UNDP REGIONAL BUREAU
FOR ASIA AND THE PACIFIC

ANTICIPATING RISKS AND UNCERTAINTIES FOR ASIA AND THE PACIFIC

2023 UPDATED KEY RISKS REPORT

UNDP RBAP Strategic Foresight Network

MAY 2023

This Horizon Scanning Key Risks Report explores the key risks and uncertainties for Asia and the Pacific as presented in the *Anticipating Risks and Uncertainties for Asia and the Pacific: A Hybrid Horizon Scanning Report* updated with new risk indicators for 2023.

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Citation: UNDP (2023). *UNDP RBAP: Anticipating Risks and Uncertainties for Asia and the Pacific: 2023 Updated Key Risks Report.* New York, New York.

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Foreword

Nothing in life is to be feared, it is only to be understood. Now is the time to understand more, so that we may fear less – Marie Curie

Globally and regionally, we have entered the age of the **polycrisis** – an era defined by interconnected, cascading risks with uncertain impacts. In the Asia and Pacific region, this has already manifested in multiple, parallel crises – whether stemming from economic instability in Pakistan and Sri Lanka, to political insecurities in multiple countries.

Bold action is needed, which includes the need for more policy dynamism that anticipates and is proactive in assessing future threats and directing resources to mitigate associated risks. If the most fragile continue to bear the brunt of unanticipated risk and increased uncertainty, our mutual ability to create norms of freedom and thriving falls behind. More precisely, if we still do not create and transform structures, infrastructure, and investments for existing risks and vulnerabilities, futures of compounding risk and uncertainties will impede our capacity to manage economic and human vulnerability, and even threaten to increase it.

This report illustrates **six** interconnected current and emerging risk that we envision will not just disrupt development progress, as they do now, but rather lead to a sustained regression of development gains. These include interconnected thematic clusters that speak to the backslide of women's rights and inclusion; decreasing access to natural resources; diminishing agricultural production and food shortages; the global economic slowdown; divides on digital rights and governance; and widening inequalities and erosion of trust. We analyse these through the lens of **Reinforcements**, **Dimensions**, **Incongruencies**, and **Transformations**.

As part of our Strategic Plan 2022-2025, UNDP has set very ambitious targets through four moon-shot initiatives: **tackling multi-dimensional poverty, energy access, election participation and development financing**. These targets go beyond a single measure. They illustrate holistic investments; they provide an opportunity for us be more intentional and specific about escalations that can help us reduce the gap brought upon by residual risk that doesn't have one single governance mechanism or appropriate accountability measure. The UNDP moonshots can play a transformative role in addressing the risks identified in this report. They allow us to be *anticipatory at scale* in the face of emerging crisis, and to *hedge our bets* on the types of policies and investments that will allow a better stewardship of governance, of societies and of our care to each other in a way that prevents the of the onset of full fledge disasters and the fears that come with it.

I invite you to read this report and its analysis – and to consider its impacts on our collaborations and shared ambitions. I hope it helps provide a narrative of what might unfold ahead of us, and ways in which we might think about how we manage these futures proactively for this region to thrive.

Kanni Wignaraja
Assistant Administrator and Regional Director
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Executive Summary

Uncertainty has become an increasingly nebulous concept in today's global risk landscape - in the context of anticipatory risk analysis, uncertainty refers to situations in which multi-dimensional risks intersect and collide, making it impossible to assign appropriate ratings on risk and impact. The inability to assign risks ratings also means that the necessary responses and mitigation measures cannot be priced appropriately and are therefore challenging to govern effectively.

The UNDP RBAP Strategic Foresight "*Anticipating Risks and Uncertainties for Asia and the Pacific: A Hybrid Horizon Scanning Report*" (December 2022) is an analysis report of over 400 indicators of change seeking to identify potential risks and uncertainties in the Asia-Pacific region in the short, medium and long term. The analysis combines quantitative data-driven analysis as well as qualitative perception analysis across 19 countries in the region, to provide insights on emerging risks that are likely to impact the future of the region's development progress.

This report highlights the increasing complexity and interconnectedness of risks and uncertainties in the Asia-Pacific region, specifically in response to disruptions and transformations caused by and related to a combination of global shifts, including the ongoing reverberations of the COVID-19, increased geopolitical tensions, a downturn in the global economy, the rapidly increasing impacts of the climate crisis, and the governance challenges of digital evolutions. These tightly wound combined risks are the major drivers of uncertainty, which we've defined as high risk (high likelihood) but with a lack of consensus or lack of clarity on how the impacts might play out over multiple time horizons.

Since the first report was published in 2022, increased interest and attention has been directed to the report's key risks and what these mean for policy and programming decisions in the region. For this reason, this abridged 2023 report serves to explore and update the key risks outlined in the larger report by thematic risk cluster. While the report's 400+ data points spanned nearly every aspect of development trajectories across social, environmental, economic, political, technological, cultural, and values-based indicators (which can be explored in the RBAP Risk 2022 - Data Future Platform) this abridged report notes larger thematic categories of intersecting risks. It places emphasis on areas of **Reinforcements**, **Dimensions**, **Incongruencies**, and **Transformations,** but ultimately focuses on the top six risk clusters that received the highest assessment of probable risk (*impact x certainty*).

A future-fit UNDP in Asia Pacific will be one that is embedded with anticipatory governance and adaptive policymaking, as traditional and historical approaches to risk management will likely be insufficient in a rapidly complex future. This updated 2023 RBAP Key Risks and Uncertainties Report seeks to provide insights and analysis for policymakers, practitioners, and stakeholders in the region on anticipating and responding proactively to address the top identified risks and uncertainties that could shape the future of Asia and the Pacific in the years ahead, across a longer-term horizon. It is hoped this analysis serves as a compass for anticipatory decision making in regional policymaking, programming and strategy.

While many of the insights are relevant to the region at large (and beyond), the risks are informed by, and therefore may be more relevant and accurate to, the signals collected through 18 participating UNDP country offices, in the Asia-Pacific region, including: Bangladesh, Bhutan, Cambodia, China, Indonesia, Iran, Lao PDR, Malaysia, Maldives, Mongolia, Nepal, Pacific Office (Fiji), Pakistan, Philippines, Samoa, Thailand, Timor-Leste, Viet Nam, as well as from RBAP's Bangkok Regional Hub and New York Headquarters.

The Emerging Polycrisis (2022 and Beyond)

The signals identified in the 2022 Horizon Scan that informed the *Anticipating Risks and Uncertainties in Asia and the Pacific* report ranged across a large swarth of development-related topics (collected by STEEP-V thematic area) and spanned the short, medium, and long-term timeframes. Unquestioningly, the diversity of responses points to the rapidly evolving and transformational nature of Asia-Pacific societies, economies, cultures, and governments, an expected outcome of an increasingly globalized, online, and interconnected world.

Beyond our signal scan, we look to other indicators and sources of change and transformation within the region to ensure that our informants of change are inclusive and representative of the region at large. The RBAP Strategic Foresight Network team bolsters our Horizon Scanning work within our Country Offices by our participatory and anticipatory foresight exercises (such as Inclusive Imaginaries) and our Reimagining Development initiative which helps infuse principles of imagination into planning for uncertainty. The consultations and exercises undertaken for both processes have informed our work in identifying risks and uncertainties (as outlined in this report and beyond).

The World Economic Forum Global Risks Report 2023 indicates that "the next decade will be characterized by environmental and societal crises, driven by underlying geopolitical and economic trends."[1] In the Asia Pacific, the key interconnected risks and uncertainties in 2022 that were identified as key risks and therefore interrogated and explored further were related to women's rights and growing inequality, the energy transition, the costs of living crisis, food security, conflict, governance, and resilience. They are clustered under the following four themes to support in their sensemaking and analysis: **Reinforcements**, **Dimensions**, **Incongruencies**, and **Transformations**, which seek to understand the nature of how these risks and signals are altering and transforming the region. They are explored in more detail by thematic area in the following section.

Reinforcements

The analysis of key trends and data points from the regional Horizon Scan determined that many signals and indicators of change **reinforce** the current trajectory of global priorities around climate, the environment, and preparedness. The term reinforcement here does not indicate that the signals analyzed were predicted or already known; rather, these signals confirm or strengthen the current understanding of the need for risk-informed development and to accelerate preparedness for a changing climate, noting that medium- to large-scale disasters will increase by 40 percent between 2015 and 2030 (UN, 2022).

Many signals reinforced and enhanced the understanding that changing weather conditions and energy dependencies pose cascading risks to the economies, employment, livelihoods, health,

[1] World Economic Forum. Global Risks Report 2023.

food security and overall stability of countries in Asia and the Pacific (COFACE 2022). These include, for example, indicators related to the increasing frequency of natural hazards that will likely create significant disruptions to economic sectors, including agriculture, which also greatly impacts food security. Increasing natural hazards also exacerbate pre-existing vulnerabilities and multidimensional inequalities borne disproportionately by those socioeconomically disadvantaged, leading to a snowball effect when left unaddressed.

One known contributor the climate crisis is dependence on fossil fuels - South and Southeast Asia have the world's fastest growing rate of greenhouse gas (GHG) emissions (Asian Development Bank, 2022), which have studied and proven effects on the environment and human health. The region's high energy dependency yet deficient energy production (more than 350 million people in the region have limited access to energy and 150 million people have no access at all, with energy demand projected to double in the region by 2030[2]) was made all the more complicated with Russia's invasion of Ukraine and the subsequent global energy shock that prompted the largest rise in the price of crude oil since the 1970s, leading to economic crises and contractions in some cases as a result. The impact is expected to continue - forecasts indicate this will reduce global economic output by nearly 1 per cent by the end of 2023 (World Bank, 2022). This shock has particularly strong impacts on agricultural production and consequently, food security. **375.8 million people in the region already experience hunger, a number that rose by 54 million because of the pandemic** (FAOSTAT, 2022) **- a fuel crisis threatens that number even more.** Given the agricultural import and export flows in the region, a shock or disruption in one country (climate, energy, or otherwise) will certainly impact its neighbors. It is integral to human development now more than ever to reduce the gap between energy supply and demand in the region.

In positive developments, the Asia-Pacific region is anticipated to become a key player in renewable energy development throughout the next decade, reducing its dependency on fossil fuels. The share of renewable energy production grew from 21.6% in 2015 to 24.3% in 2019[3]. A 2020 IEA assessment stated that more than half of electricity in Asia-Pacific could be produced from renewable sources by 2050, but challenges, like those outlined above, threaten this progress, and **incentives** reinforcements are needed to keep the region on track to transition to renewables. The World Bank urges policymakers in the region to "prioritize policies that encourage greater energy efficiency and accelerate the transition towards low-carbon energy sources" (World Bank, 2022). Appropriate incentives to support the regions infrastructure development ambitions will be essential for just transition. Incentives must include: (1) increased financing; (2) greater private sector participation in innovative financing; (3) building capacity and the right kind of knowledge; and (4) strengthening international cooperation on climate mitigation and adaptation (ADB, 2022). This would provide targeted support to vulnerable households by repurposing energy subsidies into social protection and soften the blow of energy shocks to those already at risk of food insecurity, energy poverty, and other forms of

[2] https://www.adb.org/what-we-do/topics/energy/overview#energy-access
[3] https://www.adb.org/news/speeches/smoothing-green-just-energy-transition-asia-pacific-ashok-lavasa

multidimensional inequality, potentially worsened by the increased prevalence of natural hazards.

Dimensions

The Asia-Pacific region has been undergoing rapid and complex digital transformation over the past decade as internet penetration and mobile connectivity sweep across the region, accelerating the region's digital economy and exploration of data and digital rights. With this new online world comes a new **dimension** of social, economic, and political engagement and governance – both in terms of what this next frontier of a technological revolution will look like and how it will be designed to uphold values of sustainability and inclusion or further entrench broken social contracts or systemic inequalities of the past and present.

Many indicators related to this cluster highlight **both** ambitions and challenges posed by a lack of digital inclusion and mobile connectivity as well as the governance challenges to ensure equitable digital outcomes. Though the aim of embedding digital connectivity in every aspect of lives, economies, and infrastructures is a priority in the region, many areas continue to remain 'unconnected, unable to access wide-ranging benefits of e-learning, e-health, e-agriculture, digital government, digital trade and commerce services available today' (ITU 2022). The divide is most evident between urban and rural populations, where 75 per cent of urban dwellers are internet users, compared with 39 per cent of the rural population (UNESCAP, 2022). Despite pushes to strengthen broadband internet access to rural regions, the continued divide suggests that **digital transformation efforts need to partner with infrastructure development** to enable connectivity to be accessed by those out of reach. Additionally, a stronger emphasis is *arising* around **the lack of global and regional governance structures in place to advance the right to internet freedom, data privacy and accurate information**.

The global pandemic triggered a sharp rise in e-payment services related to social protection payments, food delivery and transportation. Recent (post lockdown and border closure) data indicate that the digital payments market size is not slowing down - projections estimate growth from US$17.85 billion in 2021, to US$67.42 billion by 2028.[4] The rapidly growing digital payment industry is reliant on the roll out and resilience of required infrastructure, including electricity, internet access, cellular network coverage, smartphone penetration and digital ID systems, throughout the Asia Pacific region (ADB 2021). Other signals indicate the stress experienced by small businesses that impact their ability to fully engage in the rapid digital transformation of the economy when this infrastructure is missing or lacking, further marginalizing them from meaningful participation.

Risk indicators in 2022 equally denote that several factors could hamper the potential growth of the digital economy. The ambition of digital growth brings with it the threat of job losses due to generative AI[5]. In addition, the digital revolution has seen sharp increases in cybercrime alongside

[4] Blue Weave Consulting. *Asia-Pacific Digital Payments Market.* 2022.

[5] https://www.forbes.com/sites/jackkelly/2023/03/31/goldman-sachs-predicts-300-million-jobs-will-be-lost-or-degraded-by-artificial-intelligence/?sh=3a66b51e782b

it, and lacking regulation and consumer protection mechanisms put people at financial risk. With democracies and civic space already eroding in the region, the politicization, governance, and regulatory challenges around the technology growth can be used to weaponize technological disruptions as a means of social control. As an example, online media censorship and internet shutdowns erode democratic values and weaken social cohesion.

Without appropriate digital governance, pre-existing inequities, inequalities, and vulnerabilities are mirrored in the online world. Ensuring that Asia-Pacific's adoption and leadership of the transition into nearly universal digital dimension is a sustainable and equitable one requires that the social, economic, and political dynamics at play reflect these aims as well.

Incongruencies

An interconnected, complex, and increasingly uncertain development landscape of Asia and the Pacific brings alongside it the risk of **incongruence** – the gap between what's emerging and the ambitions of the Sustainable Development Goals (SDG) agenda. The SDG Report 2022 notes that 'cascading and interlinked crisis are putting the 2030 Agenda for Sustainable Development in grave danger, along with humanity's very own survival' (WEF, 2022). Without thoughtful and strategic intervention, mismatches will emerge as significant hurdles to the actualization and implementation of sustainable development, thwarting progress in a particularly frustrating way – advancing in some areas and regressing in others.

One such example of this incongruence is the growing mismatch between growth prospects and desired skills in the job market – while the Asia Pacific region has the world's lowest unemployment rate (4.9%), the youth unemployment rate is particularly high (10.6%). Whilst this has been a tension for many years, what exacerbates is that the growth projections for the region have been revised downwards. What isn't normally considered when considering regional labor market growth is the masked great variance in subregional trends (IMF 2022). As with other regions, the dampened growth projections are put down to the global economic slowdown, rising debt levels and policy over-reliance on commodity subsidies (World Bank 2022). As ILO (2022) comments - "Despite half a century of economic growth the fact remains that most workers in Asia and the Pacific are employed in sectors that the 'Asian miracle' has passed by. While IT and modern sectors may receive the lion's share of attention, the greatest potential to drive growth and decent work in the region lies in far less glamorous areas".

The mismatch between growth and the job market is not confined to unemployment alone – this also extends to non-optimal employability, leading to *vertical mismatches,* when graduates work in non-graduate jobs and are therefore over-qualified; and *horizontal mismatches*, when graduates, trained in a particular field, work in another field at their formal qualification level.[6] If the education-labour market mismatch remains unaddressed, countries will miss out on the

[6] Salas-Velasco - *Mapping the (mis)match of university degrees in the graduate labor market*

economic potential of their demographic windows of opportunities, disadvantaging young people and recent graduates disproportionately.

Another incongruence emerging is the mismatch between the amount of health workers and specialists available in the region compared with population growth. Asia Pacific has one of the world's lowest numbers of physicians per 1,000 people (WHO, 2022). In total – between South Asia, East Asia, Southeast Asia and Oceania – there currently exists a shortage of 3.6 million physicians, 19.8 million nurses and midwives, 2 million dentistry personnel and 1.5 million pharmaceutical personnel (The Lancet, 2022). Concurrently, the United Nations Population Fund (UNFPA) has reported that Asia-Pacific is at the forefront of the global trend of aging populations. By 2050, a quarter of people in the region will be over 60 – equal to almost 1.3 billion people (UNFPA, 2021), and will require increasing levels of healthcare. **The mismatch between the anticipated future demand versus availability of medical care poses significant risks to carrying capacity and quality of care provided by the health systems in the region.**

What do these mismatches point to? Development investments in one part of a systemic intervention require equal attention to all parts of that same system. Progress will depend on collective and holistic progress made across an entire portfolio, rather than piecemeal responses or technological innovations. Without it, an imbalanced development agenda might serve to regress advancement, rather than enable it. Additionally, accounting for changing social demographics in the short and long term are critical for preparing for the future in a way that is equitable and inclusive, and enabling a green and just transition requires that the supportive scaffolding and infrastructure to uphold that transition –whether physical infrastructure or social infrastructure (i.e., social protection systems, healthcare) – be a thoughtful part of the policy and strategic design.

Transformations

Hardest to capture, but most influential in the course and trajectory of progress, are the social, cultural, and values-based **transformations** that arise in response to new innovations, circumstances, or collective events and experiences. In the last three years, the pandemic's disruptions to societies, economies, and the environment weaved new fabrics of the future. Near-global stay-at-home orders singlehandedly disrupted business-as-usual reality, giving rise to hybrid working norms. Industries and entire sectors shuttered overnight, whereas others transformed entirely to meet a new set of urgent demands, resulting in the increase in direct to consumer and online shopping. Social care, economic and labour policies of the past are transforming to account for the changing values, attitudes, and cultural norms of people – alongside of these changes, the assumptions that inform the basis policymaking will have to shift, too.

In 2020, ILO estimated that 81 million jobs had already been cut since the onset of the pandemic and working hours significantly reduced, increasing the incidence of working poverty and disproportionately impacting women and youth. In tandem, mobility restrictions necessitated alternative modes of working. A rise in remote work for many, is likely to stay, at least to a degree

(McKinsey Global Institute, 2021), though remote work is not an option for everyone, and such structural changes to the economic structure of society are not without their disadvantages. Malaysia's Khazanah Research Institute found that remote work favours highly skilled workers and leaves self-employed workers the most vulnerable (Dancel, 2020). **Sustained remote working therefore threatens to widen the region's economic digital divide and exacerbate inequalities in both income and opportunity.**

For workers that reverse-migrated due to border closures and job losses (e.g., tourism workers in the Pacific, rural-urban migrants in Thailand and India), processes of reintegration brought with it different values and attitudes towards work. For example, the global shock to tourism, felt acutely in the Pacific Islands, devastated many economies, and left many without incomes and livelihoods, prompting many to leave urban and tourist hotspots for rural homes and villages. Research in the Pacific noted that former migrants adapted to rural life by (re-)adopting community agriculture, fishing, and farming for livelihoods and subsidence, and reinvigorated traditional cultural practices.[7] In Fiji, the return of many economic migrants to the rural *vauna* (home, roots) from urban dwellings because of the pandemic may not be a temporary coping mechanism, as research indicates many impacted by the slowdowns in the tourism sectors don't have plans to return to their previous work; rather, a return to these practices may be a permanent lifestyle shift[8], indicating that returning workforces are open to different forms of work and lifestyles, including those that provide a form of sustainability a focus on environmental conservation.

The shifting burden of care during the pandemic regressed progress made on gender equality, women's economic participation and girl's access to education as women and girls took on a disproportionate burden of care work for both children, persons with disabilities, and the elderly. **The future of care in the Asia-Pacific region will vary along population and demographic projections, but undebated is that the future of care will present challenges for gender equality.** The formation of gender-responsive care policies is essential for sustainable economic growth, societal well-being, and a realignment to the progress made towards Agenda 2030 and SDG 5.

Whilst large-scale transformations in values are uncommon and most always precipitated by some major event, their rarity offers a unique form of insight into momentum and direction of the future. How we think about work, our gendered norms and roles, and our attention and investment in protecting the environment are all in periods of transition and flux, suggesting that social, economic, and environmental values are in a state of transition. What comes of them will likely influence a new set of values, too.

[7] Movono, et al. Silver linings around dark clouds: Tourism, Covid-19 and a return to traditional values, villages and the *vanua. 2022.*
[8] Movono, et al. Silver linings around dark clouds: Tourism, Covid-19 and a return to traditional values, villages and the *vanua. 2022.*

2023 and Beyond: Emerging Clusters of Risk

Building on the four key categorizations of signals listed above, the RBAP Strategic Foresight Network undertook further analysis to identify the key risks that emerged from the RBAP Regional Horizon Scanning Exercise, sorting, and presenting them in the following section by thematic risk cluster. These risk clusters indicate both the signals and emerging trends to be of greatest impact and importance to the region out of the signals received, but do not claim to be all-inclusive nor prescriptive. Timelines assigned to the clusters were identified in a sensemaking exercise by signal scanners in July of 2022, and the reflections presented below may not reflect changes in global events, trends, patterns, and happenings since then.

To account for the inter-related and multidimensional elements of the above risks, the following 6 clusters are identified and explored further in the section below:

1. The backslide in women's inclusion and participation is disrupting economic growth, preventing the actualization of cohesive societies, and regressing previously secured basic rights and freedoms.
2. Decreasing access to natural resources (most notably, fresh water) because of the climate crisis, governance issues, and rapid urbanization.
3. Agricultural production and food shortages, which also impact on health at a time of 'perma-pandemics' and chronic health system capacity challenges.
4. Global economic slowdown that is leading to cascading impacts in energy dependencies, cost of living, and debt distress
5. Digital rights and digital governance, including issues of unequal digital access for women and erosion of democracies.
6. Economic anxieties, institutional imbalance, mass class divide, and the battle for truth leading to significant trust deficit without a trust safety net.

Risk Cluster 1: Backslide of Women's Participation in Societies

Signal Cluster: *The backslide in women's inclusion and participation is disrupting economic growth, preventing the actualization of cohesive societies, and regressing previously secured basic rights and freedoms.*
Timeframe: Short-term

Description: Conflict, geopolitical turmoil, and the global pandemic have induced a worrying reversal in development gains, social and economic inclusion, and progress on women's rights. Prior to 2020, labour force participation in the region either declined or remained stagnant in South and East Asia, in part due to lack of formal employment availability and occupational segregation, "limiting women's choices and confining them to lower-paid and lower-status jobs than men."[9] Data indicates that insecure forms of employment for women in the region are on the rise (such as informal and unpaid household activities and care work), which in turn reinforce and perpetuate economic exclusion, as these activities are associated with lower incomes. The pandemic further exacerbated this trend, with female employment declining by 3.4 percent in Asia-Pacific in 2020. The decline in employment, coupled with a reduction (or underemployment) of women's participation in the workforce, threatens years of progress made towards gender equality and SDG 5.[10] In the extreme case of Afghanistan, women have been denied the right to an education.

Key Trends and Causes:

- **Increased violence against women – the "shadow" pandemic.** Stay-at-home orders enacted in response to the COVID-19 pandemic correlated to an acute rise in global cases of violence against women. Diminished service availability for reporting and support over the past few years will guarantee that many of these crimes that would have otherwise been reported will not be.[11]
- **Changes in political regimes, civil conflict, and ongoing violence have waged a war on women's rights in many contexts** – threatening their physical security, economic opportunity and participate, the right to education, access to public spaces, and protections of basic freedoms. In the case of Afghanistan, experts indicate that twenty years of progress on women and girls' rights have been erased since Taliban takeover.[12] Hostility towards aid groups and international organizations have created additional challenges in providing support to vulnerable women in these contexts.
- **Regression of social progress.** The pandemic and concurrent crises and conflict has reinforced traditional gender roles and stereotypes in Asia Pacific societies, where women are often expected to fulfill caregiving responsibilities at home.[13] This has further perpetuated gender inequalities and limited women's participation in decision-making processes, both at home and in the public sphere. School closures have disproportionately impacted girls' education, with increased rates of dropout and reduced access to online learning. The Asian Development Bank expects earning losses for girls in response to COVID-19 related online gendered learning gaps to be 28% higher than for boys in developing Asia,[14] and UNESCO estimates that 1.2 million girls may have dropped out of school as a result of the pandemic, hindering the potential and full participation of girls in the labor force and society.[15]
- **Diminished Economic Opportunities.** Women have been disproportionately affected by the economic fallout of the COVID-19 pandemic; despite gains in employment levels and a reduction in overall unemployment since 2020, women are still disproportionately impacted by the economic slowdown as compared to men, with fewer women regaining

[9] ILO. Women in Asia: High contribution, little rewards. 2017.
[10] ILO. International Labour Organization, "ILOSTAT: Employment by sex and age" 2021.
[11] UN Women. 2020.
[12] OHCHR. 2023.
[13] UNESCAP. COVID-19 and the Unpaid Care Economy in Asia and the Pacific.
[14] Asian Development Bank. Falling Further Behind: The Cost of COVID-19 School Closures by Gender and Wealth. 2022.
[15] UNESCAP. COVID-19 and the Unpaid Care Economy in Asia and the Pacific.

employment than men. In many Asia-Pacific countries, women are more likely to work in informal, low-paying jobs with little social protection. COVID-19's lockdowns, business closures, and job losses have resulted in increased unemployment and underemployment, across society, but borne most heavily by women. Many previously employed women have lost their jobs or have had their working hours reduced or were forced into the care economy, exacerbating existing employment and gender pay gaps, and leading to greater economic disparities between men and women.[16] In the Pacific Islands, the near-total halt of the tourism sector led to severe job losses and incomes across society, but especially for women, which in 2020, saw a 98 per cent decrease in income from the previous year.[17]

Potential Impacts and Implications:

- A UN Women evaluation of the first 100 days of the pandemic in Asia and the Pacific found that the COVID-19 responses exacerbated pre-existing inequalities, felt acutely by women and girls. These short-term and long-term effects of these worsened inequalities and gaps could **push back on gains made in women's social, economic, and political participation**.[18] The World Economic Forum estimates that the COVID-19 pandemic pushed global gender parity back by at least another generation – forecasting that it will now take an additional 36 years to reach gender parity – raising pre-2020 estimates of 99.5 years to closing the gender gap now to 136.5 years. This deterioration is, in part, due to economic losses of women – the economic gender gap is estimated to take another 267.6 years to close – as women experienced (and continue to experience) job and income losses at higher rates than men (5% losses for women vs. 3.9% for men).[19] Policy responses to economic and political concerns are also concerning; in some contexts, gender mainstreaming in policies and decision-making processes are already showing signs of being deprioritized (if not abandoned or reversed altogether), and women's voices and perspectives may be marginalized in pandemic response and recovery efforts. This may further exacerbate existing gender inequalities and hinder progress towards achieving gender equality and women's empowerment goals.
- Despite progress towards the eradication of poverty, over **47 million women and girls are expected to be pushed into poverty** as a result of the pandemic.[20] From a projected 10 per cent increase before the pandemic, female poverty is now projected to reach 13 per cent.[21] For example, girls face challenges in returning to school (post-pandemic school closures) due to economic constraints, increased household responsibilities, and social norms that prioritize boys' education. This can result in **long-term educational setbacks and reduced opportunities for girls**, perpetuating gender inequalities in education and employment in the long-term.
- There has been growing support and recognition of the imperative for global gender equality and parity in political representation and leadership, and strident progress in

[16] UNESCAP. COVID-19 and the Unpaid Care Economy in Asia and the Pacific.
[17] UN Women. 2020.
[18] UN Women 2020.
[19] World Economic Forum. 2021.
[20] UNESCAP. COVID-19 and the Unpaid Care Economy in Asia and the Pacific.
[21] UN Women. 2020.

electing women to positions of national and local leadership in the region in recent decades. While COVID-19's impact on the candidacy and electability of women has yet to be concluded, the **pandemic's gendered impacts likely also prove to be a barrier to political participation**. Additionally, the pandemic's closure of community life and financial hardship has stunted the operability of and diminished funding available to women's networks and civil society groups, which could be consequential for women in future election cycles.

Risk Cluster 2: Water Scarcity & Decreasing Access to Natural Resources

Signal Cluster: Decreasing access to natural resources (most notably, fresh water) as a result of the climate crisis, governance issues, and rapid urbanization.
Risk Timeline: Medium to Long-term

Description: The Asia-Pacific region is one of the most biologically and naturally diverse regions on Earth, as it is home to 17 of the world's 36 biodiversity hotspots.[22] The region's rapid expansion, urbanization and industrialization in recent decades, when combined with climate change and negative externalities of this urbanization (i.e., pollution, toxic waste, destruction of natural habitats, overpopulation, etc.), have led to a decline in quality and accessibility of natural resources among the region's population. Most urgently worrisome is the gap between freshwater access and availability.

Water scarcity in both rural and urban areas is another current and emerging risk that continues to gain higher impact probability, particularly around groundwater extraction, mismanagement and corruption in water governance, and expansion of hydraulic infrastructure, which serves to store or move water. While the water supply is forecast to stay relatively the same between 2010 and 2050 in Asia, **demand is expected to rise from 66 percent to 86 percent by 2050[23]** . This issue is further exacerbated by the fact that more than 600 million people in the region do not have access to safe drinking water sources[24]. The situation is particularly dire in countries such as India, China and Bangladesh, where groundwater depletion, pollution and inefficient water management practices have exacerbated water scarcity issues. Transboundary water issues and lack of effective water governance, investment in infrastructure and regional cooperation on natural resources management continue to threaten the future of water security.

Key Trends and Causes:

- **Climate Change and Natural Resource Degradation.** The adverse effects of climate change and environmental degradation in the region negatively affects water

[22] FAO. The State of the World's Biodiversity for Food and Agriculture. 2019.

[24] (Burek et al., 2016).

infrastructure and provision. Meanwhile, rising urban population rates, as well as better housing and income growth, further increases the demand for water. At the same time, predicted water shortages in the region will have cascading impacts on agricultural production and food security, as the need for irrigation is projected to strain existing water systems even more.

- **Corruption in the water and sanitation sectors**, especially in the Asia-Pacific region, where several other factors are further escalating water shortages, have significant human, social, economic, and environmental costs, halting or reversing development goals. Corruption in water and sanitation and its cascading impacts on health, safety, and well-being of populations dependent on these services, as well as the trust of citizens in their government; and its effects on sustainability, security, trade and tourism is extensively discussed in Global Outlooks by the Water Integrity Network (2016 & 2021). The Asian Development Outlook 2020 equally called for integrity and transparency, particularly budgetary, across water policies, water frameworks and institutions, since quality of governance and disaster financing are assessed based, among other things, on corruption perception.
- **Rapid industrialization and urbanization.** Rapid industrialization in the region has placed immense pressure on water resources, diminishing water availability and access. Industrialization's over-extraction of groundwater for industrial purposes, leading to depletion of aquifers and reserves, reduced availability of water for agriculture and domestic use, and increased dependence on external water sources. Industrial activities have also contributed to water pollution, reducing the availability of safe drinking water and increased health risks for local communities.[25]
- **Non-revenue water (NRW) losses** are high in the region due to reasons that include poor piping infrastructure, lack of maintenance and active leak detection, illegal connection, and poor information management systems. (Australian Water Partnership, 2017; Infrastructure Asia, n.d.). In Indonesia, NRW is 32 percent, exceeding the 20 percent threshold, which results in almost US$600 million worth of economic loss per year, while hindering initiatives to invest in renovating aging water infrastructure (Infrastructure Asia, n.d.). Regardless of these negative trends, UNESCO (2022) projects more than US$1 trillion to be spent to improve infrastructure for water and sanitation by 2030, 70 percent of which is likely to be invested in the 'global South', especially within rapidly urbanized areas. Considering the issue of corruption in the water sector, good governance will be vital to establish water facilities that are resilient in the face of external shocks and able to quickly recover from disruptions in all circumstances.

Potential Impact and Implications:

- Water is a vital input for **agricultural production and food security** in the region. Agriculture is the largest water user both worldwide and the region – accounting for 70 per cent of global total freshwater withdrawals.[26] The United Nations Department of Economic and Social Affairs projects global population to reach between 8.4 and 8.6

[25] UNESCAP. *Mid-Term Review of the UN Water Action Decade: Input from the Asia Pacific Consultation* (2022).
[26] FAO.

billion people by 2030 and between 9.5 and 13.3 billion in 2100. FAO estimates that over the last century, the global water withdrawal grew 1.7 times faster than population, a concerning trend when examining the withdrawal rate of the future required to feed the population.

- With much of the Asian population living in drought-prone areas, **water scarcity is a prevailing risk** across Asia through water and food shortages leading to malnutrition (IPCC, 2022). In the early part of the 20th century, millions of people in Asia and the Pacific died from drought, and billions more were affected. Since 1970, drought has claimed far fewer lives at 5,700 people, but has still affected more than 1.6 billion people and cost more than US$53 billion in damage (UNESCAP, 2015).
- Water is a crucial input for many industries, including manufacturing, energy production, and tourism, in the Asia Pacific region. Water scarcity can **disrupt economic growth and development** as it can hinder industrial processes, reduce productivity, and increase costs for businesses, leading to potential economic losses.[27]
- Water scarcity can be a catalyst for **forced migration and displacement** in the Asia-Pacific region, disrupting patterns of internal and external migration.[28] When water resources become scarce or contaminated, communities may be forced to leave their homes and migrate to other areas with better water availability, leading to population displacement and human rights issues. Water scarcity can reduce agricultural productivity and livelihood opportunities in rural areas, pushing people to migrate to urban areas in search of better access to water and alternative livelihood options.
- Poor water management, unstable agricultural development, and the impacts of climate change, such as drought, are in some instances leading to the erosion of the natural environment and landscapes in the Asia-Pacific Region. Political mismanagement and failure to properly treat water – such as through desalination plants – are additional contributors to subsidence, which poses significant risks to property, infrastructure, and human safety and well-being.
- Human-health and well-being is also threatened by water scarcity, as poor water quality and lack of access to clean water sources can lead to increased waterborne diseases. Communities with contaminated and/or limited water supply will be increasingly habituated by poorer populations as those with financial means will move to areas with safer water supply. As such, the greatest impacts of poor water quality (and the health complications that come with it) borne disproportionality by vulnerable populations, such as indigenous communities, rural farmers, and marginalized groups who may have limited resources to cope with water scarcity impacts, **further exacerbating inequalities**. At any cost, investing in better quality water supply, treatment, storage, and water resource management systems could better ensure equitable access to, and more financially sustainable use of water resources.

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[27] Asian Development Bank. "Addressing Water Scarcity in Asia and the Pacific." 2018.
[28] Srivistava, R. and Pandey, A. K. "Internal and International Migration in South Asia." 2017.

Risk Cluster 3: Agricultural Production Slowdowns

Signal cluster*: Amidst multiple intersecting global crises affecting agricultural production, including energy shocks, there is increasing food shortages and threats to health system capacity at a time of 'perma-pandemics.'*
Timeline*: Short-term, with important implications for medium- and long-term*

Description: The intersection of food and agriculture systems, energy, and health is a risk cluster presenting multiple vulnerabilities for the region, as sectors closely intertwined with the outcomes of, and decisions taken on, crises globally. Among these, the war in Ukraine, following the effects of the COVID-19 pandemic has had significant ramifications for global energy prices, resulting in the largest rise in the price of crude oil since the 1970s. Globally, as of September 2022, crude oil prices were up by 19 percent and natural gas prices were up by 138 percent when compared to January 2022 (UNCTAD 2022). Since mid-2020, the region saw a surge in food prices due to recovery of demand, adverse weather impacts on supply, growing trade restrictions and soaring input costs, though this has moderated in a few countries in 2023. Global energy price futures remain uncertain as the war in Ukraine continues and the impact of the imposition of a price cap on Russian oil products is not yet clear[29], which renders future agricultural production, food prices, and related health prospects likewise uncertain.

Key trends and causes

- **Rising energy prices**: The role of energy in agriculture will be complex looking forward, with the agricultural sector also being heavily impacted by climate change and increasing frequencies of weather extremes (UNEP, 2022). The agriculture and food sectors use energy for various purposes. Direct energy requirements include electricity for irrigation, fuel for farm machinery, as well as energy for food processing, packaging, transportation and distribution. Pesticides and fertilisers also require large amounts of indirect energy consumption due to their highly energy intensive manufacturing process.
- **Uncertainties for food security**: A **"5F" crisis has emerged (lack of food, feed, fuel, fertilizer and finance**).[30] Along with the Russia-Ukraine conflict and other crises that continued in 2022, the resulting unprecedented food and energy price rises have hit households and livelihoods hard and pushed additional millions more into hunger and poverty. As a region that imports nearly $2 trillion of food a year, Asia-Pacific has been hard hit by rising prices for basics like rice, wheat and oil. The FAO's Food Price Index hit a record in March 2022 and while it fell somewhat later in the year, it remained 28% above the 2020 level.[31] Food insecurity has been made worse by a growing number of food trade restrictions put in place by countries with a goal of increasing domestic supply and reducing prices.[32] Rapid urbanization compounds these challenges, as nearly 55 percent of the region's population is anticipated to reside in

[29] https://openknowledge.worldbank.org/server/api/core/bitstreams/7065093c-6b71-4037-ac32-9adb7f2fd85a/content
[30] https://www.fao.org/asiapacific/news/detail-events/en/c/1629103/
[31] https://apnews.com/article/health-healthy-eating-united-nations-asia-climate-and-environment-18738a435ef9b492605400b7be7c9681
[32] https://www.worldbank.org/en/topic/agriculture/brief/food-security-update

urban areas by 2030, which will have large consequences for urban food security and nutrition.[33]

- **Health system pressures:** Higher food prices further strains households' capacities to access healthcare. On average, household out-of-pocket expenditure accounted for 49% of total health expenditure in lower-middle and low-income Asia-Pacific countries in 2019.[34] Research also points to East Asia and the Pacific as global hotspots for pandemic emergence, having seen the highest economic losses from epidemics of any region in the world, with previous epidemics costing the region US$ 200 billion per year.[35] These risks are interconnected with agricultural strategies, as rapid urbanization and agricultural expansion are leading to encroachment into wilderness areas, increasing the likelihood of pathogen spillover to humans.

Potential impact and implications

- Immediate impacts on **food insecurity and malnutrition threaten future productivity** and equitable economic growth. In 2021, 396 million people in the region were undernourished and an estimated 1.05 billion people suffered from moderate or severe food insecurity. Nearly 75 million children below the age of five in Asia and the Pacific are stunted, amounting to half of the world's total.[36] These baseline conditions mean further threats to food and nutrition security compromise the future health and productivity of much of society, given the long-term effects of stunting and wasting on cognitive health and susceptibilities to illness. It also means greater stress on health care systems in years to come.
- Trends of increasing climate change-induced **extreme weather events will further disrupt agriculture** and food systems. Extreme **heat will increase drought and exacerbate water scarcity** for irrigation, while interacting with simultaneous droughts and floods. A warming planet also means greater demand and pressure on cooling systems and energy needs.[37] This can also have deleterious consequences for the health of vulnerable populations, as was the case in Pakistan when energy shortages and an electricity shutdown collided with an extreme heatwave.[38]
- Geopolitical crises and their effects on poverty and food security in Asia-Pacific **are likely to intensify social unrest**: As evidenced with the war in Ukraine, geopolitical risks in other regions can have severe implications for Asia-Pacific populations. This includes exacerbating public discontent with institutions[39].

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[33] https://www.fao.org/asiapacific/news/detail-events/en/c/1629103/
[34] https://www.oecd-ilibrary.org/sites/c7467f62-en/index.html?itemId=/content/publication/c7467f62-en
[35] https://blogs.worldbank.org/eastasiapacific/healthier-ecosystems-and-food-systems-east-asia-and-pacific-can-reduce-pandemic
[36] https://www.fao.org/asiapacific/news/detail-events/en/c/1629103/
[37] https://www.unep.org/news-and-stories/story/south-asia-record-heat-threatens-future-farming
[38] https://www.politico.com/news/2023/02/25/why-russias-war-is-causing-blackouts-in-asia-00084435
[39] https://www.cnn.com/2022/06/25/business/asia-energy-crisis-sri-lanka-pakistan-australia-coal-climate-change-intl-hnk/index.html

Risk Cluster 4: Global Economic Slowdown

Signal Cluster: *Global economic slowdown that are leading to cascading impacts in energy dependencies, cost of living, and debt distress in the region.*
Timeline*: Short and medium-term*

Description: While major economies in the region have in part recovered from global economic shocks triggered by COVID-19, the war in Ukraine and other intersecting crises through 2022, output remains below pre-pandemic levels in many countries and projections focus on a rocky ride ahead. The region's emerging and developing economies are expected to expand by 4.3 percent in 2023 though this can be slowed by weakening domestic and foreign demand. Likewise, growth prospects are uneven across countries, and particularly in South Asia, the economic outlook has significantly deteriorated due to high food and energy prices, monetary tightening, and fiscal vulnerabilities.[40] Inflation also remains a challenge, sitting above target ranges for numerous countries.[41] Globally, countries have been affected by extremely high and volatile energy prices. A 2022 report by the UN Global Crisis Response Group (GCRG) suggests that further turmoil in energy markets is expected, with significant global implications. Among other trends, it is anticipated that the cost-of-living crisis will push more people into food insecurity and extreme poverty.

Key trends and causes

- **External conditions affecting national growth**: While still the fastest growing region in the world, Asia-Pacific countries' economic performance remain highly dependent on a number of interconnected global factors; notably, global growth which is anticipated to be slower in 2023 than the previous year, commodity prices which have moderated somewhat, and inflationary pressures that are triggering financial tightening in advanced economies, particularly the US and China, which could heighten financial pressures across the region.[42] The world gross product growth is projected to decelerate from an estimated 3.0 per cent in 2022 to only 1.9 per cent in 2023, marking one of the lowest growth rates in recent decades. Global growth is forecast to moderately pick up to 2.7 per cent in 2024 should some of the macroeconomic turbulence begin to subside.[43]
- **Geopolitical tensions, stagflation and 'greenflation' concerns**: Rising geopolitical tension, is among the concerns for Asian economies. It also remains unclear to what extent a protracted shock may result in stagflation, triggered in part by central bank efforts in the West to tame inflation.[44] 'Greenflation,' or inflation in the prices of commodities used in renewable energy production, is another challenge. As demand for minerals used in renewable technologies increases, the supply will become constrained, causing inflated prices and a drive to produce more resources (Schnabel, 2022). Globally, high inflation continues to erode real incomes, triggering a global cost-of-living crisis that has pushed millions into poverty and economic hardship.

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[40] https://www.imf.org/en/Blogs/Articles/2023/02/20/asias-easing-economic-headwinds-make-way-for-stronger-recovery ;
[41] https://openknowledge.worldbank.org/entities/publication/ed5cd255-c172-4e22-928d-ca0b39ec7813
[42] https://openknowledge.worldbank.org/server/api/core/bitstreams/7065093c-6b71-4037-ac32-9adb7f2fd85a/content
[43] https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-february-2023-briefing-no-169/
[44] https://www.thebanker.com/World/Asia-Pacific/Asia-s-economic-outlook-for-2023

- **Debt distress**: Public debt distress is expected to worsen amid the global economic slowdown, record high inflation and rising interest rates, along with the uncertainties surrounding the war in Ukraine. Aggressive monetary tightening measures taken in response to persistently high inflation by many advanced economies have meant rapid interest rate hikes, increasing balance-of-payment pressures and debt sustainability risks. Along with rising public debt and debt servicing costs, the number of countries in Asia-Pacific rated at high risk of debt distress has been increasing. As of early 2023, 19 are rated at high risk of debt distress based on the joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries or equivalent credit ratings assessed by credit rating agencies.[45]
- **Generative AI**: The recent Goldman Sachs report on the Impacts of Generative AI (2023) project a global job loss of 300 million jobs to be lost or degraded due to Artificial Intelligence. The combination of significant labor cost savings, new job creation, and a productivity boost for non-displaced workers raises the possibility of a labor productivity boom. However the World Economic Forum (WEF) concluded in a 2020 report, "A new generation of smart machines, fueled by rapid advances in AI and robotics, could potentially replace a large proportion of existing human jobs." Robotics and AI will cause a serious "double disruption," as the pandemic pushed companies to fast-track the deployment of new technologies to slash costs, enhance productivity and be less reliant on real-life people[46].
- **Tensions between Green Economy and Automation:** According to Forrester's Future Of Jobs Forecast, 2020 To 2040 (India, China, South Korea, Australia, And Japan), in the coming years, the green economy will help offset some job losses as more countries commit to carbon neutrality. India, China, South Korea, Australia, and Japan will create 28.5 million new jobs in renewable energy, green buildings, smart cities and smart infrastructure, and professional services by 2040. But even with the creation of new jobs in areas such as the green economy and information and communications technology (ICT) industries, 13.7 million jobs in the region will be lost to automation across wholesale, retail, transport, accommodation, and leisure sectors.

Potential impact and implications

- The energy crisis further underlines **urgency for green energy transition**: As the world's fourth-largest energy consumer, ASEAN member countries have been disproportionately affected by the energy crisis, exposing them to increasing economic and geopolitical risks. With fossil fuels currently making up 83 percent of its energy mix and increasing energy demands, leaders need to discern how to secure energy supplies to develop economies, while also decarbonizing them.[47] Urgent energy needs may compel countries to turn to nuclear power, as happened with a stark policy turnaround towards nuclear power in Japan in 2022.[48] Southeast Asia is set to play a major role in global energy transitions as a key supplier of critical minerals and manufacturer of clean energy products. ASEAN members could reduce financing costs and attract private investors by signaling their clear commitment to deploy low-carbon energy and by improving regulatory and financing frameworks.

[45] https://www.unescap.org/kp/2023/economic-and-social-survey-asia-and-pacific-2023-rethinking-public-debt-sustainable

[46] https://www.weforum.org/agenda/2020/10/dont-fear-ai-it-will-lead-to-long-term-job-growth/

[47] https://www.weforum.org/agenda/2023/01/why-southeast-asia-critical-energy-transition/

[48] https://www.reuters.com/world/asia-pacific/japan-turns-back-nuclear-power-tackle-energy-crisis-2022-12-16/

- **Opportunities in rethinking public debt analysis**: Half of developing Asia-Pacific economies rely heavily on external debt. As the ESCAP 2023 Economic and Social Survey elaborates, higher debt levels are not necessarily a bad thing, and public debt can be a powerful development tool if policymakers rethink their methods of analyzing it. Particularly, there is a need to account for the long-term positive socioeconomic and environmental benefits of public investments in the SDGs, structural development policies for economic competitiveness, and national SDG financing strategies when examining debt sustainability.[49]
- **Trade-offs in tackling energy-poverty-environmental risks**: For this risk cluster, decisions that protect human security or address energy shortages in the short-run can exacerbate climate and environmental challenges in the long-run, which in turn exacerbate socio-economic challenges. For instance, while blanket energy subsidies (see earlier reference analysis on just energy transitions) can help in the short term, they can drive inequality in the longer-term and further exacerbate the climate crisis, making targeted cash transfers a more useful short-term mechanism to ease the cost-of-living crisis[50]. Additionally, a rights and gender lens will be important to curb the long-term consequences of the economic slowdown on inequality, as labor market deterioration may force workers, particularly women and girls, to accept lower quality jobs to cope in the immediate term.[51]
- **Urgent investment in AI and emerging technology skills:** Whilst the demand for AI and emerging technology skills are growing in some markets, the distributive affects of these are scattered across Asia Pacific. To maintain the balance of healthy job creation amidst growth ambitions, the focus on the near-term prospects to amplify new forms of in-demand job skills must be prioritized. For the medium to long term, addressing the regions' ability to respond to the competitive landscape globally and regionally, as well as the rising bar amidst rapid technological change will remain a priority to realize productivity growth.

Risk Cluster 5: Digital Rights and Governance

[49] https://thediplomat.com/2023/04/rethinking-public-debt-in-asia-as-positive-investment-in-sustainable-development/

[50] https://www.weforum.org/agenda/2022/09/cost-of-living-crisis-global-impact/

[51] https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_865256/lang--en/index.htm

***Signal Cluster:** The state of digital rights and digital governance are in question as the region experiences increasing digitalization, threatening economic growth, social cohesion, and the safeguarding of human rights.*
***Timeline:** Short-term*

Description: Digitalization is rapidly transforming the Asia-Pacific region, with new technologies and innovations enabling economic growth, enhanced social well-being, and greater connectivity and community. The region is home to more than half of the world's internet users, though internet penetration rates by country range substantially. The region is also scaling its digital infrastructure in the form of data centers, mobile towers, and fiber networks to respond to the increasing connectivity (with predicted increases also forecasted).[52] The Asia-Pacific region's mobile internet adoption, increasing rates of connectivity, and increased digital infrastructure are giving rise to the digital economy – notably in the form of digital currency and e-commerce. The region is predicted to reach over $2.25 trillion in e-commerce by 2024.

Despite the perceived ubiquity of the internet and connectivity in the region, emerging risk indicators identify several factors that could hamper or threaten the potential growth of the digital economy, as well as national economic performance and competitiveness of the region. Insufficient technological and financial literacy adds to distrust, lower demand, and misunderstandings among end-users. Paired with lacking digital infrastructure policies and regulations, these factors also risk adding to an already growing number of cybercrime incidents. Particularly the disruption the pandemic caused to traditional businesses as well as ongoing supply chain challenges have resulted in the mainstreaming of cryptocurrencies. Despite the cost of crypto malpractices and exploits, standing at US$14 billion globally in 2021, regulations are non-existent, loose, or informally enforced, at best.[53]

To avoid the exacerbation of inequalities and vulnerabilities (particularly those related to age, gender, and urban-rural divides) amid the acceleration and integration of new technologies, there is a need for stronger risk assessments, governance cultures, and security infrastructures to mitigate negative implications for the medium to long term.

Key Trends and Causes:

- **Rapidly Increasing Internet Penetration:** While the region is home to over half the world's internet users, the rate of internet penetration varies substantially by country, anywhere from 25 – 90%. The trends indicate increasing availability, access, and affordability, however, in large part due to the availability of smartphones and cell phone service as well as low-cost mobile data plans, and usership is expected to increase rapidly in the years to come as additional barriers are removed.
- **Lack of Consumer Protection Legislation:** The UNCTAD Global Cyberlaw Tracker indicates that across 60 countries in the Asia Pacific, more than half have no data available or no corresponding legislation in the field of E-transaction, Data Protection and Privacy, Cybercrime and Consumer Protection. Regarding consumer protection legislation in the

[52] Digital Infrastructure deals in Asia Pacific set a new record. March 2 2023.
[53] International Center for Not-for-Profit Law's Digital Legal Library - ICNL

region, the picture is particularly bleak: almost 50 per cent of countries in Asia and the Pacific have no corresponding legislation nor data available.

- **COVID-19 prompted governance changes that rippled online.** The pandemic contributed to a broader trend of reduced trust in governments, a broadening digital gap and media censorship (IFEX 2020).
- **Internet Shutdowns and increasing Censorship:** In its 2021 State of Democracy in Asia and the Pacific report, IDEA highlights how the pandemic added stress on existing challenges to democratic progress, with increased reports of internet censorship, social media outages and severe throttling (speed reduction) in particular instrumentalized as a form of government-enacted social control over public narrative and the spread of information. Asia is the region most affected by major internet shutdowns, and has the highest related total cost: in 2021, 292 million internet users in the region were affected for 13,458 hours at a total cost of US$3.42 billion, with Myanmar, India, Bangladesh, Iran, and Pakistan ranking amongst the highest affected globally.

Potential Impacts and Implications:

- **Growing gender digital divide.** Current statistics estimate a gender gap in mobile internet usage of 41 per cent, with more women offline than men in the region. While this trend is not specific to the Asia-Pacific region alone, it is concerning that the rate of gap closure is declining, with rates of adoption slowing most notably among low and middle-income countries in the region. This is particularly worrisome for rural women and girls and for the future of education, with students who are digitally excluded threatened to be left furthest behind in a digitally forward future.
- **Increased violations of human rights moving into the digital space.** Censorship, internet shutdowns, and social media regulations and restrictions have become increasingly common amongst governments in the region. These increases in surveillance and curtailed freedoms of expression threaten privacy and freedom of assembly. In some cases, these restrictions are leading to the silencing and arrest of private citizens – in more extreme cases, violence against dissidents of the ruling party. In a 2020 report to the Human Rights Council, UN Human Rights highlighted that governments, particularly in Africa, Asia and the Middle East, frequently put in place measures that intentionally prevent, or disrupt access to, or dissemination of, information online[54]
- **Economic costs of digital disruption.** Across all countries affected, shutdowns or access restrictions often coincide with significant political developments, including military coups, public speeches, elections, public or anti-government protests, and opposition rallies or marches. Beyond the often-discussed political and human rights implications as well as the growing anti-government resentment in response to the shrinking online and offline civic space, there are thus significant economic implications of the deliberate internet outages. Moreover, analysis of the timing of deliberate outages allows for anticipatory planning around key events.

[54] https://www.ohchr.org/en/stories/2023/05/shaping-digital-technologies-empower-people-build-their-lives

Risk Cluster 6: Widening Inequalities and Erosion of Trust

Signal Cluster: Economic anxieties, institutional imbalance, mass-class divide, and the battle for truth leading in significant trust deficit without a trust safety net, as noted by the 2023 Edelman Trust Barometer [55]
Timeline: Medium-long term

Description: The pandemics, shrinking financial capacities of governments, and rapid emergence of populist politics in several countries are causing distrust in governance and institutions, and makes the future of free trade, economic globalization as well as regional integration increasingly uncertain. Economic optimism for post-pandemic recovery in 2022 has since declined in the region, leading to worsening trust in government compared to business. As the [2023 Edelman Trust Barometer] reports, fears range from inflation to nuclear war, building upon existing fears linked to job loss and automation, and the impact of climate change. The social dynamics triggered by this combination of perceived and real threats to human insecurity reflect the intertwined effects of global and local disruptions, as well as the ways that distrust in macro-level institutions can cascade into interpersonal and community-level threats to solidarity and social cohesion.

Key Trends and Causes

- **Deterioration in democratic institutions**: Changing political landscapes characterized by increasing populist politics, restrictive legislations and oppression of political activism are testing the resilience of more democratic regions, while deteriorating democratic trends in more fragile states. On the other hand, these trends have prompted increased political activism, particularly among youth, in the region.
- **Shrinking civic space:** Declining trust in government colliding with increased citizen discontentment over economic conditions, growing resentments towards ruling elites and corruption in public institutions, and oppression of marginalized groups has fueled more social movements. Civil and political rights and civic space. Democratic and civil society space is shrinking in many parts of the region. Fundamental freedoms, including freedom of assembly and peaceful association, expression, information and participation are under threat, due to restrictive laws and policies, digital surveillance, and repression of political and other dissenting voices[56].
- **Worsening mental distress triggered by economic and political uncertainties**: As the 2021/2022 Human Development Report unpacks, in uncertain times mental distress among individuals can have costs for societies, as it restrains people from reaching their full potential throughout the lifecycle and convert goods and services into capabilities. With greater climate anxieties, distrust, economic uncertainty, and overall worries about the future, the

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[55] 2023 Edelman Trust Barometer
[56] https://www2.ohchr.org/english/OMP_22_23/documents/Asia-Pacific.pdf

resulting mental distress becomes an impairment that further constrains people's ability to cope with existing risks and build resilience towards future ones.

Potential Impacts and Implications

- **Possible shifting roles for governments and business:** The 2023 Edelman Trust Barometer Global Report found that business is now the sole institution seen as competent and ethical, and is under pressure to step into the void left by other institutions. While this trust in businesses varies across countries, it points to new expectations for CEOs to drive social change, and greater power among private sector actors to make decisions that affect large segments of the population. This proves a tension where competing ideologies between market capitalism and human development and justice continue to arise.
- What would a world where private sector has assumed unparalleled power and capitalism has become the prevailing ideology mean for government and society? For example, with the increasing market share of companies like Twitter and other social media platforms that significantly influence public discourse, culture and mental health, it becomes that much more critical that businesses advance frameworks for ethics in conjunction with their increasing power, further to government regulations. In the long term, trust in government coupled with clear channels for political participation is also key to enable governance premised on decisions made in the public interest, as opposed to specific market interests that might exacerbate inequity or harm.
- **The double-edged sword of digitalization:** The intersection between technological revolution and erosion of democracies and civic space has become increasingly important to monitor. The medley of interconnecting risks triggering heightened insecurity and distrust may be exacerbated by digitalization, or mitigated, depending on the policy measures executed in the coming years. Insufficient technological literacy among the public, for instance, adds to distrust, and can contribute to the spread of misinformation and political polarization and reinforce existing class divides.
- **Opportunities with youth political activism**: A trend with potential to be further cultivated is a rise in youth-led activism in Asia-Pacific, as a response to the collective lack of trust amongst young people towards political, economic, and social systems and their ability to act in a timely and meaningful manner. This dynamic of young people demanding greater say and mobilizing action in policymaking that will impact their lives and that of their future children also speaks to the importance of addressing the generational divide, particularly in policy processes. As young peoples' investments in their futures is key for triggering social progress, both for people and planet, failure to create transparent mechanisms and institutions, such as ministries for future generations, that center the voices of youth risks further lowering governments' credibility.

Conclusions

There are often three interlinked factors that prompt a national crisis – the fiscal stability of the state, the level of transparency and resilience of governance institutions, and the degree of trust between leaders/policymakers and citizens. When risk and/or change indicators *tip* two or more of these indicators into the negative, the states' ability to withstand crisis is threatened.

With a vulnerable baseline of trends and risks across 2022 in Asia and the Pacific that either **reinforced** existing inequality, created new **dimensions** of vulnerability, proved **incongruent** with ambitions of development or transformations across social and economic indicators –the six emerging risk clusters prove a tension to tip development indicators into crisis : (1) backslide in women's participation and inclusion; (2) water scarcity and natural resources; (3) agricultural production; (4) global economic progress; (5) digital rights and governance; and (6) ever increasing inequalities and erosion of trust. Some of these risk clusters feel familiar, and some feel uncomfortably out of scope – but what cannot be ignored is its impact across our mutual ambitions of thriving – that cross-borders and ideologies, and across timelines.

What could the backslide of women's rights combined with increasing inequalities and erosion of trust mean for social contracts? What could the lack of digital governance with economic instability mean for a nation's ability to promote good governance not just of its public policies but also of its public institutions?

What this indicates for development policy and investment choices is that the baseline of development indicators is evolving fast – with new emerging disruptors or indicators that thwart and/or challenge previous assumptions of progress or projection. To ensure we learn from crisis across the region and beyond, and to protect our mutual ability against regression, we must consider *how* these risk indicators might impact fiscal stability, governance, and citizen trust. It also indicates that siloed indicators of progress cannot be considered in isolation but rather the dynamic relationship between all indicators of human development must be considered in systems. Should we interweave adaptation and mitigation methods to sustain agricultural production and protect water resources at the same time as building infrastructure to reduce heat inequality and energy consumption – and what are the trade-offs of these investments on shorter term social protection measures?

The complex and uncertain climate that grips the Asia Pacific region and globally is expected to remain with us over the next few years. Understanding the multi-dimensionality of a constantly changing risk landscape is becoming even more integral, as progress towards achieving the SDGs is already off track.[57] And must be brought back.

[57] UN News. "Turn words into action to get world back on track for 2030 goals." 13 Feb 2023.

The landscape of multiple and layered interconnected risks yields new scales of insecurity for humanity. The urgent task for policymakers and development actors today is not only overcoming the lure of short-sighted short-term policy and risk analysis measures premised on linear, predictable change, but equally of confronting the crisis of social and moral imagination that obscures the possibility of pursuing alternative processes and paths for development. These are the new capabilities of anticipatory, agile, and adaptive policy and governance. This is both the challenge and opportunity that UNDP is committed to tackling in the Asia and the Pacific, to play our part with all the others on the same page, to get the region back on a sustainability pathway, where nature and people thrive.