains; and safeguard environmental health.

(a) **Enhance regional cooperation.** Establish or mobilize existing sectoral mechanisms to help Governments to recover from the pandemic and plan for future crises while addressing climate change and taking into account population ageing, technological innovation and new forms of work.

(b) **Build universal social protection throughout the life cycle.**

Embed social protection in national development agendas and allocate the necessary resources. Governments can use a mix of contributory and non-contributory benefit schemes to leave no one behind. They will also need to expand social protection to embrace informal workers and ensure that women and vulnerable population groups are sufficiently covered.

(c) **Invest in a sustained socioeconomic recovery aligned with the Sustainable Development Goals.** This will require the adoption of measures to ensure sufficient fiscal space. To support long-term, resilient, inclusive and sustainable development, Governments can reorient spending away from non-developmental areas, reform taxation to mitigate inequalities and support the climate agenda, and explore innovative financing instruments. They can also consider further debt relief measures and accelerate efforts to combat tax evasion through regional and international cooperation.

(d) **Promote trade facilitation, digitalization and harmonization and fully embed social and environmental concerns into global supply chains.** Resist protectionist actions and forge regional solidarity to arrive at proportionate trade responses. Mobilize regional transport cooperation instruments for emergency use of cross-border freight. Decarbonize production and shift to more sustainable and lower-carbon multimodal freight transport. Increase support for trade facilitation and digitalization and the development of paperless and contactless trade. Accelerate investment in digitalization and broadband connectivity. Improve the efficiency and sustainability of trade and transport procedures through regionally coordinated investment in hard and soft infrastructure.

(e) **Safeguard environmental health.** Adopt a regional agenda for planetary health, bringing in all relevant actors to implement the institutional, structural economic, and behavioural changes needed to better manage human and environmental health.

31. The Commission may wish to review the issues and recommendations from the full study summarized in the present document and provide the secretariat with guidance on its future work in that regard.