

Economic and Social Survey of Asia and the Pacific 2020

Aligning post-Covid 19 recovery towards
sustainable economies

Philippines policy dialogue on
Promoting Sustainable Economies
and Better Public Health

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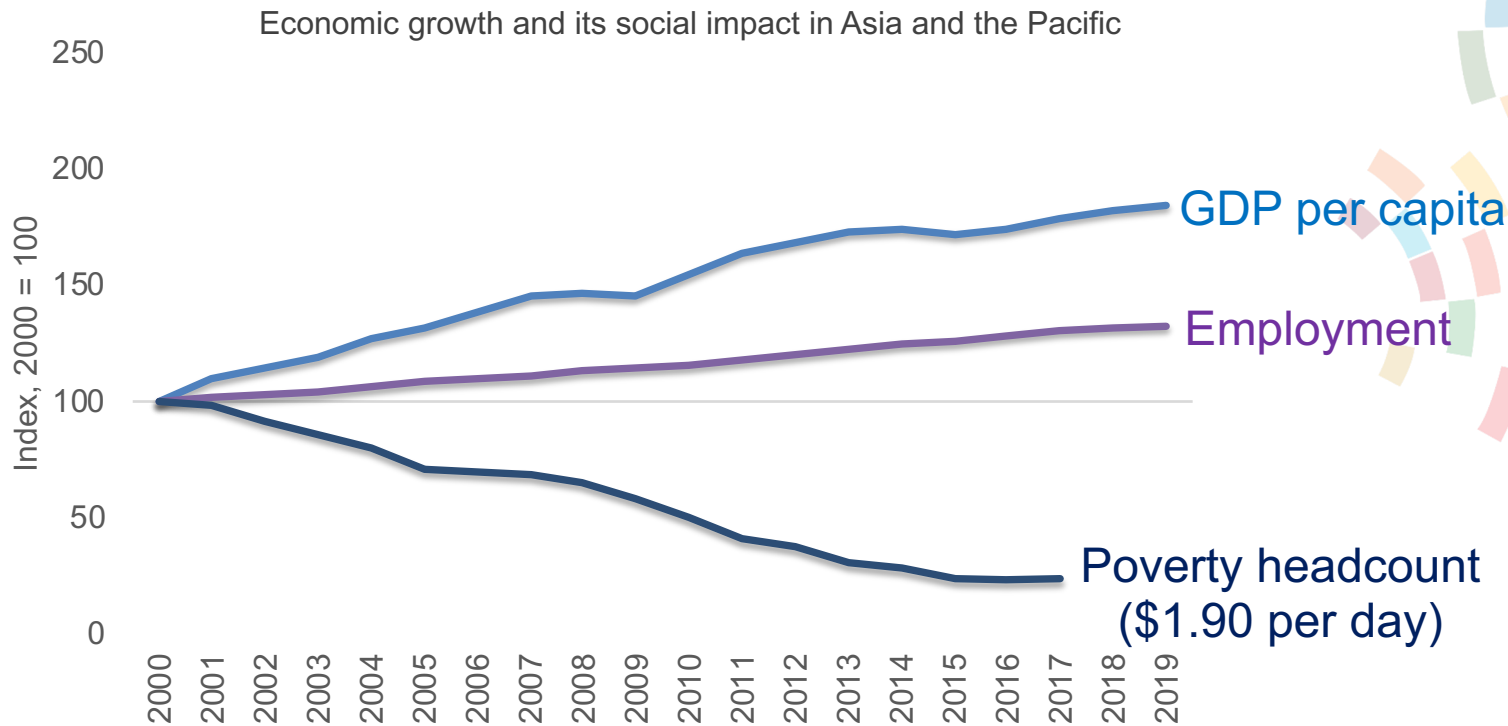
Key messages

- Asia and the Pacific is not on track to achieve any SDGs, in particular sustainable consumption and production and environmental well-being...
...the economic growth-centric development approach should be revisited
- Current economic slowdown is exacerbated by COVID-19...
... but the policy responses should prioritize people over economic recovery and the journey towards the 2030 Agenda should continue
- The pandemic and climate emergency require policymakers to move away from short-termism towards long-term vision...
...through collective policy actions led by Governments and supported by businesses and people along with enhanced global and regional cooperation
- The Philippines economy has been hit hard but the Government has responded actively with a comprehensive fiscal package to meet the short-term impacts of the pandemic
....however going forward greater spending will be required to ensure future health preparedness and improve social protection, as well as decarbonizing the economy

A pair of hands is shown from the chest up, holding a glowing, fiery Earth. The background is dark with many small, bright stars and a warm, orange glow emanating from behind the hands. The text is overlaid on a dark horizontal band across the middle of the image.

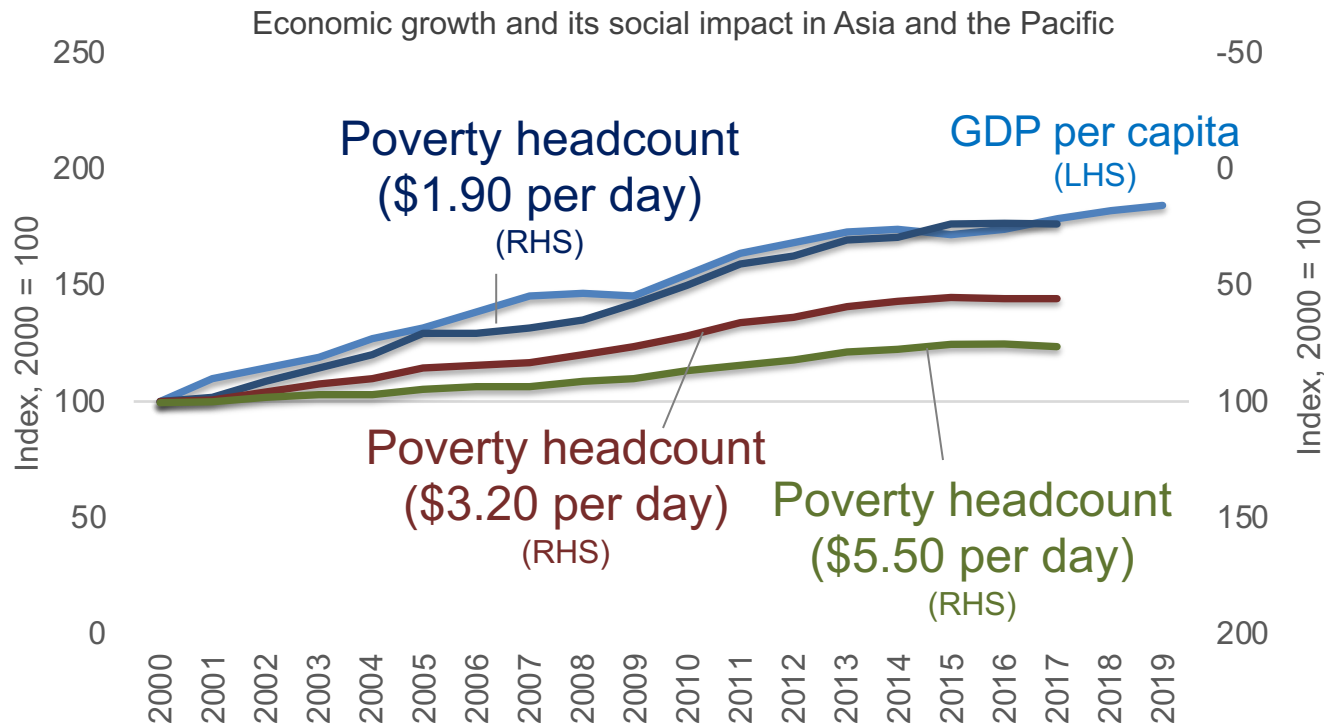
**GDP growth-centric development approach
has come with costs to
PEOPLE and the PLANET**

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...

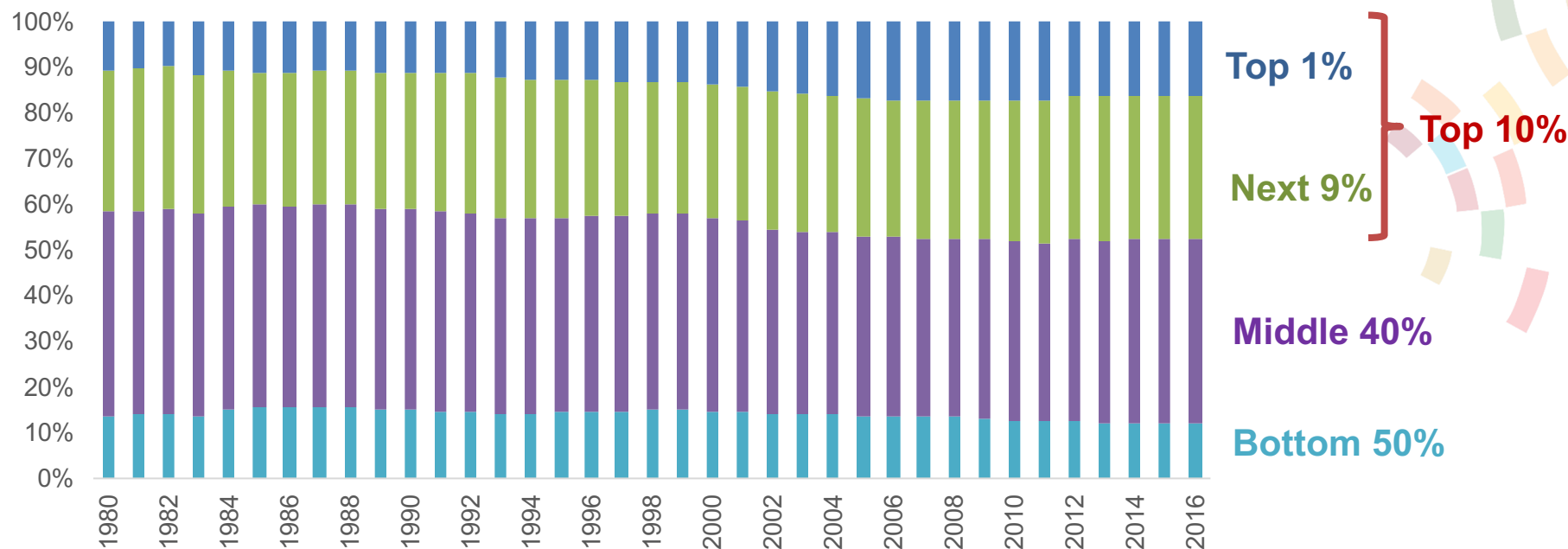


Source: ESCAP data portal (accessed on 4 December 2019); ESCAP calculation based on World Bank, PovcalNet, available at <http://iresearch.worldbank.org/PovcalNet/home.aspx> (accessed on 13 February 2020); IMF, World Economic Outlook database, October 2019 (accessed on 4 December 2019); Global Carbon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

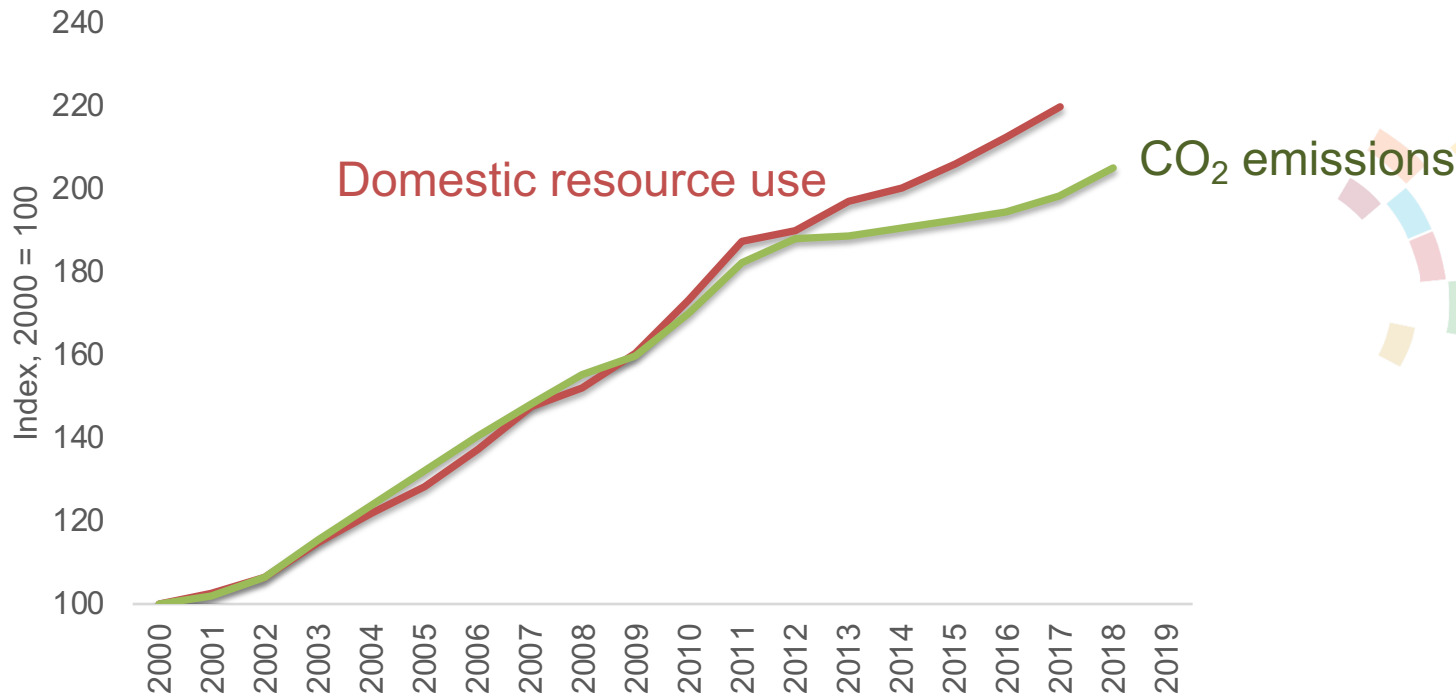
Share of income (pre-tax national income) by income groups in Asia



Source: WID (accessed 3 October 2019)

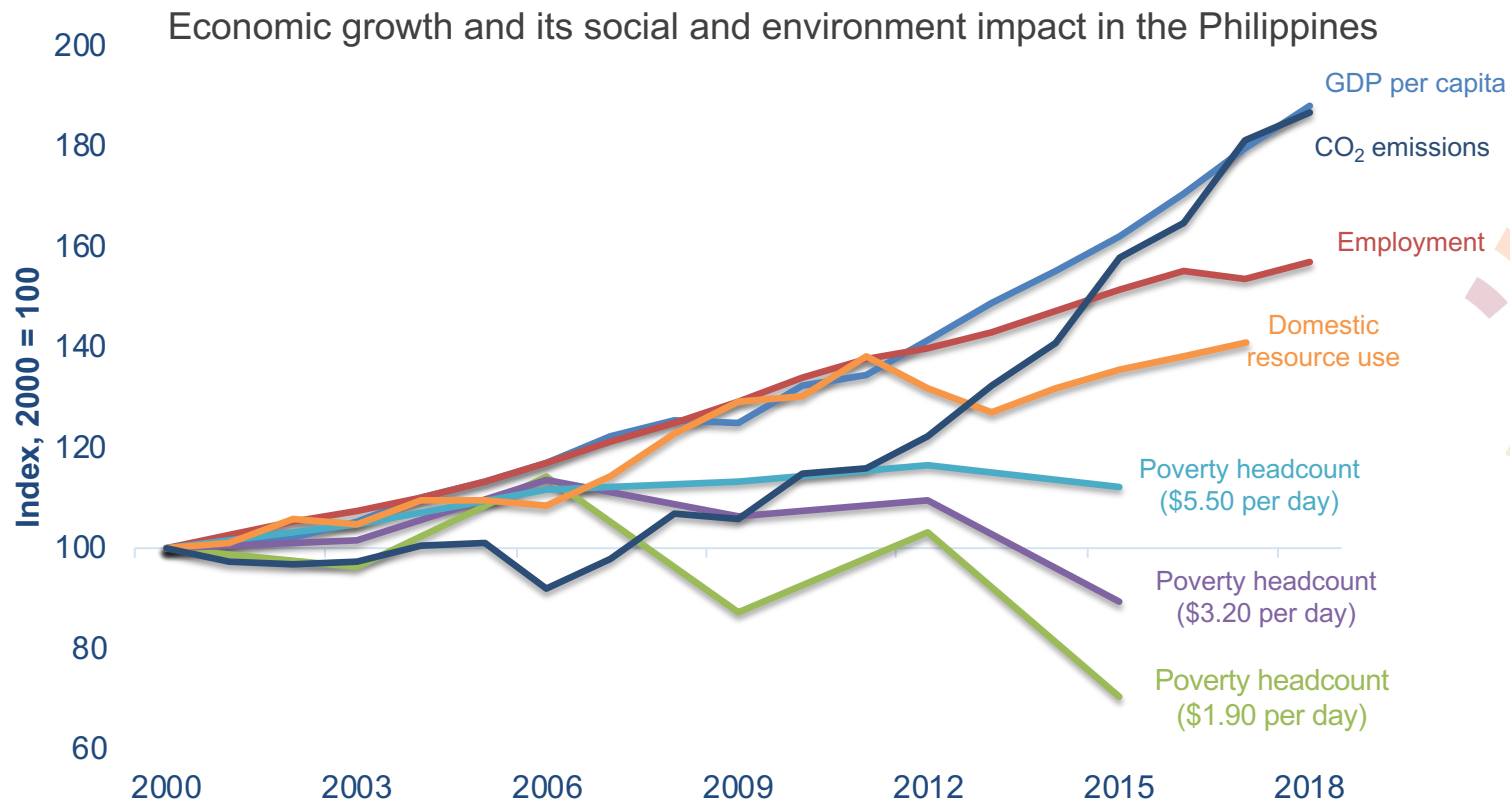
...while the costs to the **PLANET** have also been significant

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



Source: ESCAP data portal (accessed on 4 December 2019); 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).

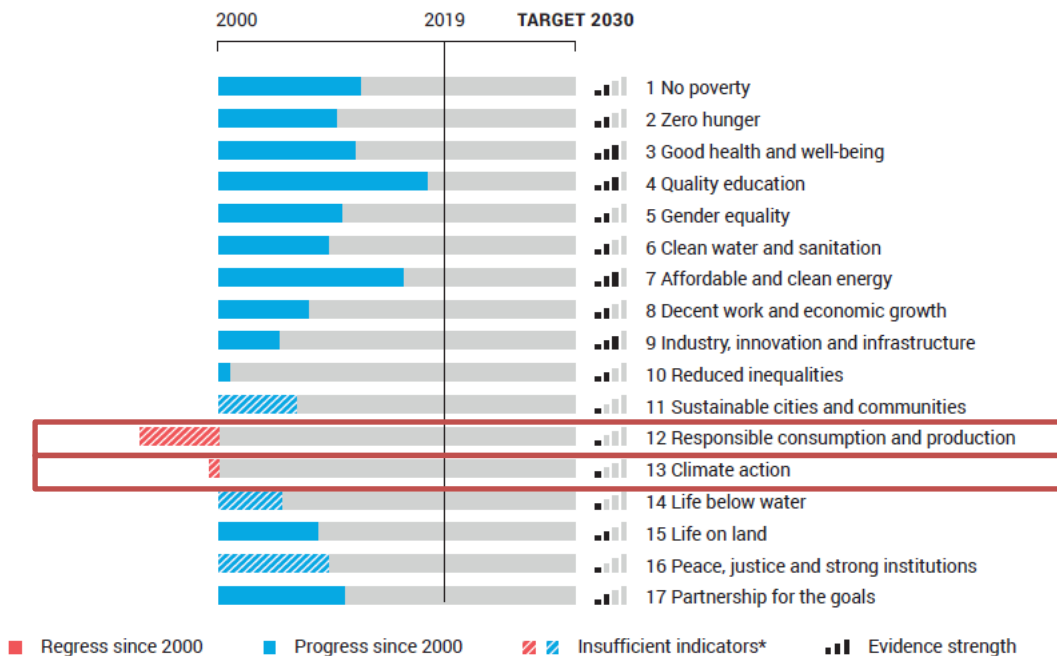
Similar trends are observed in the Philippines



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.

Progress on **Goal 12** calls for revisiting the current consumption and production patterns...



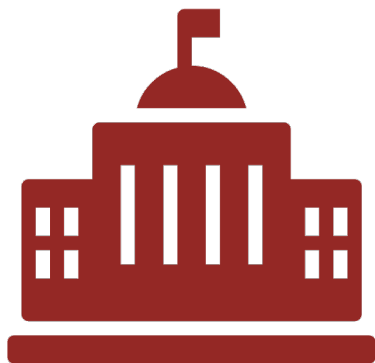
Consumption



Production



... requiring behavioural changes by different stakeholders



GOVERNMENTS

- Dependency on fossil fuels
- Underpricing of carbon



BUSINESSES

- Failure in accounting for externalities



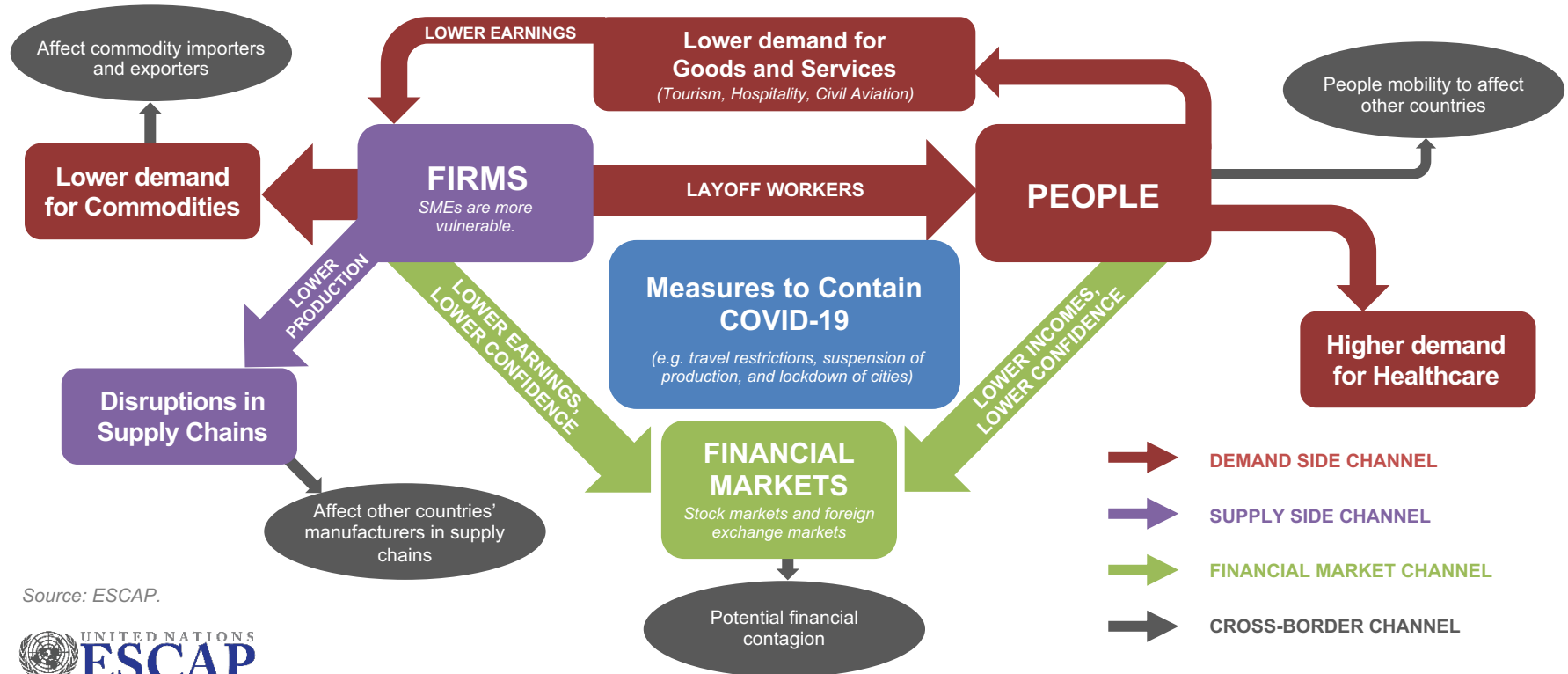
CONSUMERS

- Ingrained consumption habits
- Lack of environmental awareness



Challenging near-term economic conditions pose significant obstacles

COVID-19 pandemic has brought shocks from both of the supply and demand sides...



Source: ESCAP.

...significantly weighing on the region's economic performance...

Downgrade of GDP growth in Asia and the Pacific



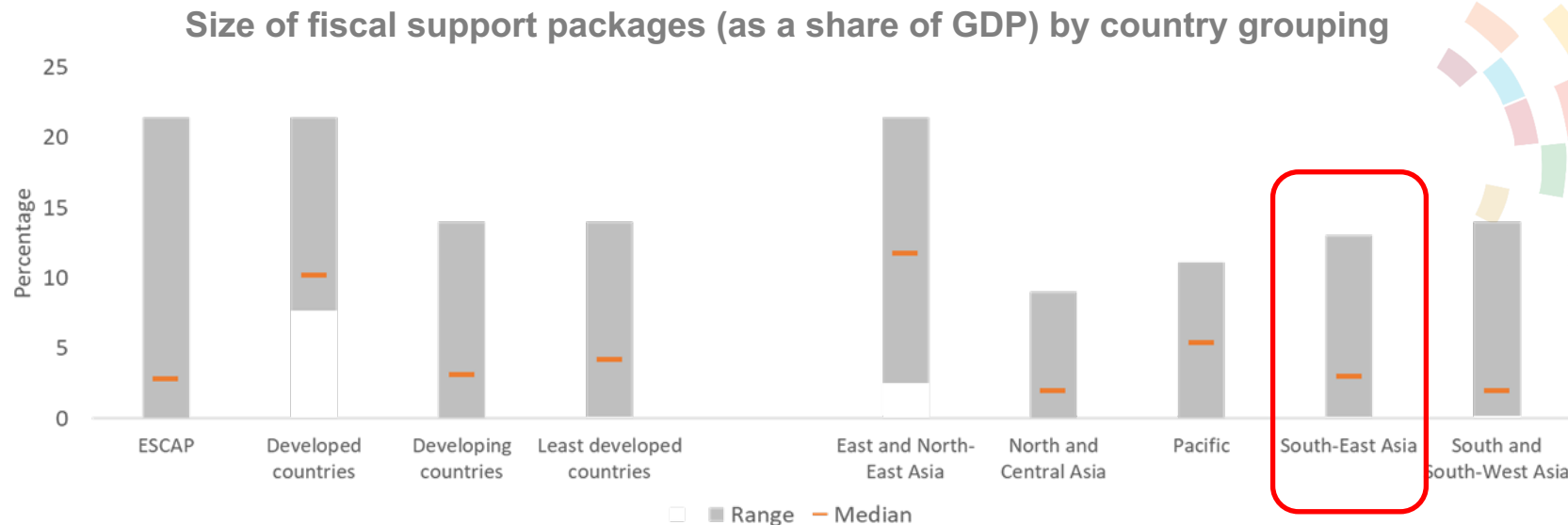
Source: ESCAP, based on DESA's World Economic Forecasting Model (based on data and information available up to 27 April 2020).

What has been done and can be done?



Policy responses to COVID-19 need to prioritize **people** over **economic recovery**

Fiscal policies: Large and targeted fiscal measures to contain and respond to COVID-19, and to ease the shock to jobs and guarantee minimum living standards



Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, and various national sources.

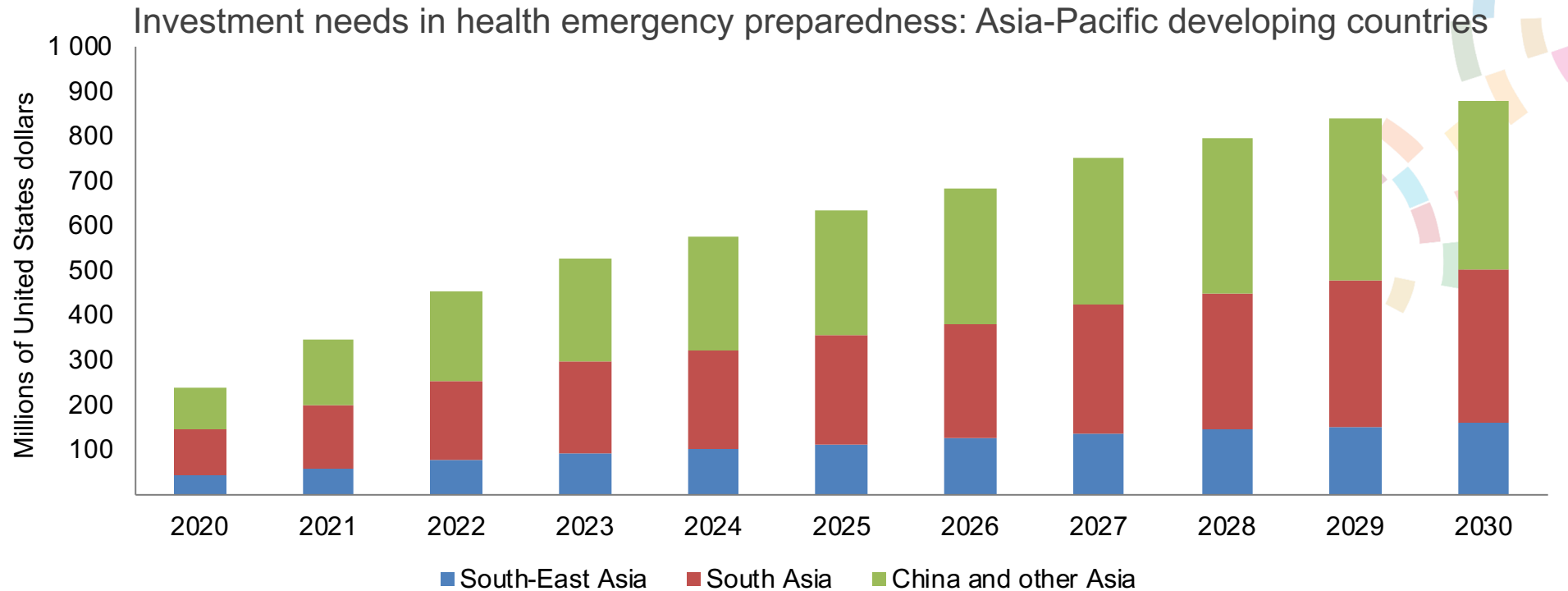
Note: If a country announced a fiscal stimulus package but did not reveal its size, then it is not included in calculating the range and the median.

Fiscal package announced by the Philippines

The government launched a PHP 595.6 billion fiscal package (about 3.1 percent of 2019 GDP) for vulnerable individuals and groups, which includes the following measures:

- (1) PHP 205 billion cash aid program (1.1 percent of 2019 GDP) for 18 million **low-income households**, under which eligible households are expected to receive cash transfers of between PHP 5,000 and PHP 8,000 a month for a period of two months;
- (2) Over PHP 56 billion social protection measures for **vulnerable workers**, including for displaced and overseas Filipino workers (0.3 percent of 2019 GDP);
- (3) Over PHP 54 billion on COVID-19-related **medical response** (0.3 percent of 2019 GDP); and
- (4) PHP 120 billion (0.6 percent of 2019 GDP) credit guarantee for **small businesses** and support to the agriculture sector. Financial assistance will also be provided to affected micro-, small-, and medium-size enterprises (MSMEs) and vulnerable households through specialized microfinancing loans and loan restructuring.

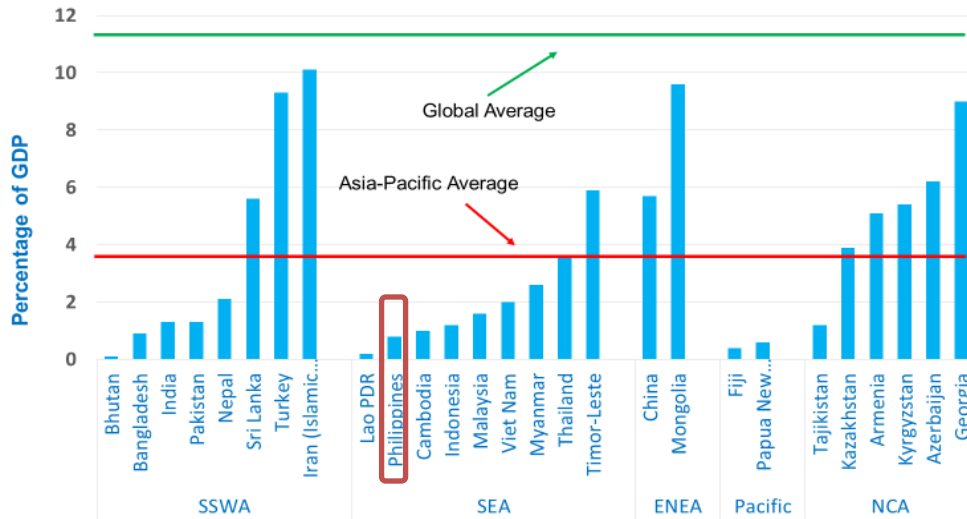
Investing in public health emergency preparedness and social protection should be the **medium- to long-term measures**



Source: ESCAP estimates, based on WHO SDG Health Price Tag.

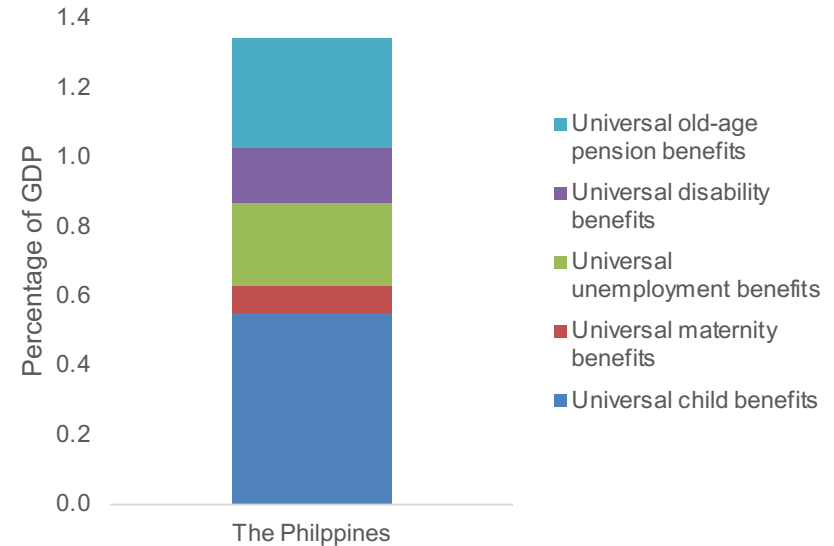
Investing in public health emergency preparedness and social protection should be the **medium- to long-term measures**

Public spending on social protection,
as a share of GDP



Source: ESCAP.

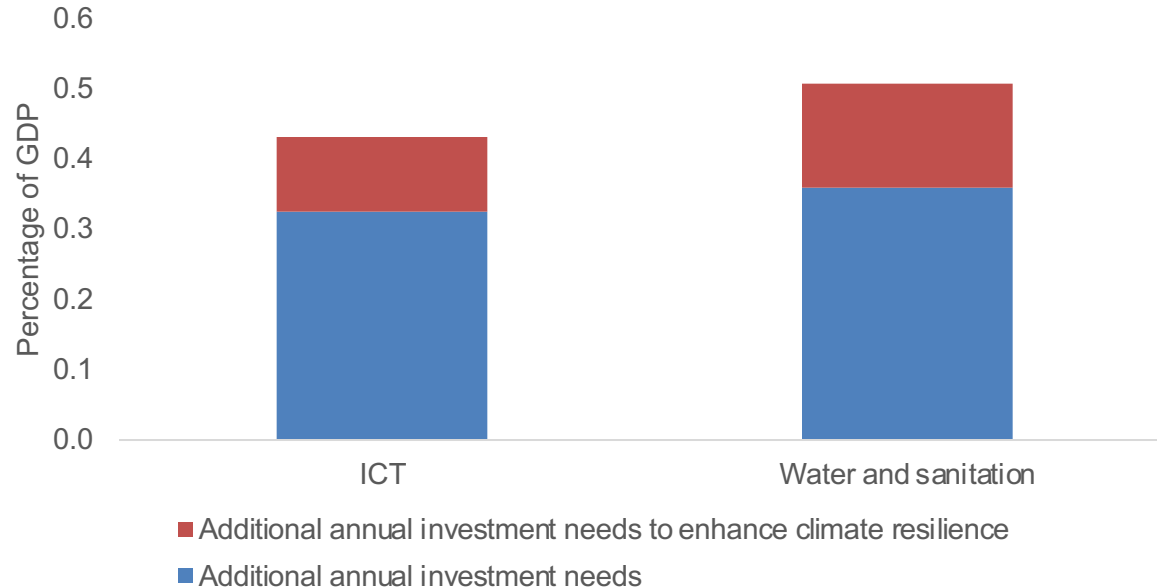
Additional annual investment needs to provide
social protection floor in the Philippines



Source: ESCAP, Economic and Social Survey 2019.

Stimulus measures could be linked to investment needs and priorities for achieving the SDGs

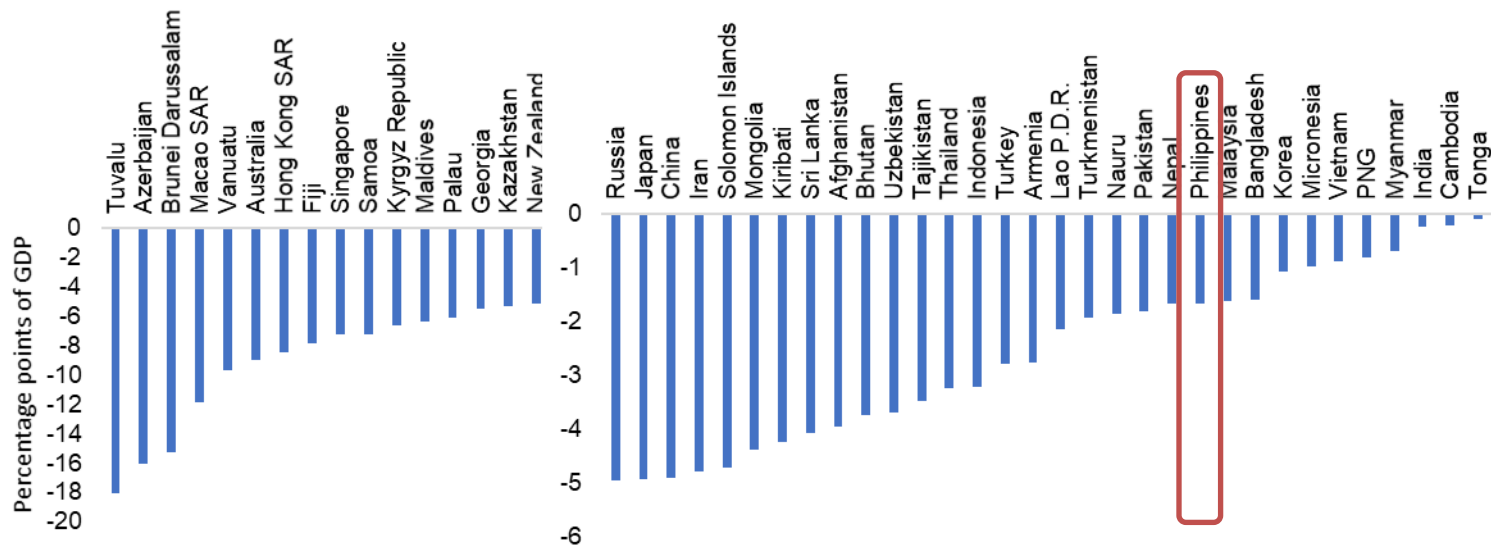
Annual additional investment requirements to achieve the 2030 Agenda in the Philippines



Source: ESCAP, Economic and Social Survey 2019.

Increased public spending is expected to deteriorate near-term fiscal positions significantly

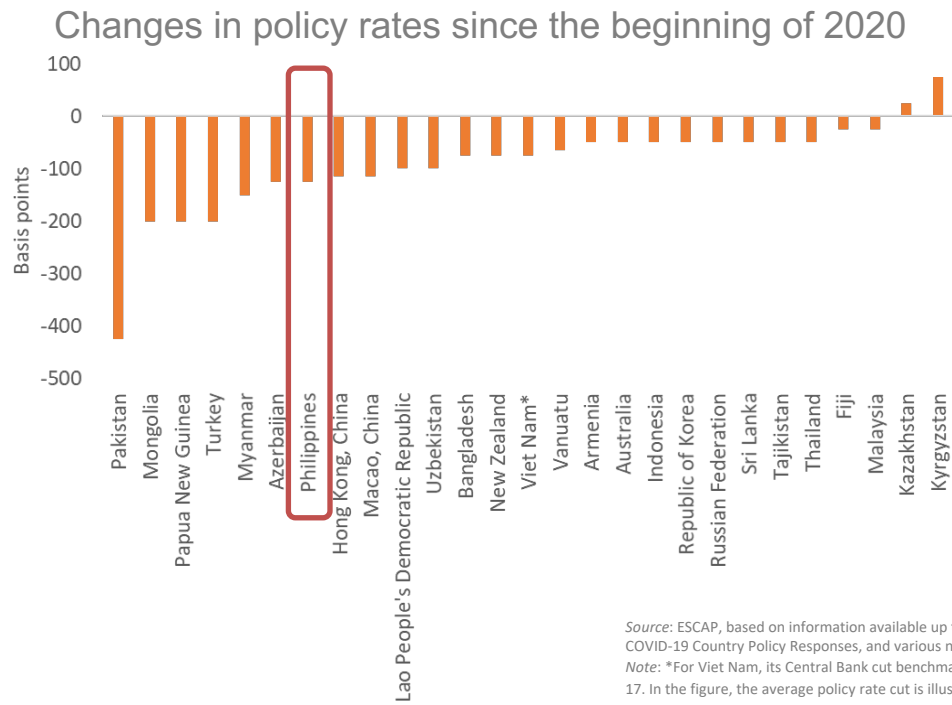
Difference between October 2019 and April 2020 projections of fiscal balance in 2020



Source: ESCAP, based on latest World Economic Outlook database.

Policy responses to COVID-19 need to prioritize people over economic recovery

Monetary policies: Targeted monetary easing to ensure overall financial sector health and support SMEs



Other measures by the Bangko Sentral ng Pilipinas:

- 1) Reserve requirement ratio cuts (by 200 bps)
- 2) Open market operation (purchase of PHP300 billion govt securities (1.5% of GDP))
- 3) Temporary relaxation of requirements on compliance reporting, penalties on required reserves, and single borrower limits
- 4) Easier access to the BSP's rediscounting facility
- 5) Temporary relaxation of provisioning requirements
- 6) Relaxation of prudential regulations regarding marking-to-market of debt securities
- 7) Loans to MSMEs to be counted as part of banks' compliance with reserve requirements
- 8) Zero risk weight on loan exposures guaranteed by the Philippine Guarantee Corporation

Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, and various national sources.

Note: *For Viet Nam, its Central Bank cut benchmark policy rates by 50-100 basis points, effective on March 17. In the figure, the average policy rate cut is illustrated.

Policy responses to COVID-19 need to prioritize **people** over **economic recovery**

Fiscal policies:


- Large and targeted fiscal measures to contain and respond to COVID-19... and to ease the shock to jobs and guarantee minimum living standards

Monetary policies

- Targeted monetary easing to ensure overall financial sector health and support SMEs

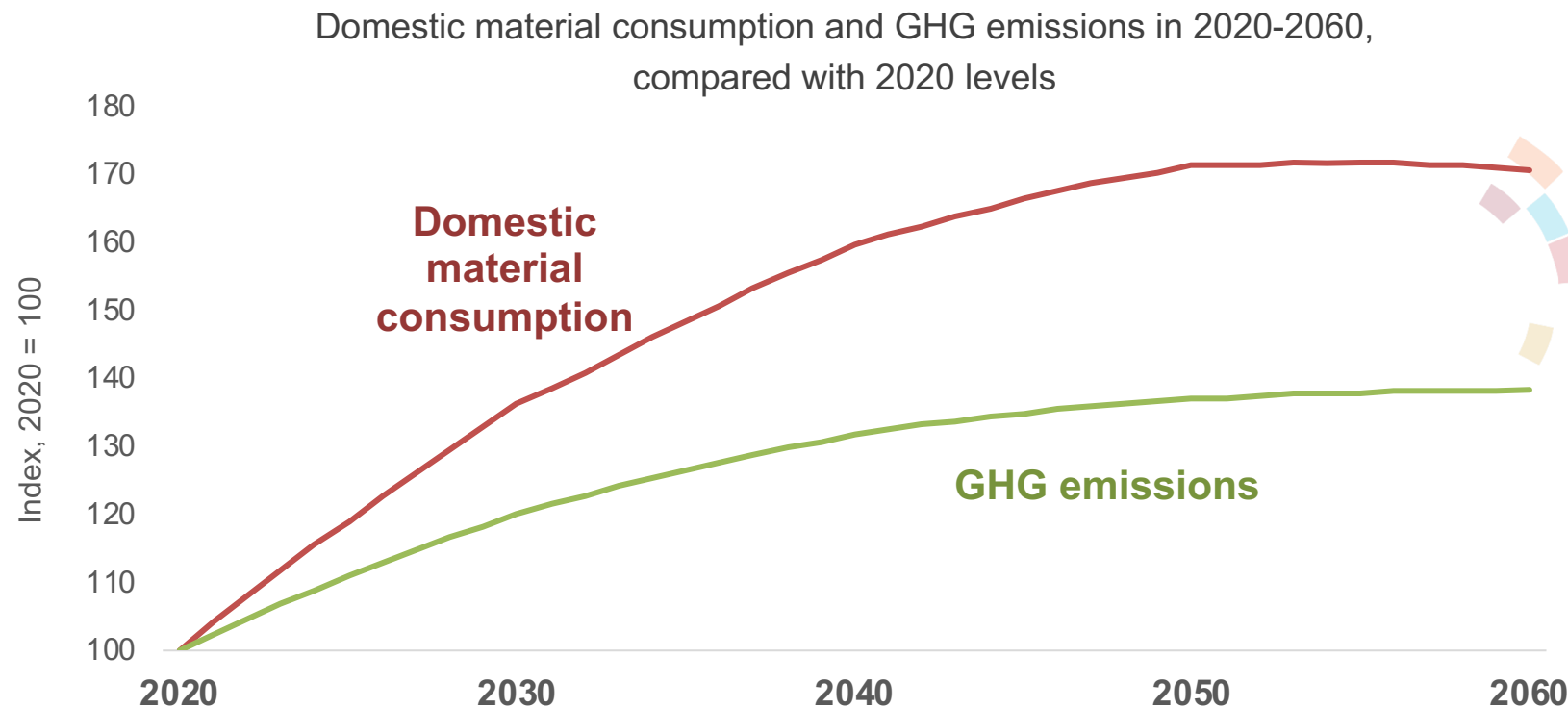
Regional cooperation

- Consider establishing a regional or subregional public health emergency fund
- Coordinate debt relief or deferral of debt payments



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

... which requires collective actions by all stakeholders

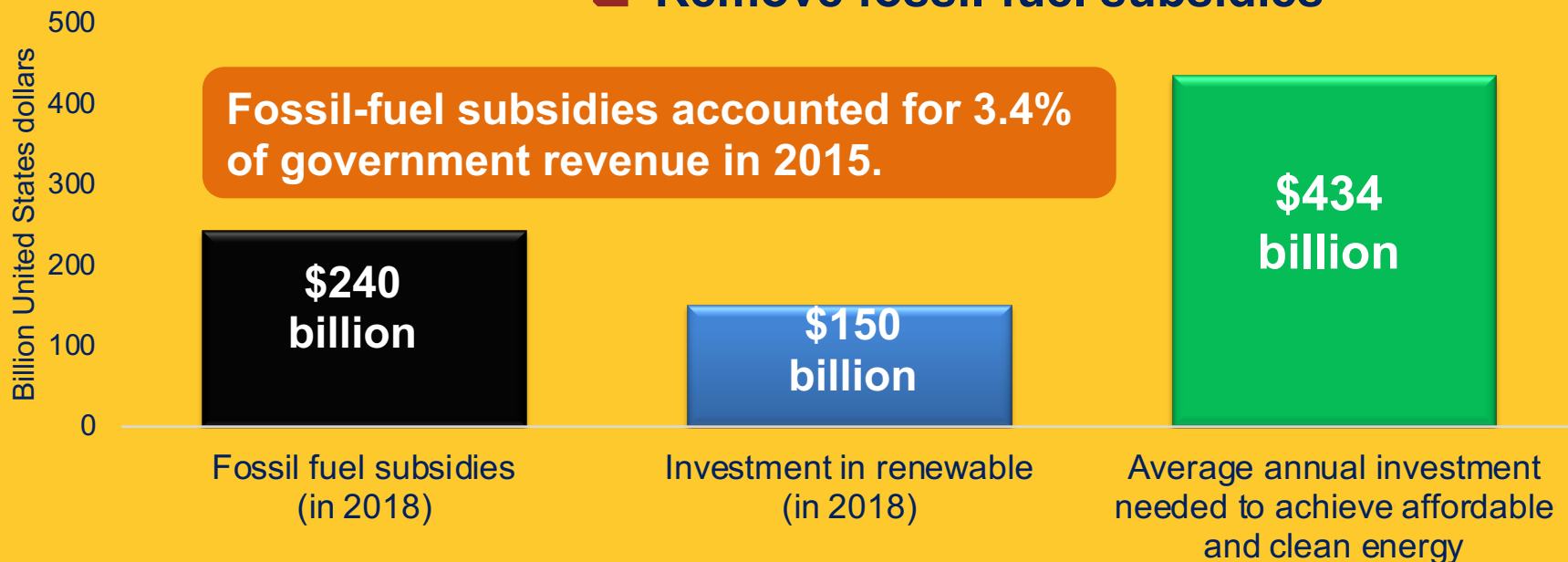


Local action



Governments should embed sustainability in policymaking and decarbonize their economies

 **Remove fossil-fuel subsidies**



Source: ESCAP (2020 and 2019), IMF (2019)

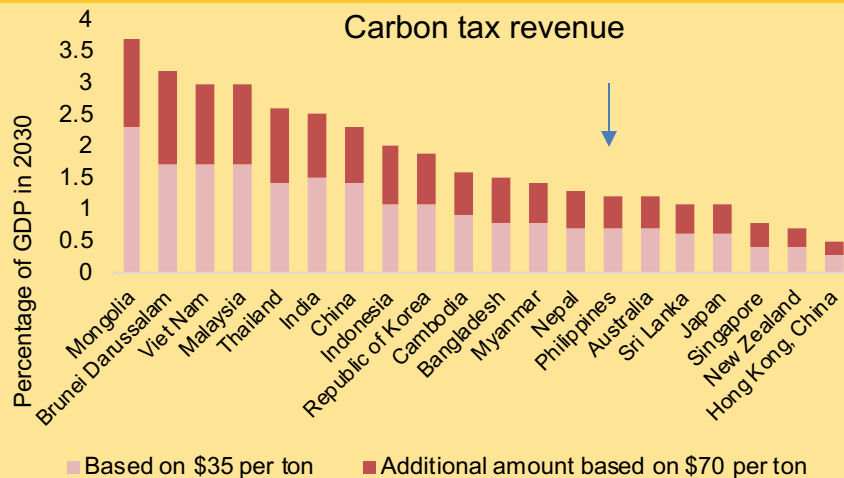
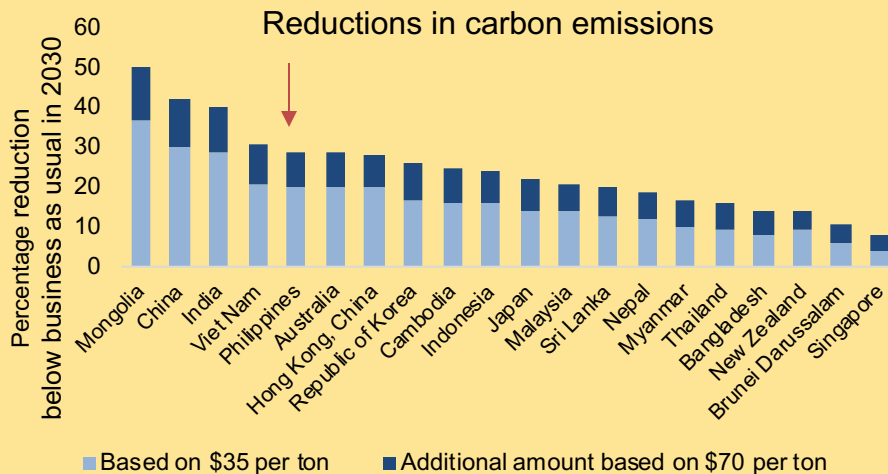
Note: Fossil-fuel subsidies or only post-tax. All pre-tax subsidies according to the definition of the IWF have been discontinued.

Local action



Governments should embed sustainability in policymaking and decarbonize their economies

- Remove fossil-fuel subsidies
- Adopt carbon pricing



The Philippines: Carbon Taxes



- A direct carbon tax has not been implemented in the Philippines 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 would lead to carbon prices between US\$ 1.60 for coal and US\$ 95 for gasoline



Local action



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

Financial Incentives

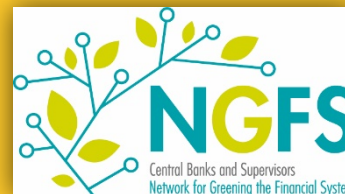
- Specific lending terms for green projects
- Credit enhancements and government guarantees
- Tax breaks

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



The Philippines: Green Bonds



- First green bond in the Philippines was issued by Aboitiz Power Cooperation in 2016
- The second bond in the Philippines was by BDO Unibank who launched a US\$150 million green bond backed by the IFC
 - This bond has financed exclusively renewable energy generation, saving over 270,000 tons of CO2 per year
- ESG bonds totalled US\$1.2 billion in 2019 and are expected to reach US\$2 billion in 2020
- The national Securities and Exchange Commission has issued green bond standards in line with ASEAN guidelines in August 2018

... 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%

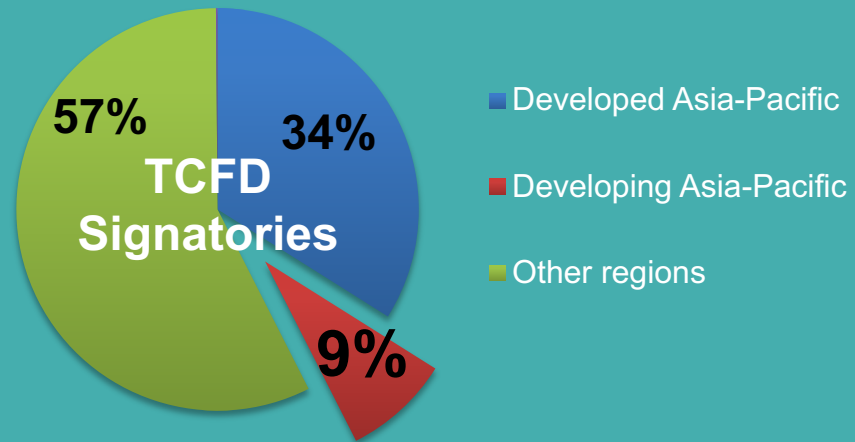
There are 0 signatories from the Philippines currently.

Businesses should internalize the externalities of their business operations



People action

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



- ❑ The first Philippines business signed TCFD in February 2020

Businesses should internalize the externalities of their business operations

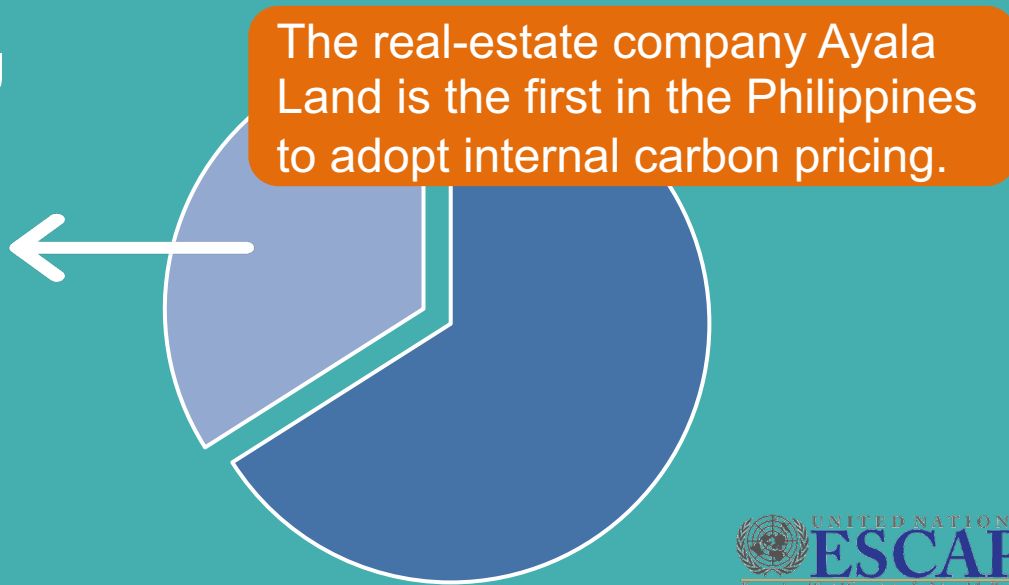


People action

- ❑ 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



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



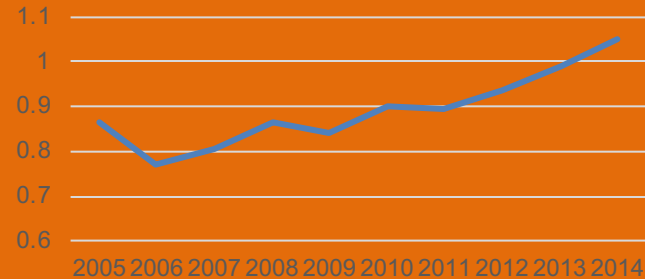
Consumers need to move towards sustainable lifestyles



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

CO₂ Emissions (metric tons per capita)



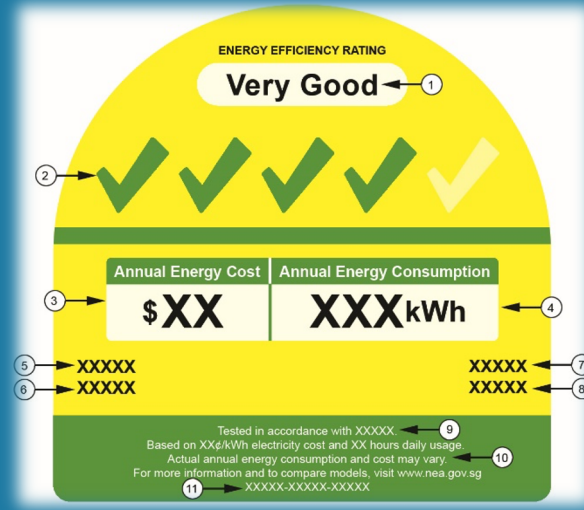
Metro Manila is the most congested city in developing Asia (out of 279 cities).

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

☐ Nudging



People action



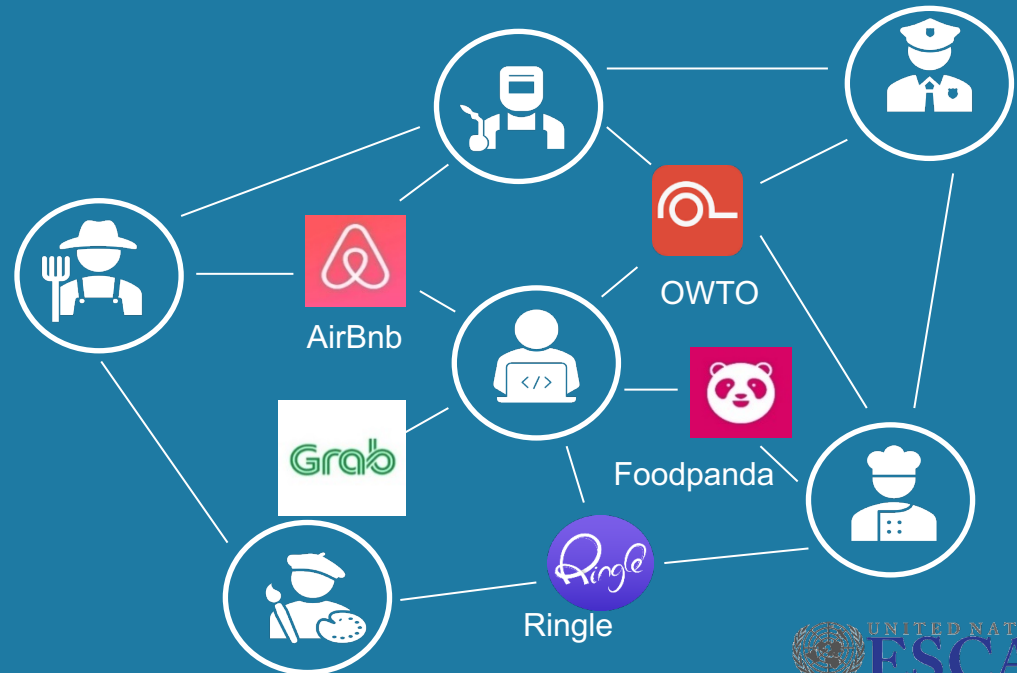
Mandatory energy labels on electric appliances in Singapore

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

Energy Efficiency in the Philippines has improved since the beginning of the 2000s

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



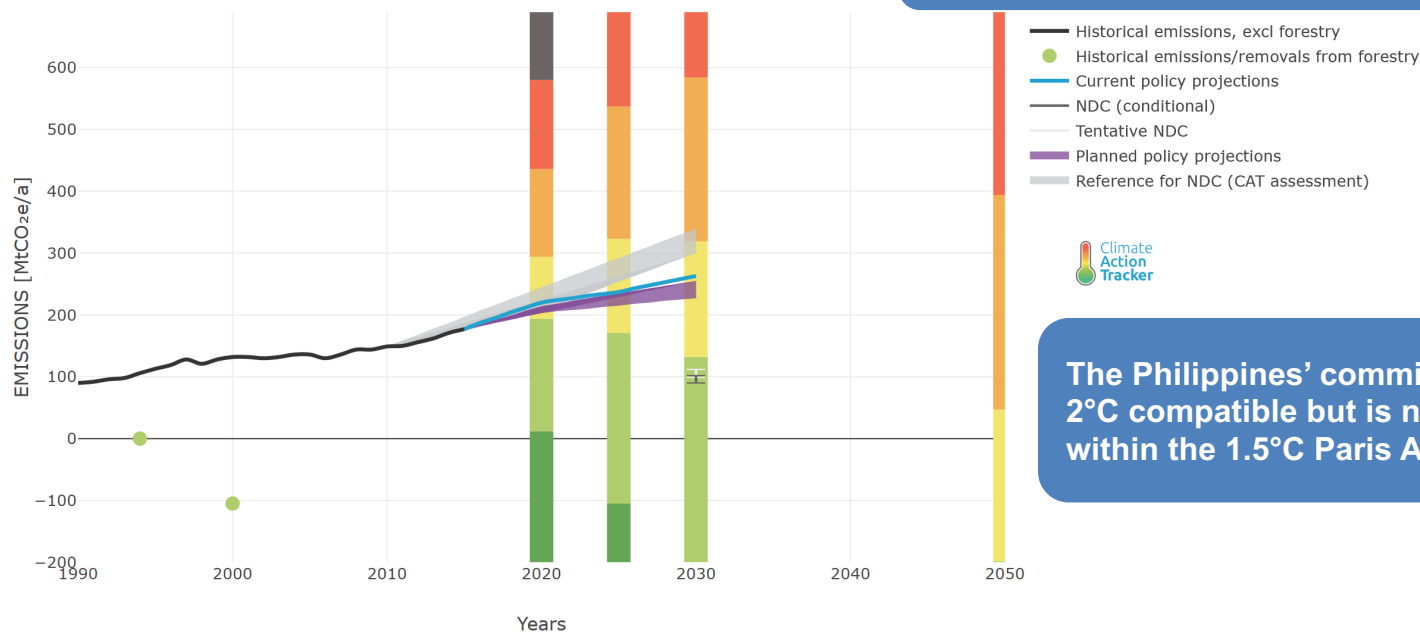
The Philippines has already made progress implementing 10YFP, especially eco-labeling of environmentally friendly goods

Global action



NDC progress for the Philippines is insufficient

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



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

Recommendations for the Philippines

- The Government has taken a rapid proactive approach in dealing with the immediate impacts of the pandemic
- Going forward, as the country spends on recovery programmes there is a need to build back better
- This will involve especially spending directed towards emergency health preparedness and greater social protection for vulnerable groups, while also taking steps to decarbonize the economy
- The country has the means to bear the necessary expense due to its strong fiscal position and good macroeconomic management

Takeaway messages

- 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 conduct 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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<https://www.unescap.org/publications/economic-and-social-survey-asia-and-pacific-2020>



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