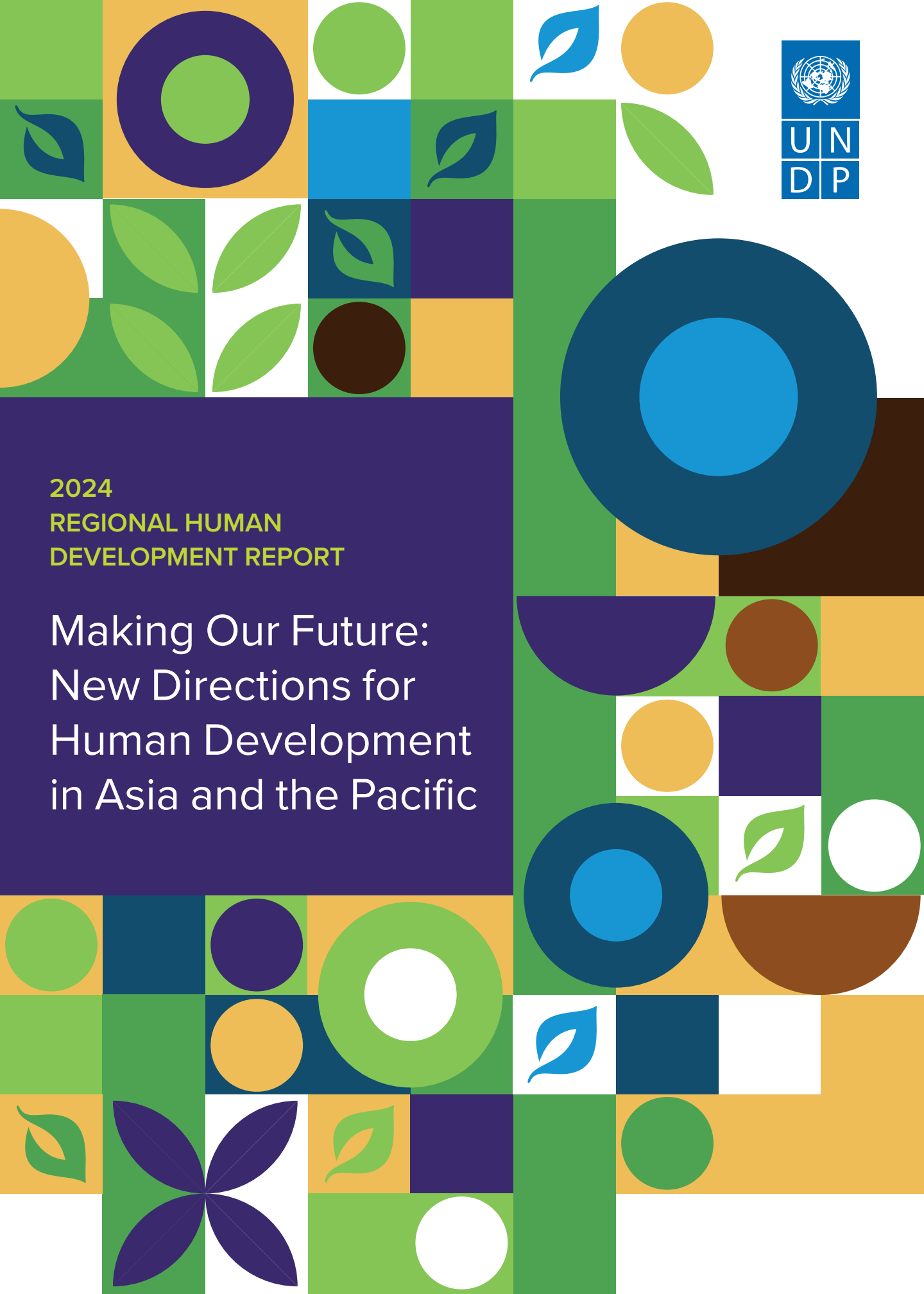
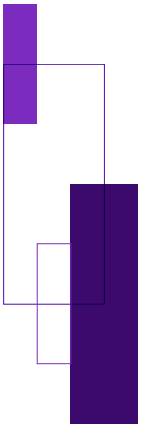


2024
REGIONAL HUMAN
DEVELOPMENT REPORT

Making Our Future: New Directions for Human Development in Asia and the Pacific

Foreword

The Asia-Pacific region has long held a reputation as a strong performer in human development. Yet, hidden beneath this surface are stark disparities, and recent years have seen significant disruptions, in line with global trends.



Today, the world grapples with an unprecedented confluence of interconnected risks. These risks render the path forward for human development far more challenging to navigate and sustain.

It is against this evolving backdrop that the *2024 Asia-Pacific Human Development Report* examines how this region can renew, even redefine, human development momentum, while steering through the turbulence ahead. The *Report* lays out the risks and uncertainties of the future, gives structure to them, and articulates broad directions for bold action to drive change.

In doing so, it makes three distinct contributions.

First, human development and growth strategies need to be integrated far better. All too often, the focus on people becomes an after-thought. Going beyond concepts, the human development approach needs to be better mainstreamed into countries' decision-making. The clarion call is clear: prioritize people – both current and future generations – in every facet of our vision and action for the future. And start today.

Second, as we look to the future, we need to recognize that no one has definitive answers to the complex challenges that the world faces today. It is clear however that to thrive, we need to diversify our strategies and prepare for multiple potential futures. The *Report* offers a panoramic view of strategic approaches, interlinking them where feasible, and providing numerous practical country examples of applications.

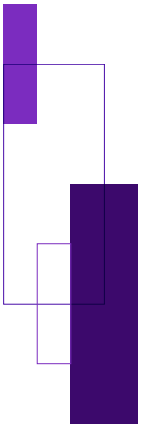
Third, the *Report* goes beyond conventional diagnostics of bottlenecks and laundry lists of policy solutions. It emphasizes the key question of how to make change happen. It probes the politics of reform and explores how we can spark the spirit of change. It examines how to enhance governance with foresight, adaptability, and agility to facilitate better implementation and turn new ideas into action.

The Asia-Pacific region wields a significant influence over global development outcomes and prospects. Our hope is that this *Report* not only reimagines our approaches to reignite the momentum of human development in the region, but also inspires the same, for other regions and countries across the world.

Achim Steiner
Administrator
United Nations Development Programme

Preface

Human development in Asia and the Pacific has been a tale of qualified success. The birthplace of the export-led growth model and a pioneer in the human development approach, the region has seen long-term and continued transformative progress in reducing poverty, improving health and education, and enhancing living standards for millions of people.



Yet, the Asia-Pacific region continues to embody wide and persistent disparities between and within countries. Many people still face multiple forms of deprivation and insecurity –economic, social, political, and environmental. On top of that, recent disruptions such as COVID-19, the cost-of-living crisis and geopolitical tensions have brought about new challenges.

We now stand at a crossroads where three major risk clusters converge. First, the existential threats stemming from climate change and pandemics. Second, the disruptions to established drivers of growth and job creation, at a time of new trends in globalization amid intense demographic and technological change. Third, the threats to the momentum of change resulting from democratic backsliding, rising populism and polarization.

The *2024 Asia-Pacific Human Development Report*, titled 'Making Our Future: New Directions for Human Development in Asia and the Pacific' prompt us to ponder, with full humility that there is much we do not know: How can the region advance human development in this new era of turbulence?

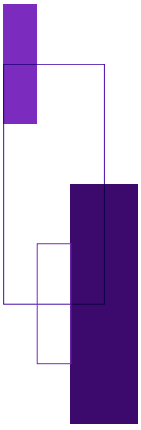
How can it address the existing gaps and inequalities while building resilience and sustainability for the future? How can it also harness new opportunities and cope with the challenges arising from the convergence of the above risks?

Drawing from the latest data, evidence, and analytical insights, the *Report* provides a comprehensive yet nuanced assessment of the state of human development in Asia and the Pacific. Its focus is forward-looking. The region can draw inspiration from its past successes and proven models. However, to drive human development in this evolving era, countries will need to go beyond past approaches and update their playbooks. This entails revisiting strategies towards human development and growth, better integrating the two, as well as intensifying efforts to transform strategy into practice.

The *Report* charts a course through this turbulent era, empowering countries and their citizens to thrive. It presents interrogations that underpin three strategic shifts:

- ***Unpacking 'people first'.*** To prioritize people's needs, the human development approach needs to be mainstreamed better into countries' decision-making arenas. The analysis gives greater focus to enlarging individual, institutional and societal capabilities, by tackling persistent exclusion and indignity, and enhancing peoples' agency.

- ***Sustaining smart growth***. Economic growth, steered towards human development, is and remains vital. Facing growing headwinds to growth and job creation and the prospect of further disruption, it is time to recalibrate both export-led and domestically oriented growth strategies. The *Report* highlights new bright spots in this regard.
- ***Boldly driving change***. The recommendations presented are only as strong as the actions taken to bring them to life. To tackle the human development backlog and prepare for the future, greater focus is needed on making change happen. This requires enhanced focus on the delivery of change, where governance mechanisms that are more anticipatory, adaptable, and agile can help. What this will take is further unpacked.



In short, advancing with foresight and, more crucially, with proactive action are the primary principles this *Report* seeks to embed. It takes cognizance of the circularity of human development that drives through the region's turbulence and can reset directions to accommodate voices of the new age. It calls on policymakers aiming for transformative change to place emphasis on scalable measures – 'going big' on universal internet access, nurturing entrepreneurial skills for innovation, and financial incentives aligned with growing capabilities. But it is equally important to frame such actions as palatable political choices today, so that they outshine the temptation of pursuing short-term gains or special interests at the expense of what serves human development in the longer term.

Each country will arrive at its own strategies tailored to national and local circumstances, but all countries stand to gain from a more integrated approach that puts people first, delivers smart growth and effectively drives change. Come what may in this unpredictable future journey of development, we are betting on this path to ensure a more secure, peaceful and sustainable way forward.

Kanni Wignaraja
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AI artificial intelligence
APEC Asia-Pacific Economic Cooperation
ASEAN Association of Southeast Asian Nations
BPO business process outsourcing
CBAM Carbon Border Adjustment Mechanism
CO_2 carbon dioxide
COVID-19 coronavirus disease of 2019
CPTPP Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSMBS Civil Servant Medical Benefit Scheme
DPI digital public infrastructure
DPRK Democratic People's Republic of Korea
DRR disaster risk reduction
EFT ecological fiscal transfer
EU European Union
FDI foreign direct investment
G20 Group of 20
GBSP Graduation Based Social Protection
GCC Global Capability Center
GDP gross domestic produce
GHG greenhouse gas
GII gender inequality index
GNI gross national income
GOTL Government of Timor-Leste
GPS Global Positioning System
GVC global value chain
HDI human development index
HIPC Heavily Indebted Poor Countries initiative
IEA International Energy Agency
IHDI inequality-adjusted human development index
ILO International Labour Organization
IMF International Monetary Fund
IRENA International Renewable Energy Agency
IT Information technology
Lao PDR Lao People's Democratic Republic
LGBTQI+ lesbian, gay, bisexual, transgender, queer and intersex
LIDAR light detection and ranging
LLM large language model
MGNREGA Mahatma Gandhi National Rural Employment Act
MNC multinational corporation
MPI multidimensional poverty index
NA not applicable/available
NBSAP National Biodiversity Strategies and Action Plan
NCD non-communicable disease
NDC Nationally Determined Contribution
NGO non-governmental organization
NIC newly industrialized country
NTBs non-tariff barriers
OECD Organisation for Economic Co-operation and Development
PHDI planetary-pressures-adjusted human development index
PNG Papua New Guinea
PPP purchasing power parity
PPP public-private partnership
PV photo-voltaic
PwDs persons with disabilities
R&D research and development
RBAP Regional Bureau for Asia and the Pacific
RCEP Regional Comprehensive Economic Partnership
ROK Republic of Korea
SDG Sustainable Development Goal
SDR Special Drawing Right
SEZ special economic zone
SIDS Small Island Developing States
SIP social innovation platform
SMEs small and medium-sized enterprises
SOD Standing Orders on Disaster Management
SOE state-owned enterprise
SOFF Systematic Observations Financing Facility
SSS Social Security Scheme
TVET technical and vocational education and training
UBI universal basic income
UCS universal coverage scheme
UHC universal health coverage
UN United Nations
UNCTAD United Nations Conference on Trade and Development
UNDP United Nations Development Programme
UNDRR UN Office for Disaster Risk Reduction
UNESCAP United Nations Economic and Social Commission for Asia and the Pacific
UPI unified payments interface
VAC vulnerability and conflict index
VAT value added tax
VCI vulnerability to conflict index
WDC Women's Development Committee
WDI World Development Indicators
WHO World Health Organization
WID World Inequality Database
WMO World Meteorological Organization
WoAA Whole of Afghanistan Assessment
WTO World Trade Organization

OVERVIEW

Overview

Human development is about people, about expanding their opportunities and choices, and improving their well-being. People and communities should not be passive beneficiaries of development but active agents who can engage fully in economic, social and political life, and in building human security – while remaining committed to a healthy environment and careful stewardship of the planet for future generations.

In Asia and the Pacific, the human development journey has been a story of progress, disparity, and disruption. Alarmingly, the region is not on-track for achieving any of the Sustainable Development Goals, and millions of people live precarious lives with multiple threats to their security. And in many respects the current position is becoming more difficult. The region is faced with existential threats such as climate change, and a changing technological and trade environment that can hamper economic growth and job creation. There are also mounting risks to effective policy implementation arising from the erosion of democracy and national institutions, and increasingly polarized public opinions.

To reinvigorate human development amidst a turbulent development landscape, the *2024 Asia-Pacific Human Development Report* proposes new directions. Building on the region's past successes, *Making Our Future* sets out practical pathways and advocates a three-pillar approach: mainstreaming human development, recalibrating growth strategy, and making change happen.

Human development in the Asia-Pacific region has been a tale of progress, disparity and disruption

The region has been at the forefront of many economic transformations. These can be traced back to Japan's early experience with export-led industrialization, which was followed by the emergence of the Asian Tigers, and the rise of the economies of South-East Asia, South Asia and China. These shifts, featuring just-in-time production and integrated value chains, established Asia as the world's manufacturing hub and enabled many countries to climb the income ladder. Asia and the Pacific now accounts for more than one-third of global output and is expected to provide about two-thirds of global growth, underscoring a shift to a multi-polar global economy.

Asia and the Pacific has pioneered new approaches to human development. These range from extensive public housing in Singapore to innovative microfinance in Bangladesh and mobile banking in Indonesia and the Philippines, and the ideas that underpinned human development in Bhutan, Sri Lanka and Viet Nam. Countries have been able to learn from each other and adapt different ideas to their own new specific contexts. Along with rapid economic growth, this helped over 1.5 billion people in the region exit from extreme poverty.

Building on these approaches, the region has made considerable progress in long-term human development. Over the last three decades, the human development index (HDI) has surged by 19 percentage points – the greatest leap in the world. In addition to rapid increases in incomes, adult literacy rates rose from 66 to 86 percent, tertiary completion rose from 19 to 36 percent, under-5 mortality plummeted from 83 to 22 per thousand live births, and life expectancy increased from 64 years to 72. These are remarkable accomplishments.

But the benefits have not been equally shared. There are still widespread disparities among Asia-Pacific subregions, and across and within countries, with rampant and persistent structural exclusion.

- *Inequality remains deeply entrenched* – The richest 10 percent consistently command over half of total income, and in South Asia in particular, income inequality has been worsening. There are also persistent inequalities in the distribution of wealth, especially in South-East Asia and South Asia, with the highest wealth inequality observed in China, India, Myanmar, Sri Lanka and Thailand. And human development progress overall has been very uneven.
- *Millions of people are trapped in poverty* – Despite massive progress in reducing monetary poverty,

driven in large part by the ascent of China's economy, around 185 million people remain extremely poor in absolute terms, earning less than $2.15 per day. Even more are living in relative poverty, with around 1 billion classified as 'societally poor' – living on less than half the median income. Another important measure is the multidimensional poverty index (MPI) which takes account of deprivations in the areas of education, health, and living standards. Asia and the Pacific has around half the world's multidimensionally deprived – 500 million. Of these, 400 million are in South Asia, although since 2005 India has managed to lift 415 million people out of multidimensional poverty.

- *Asia and the Pacific has deep gender biases* – Women have made gains, in education, for example, and in health, and in financial access, as in South Asia where their ownership of financial accounts jumped in one decade from 24 to 66 percent. Nevertheless, women are still held back by many biases and structural barriers, and in some countries, women have suffered serious setbacks in gender equality and empowerment, where the specific constraints of women working in Afghanistan are of particular concern. Throughout the region, about 800 million women are out of the workforce. In The Islamic Republic of Iran, for example, women's labour force participation is 14 percent, despite high enrolment in education, and in Pakistan it is 25 percent, compared with 69 percent in Viet Nam.
- *Millions of workers are confined to the informal sector, and there is a pronounced digital divide* – Asia and the Pacific has around two-thirds of the world's informal sector workers, around 1.3 billion. In South Asia, the proportion of workers in the informal sector is 87 percent, and even in East Asia it is 50 percent. At the country level, at one end of the spectrum is Tonga at 97 percent and at the other the Republic of Korea at 27 percent. In addition, there are vast differences in digital access: 40 percent of the region's people are digitally excluded, with notable gender and urban-rural inequities.
- *There is also a significant 'planetary-pressures' divide* – Asia and the Pacific has countries across the whole greenhouse-gas spectrum, with emitters large and small, and net positive countries such as Bhutan, as well as some of the nations most exposed to the impacts of climate change. Fossil fuels account for 85 percent of energy consumption, and over the past three decades the Asia-Pacific contribution to global CO_2 emissions has risen from one-quarter to a half. The planet's biodiversity is under threat due to habitat loss, pollution, overexploitation, and invasive species, and this is being accentuated by climate change. Since 1970, the Asia-Pacific region has seen the third-largest biodiversity decline in the world after Latin America and Africa. Such ecological and environmental pressures poses increasing risks for the 200 million people in the region who depend on forests for their health and livelihoods. When accounting for these environmental strains, the human development picture darkens, especially for the richer nations with larger ecological footprints.

Along with the rest of the world, Asia and the Pacific has experienced a series of devastating disruptions, notably the COVID-19 pandemic, the impact of the war in Ukraine and the cost-of-living crisis.

- *The pandemic and the ensuing shutdowns affected around half the region's informal workforce* – Numerous countries suffered serious losses in income from tourism, remittances and manufacturing that employ a large number of informal workers, especially the Pacific Island countries. In South Asia and South-East Asia in particular, the shocks exposed the weaknesses of healthcare systems. Then came the war in Ukraine and the ensuing cost-of-living crisis. In 2020 and 2021, combined with the pandemic, this series of blows led to a broad decline in the human development index in all subregions except for East Asia. Countries that also had macroeconomic and debt crises suffered even more.
- *Hardest hit were women in poor households* – The region has recently seen its worst decline in gender equality in two decades, particularly in South Asia and the Pacific. During the pandemic, women bore a disproportionate burden of domestic obligations, including household chores and caring for children and for sick and elderly family members. During 2020 and 2021, there were serious setbacks in Papua New Guinea and Myanmar, and especially in Afghanistan where women saw decades of progress reversed, with grave infringements on their basic rights and freedoms.
- *On climate change, good intentions are rarely matched by action, and CO_2 emissions continue to rise* – By August 2022, 30 countries had pledged

carbon neutrality, but most lacked well developed and financed strategies to put this into effect. In 2022, Indonesia, for example, increased coal burning by 33 percent versus the previous year. Governments have often given greater priority to economic growth and poverty reduction or used coal exports to offset rising external debts.

- *Finally, over the past decade the region has seen a reversal in democratic practices* – The pandemic allowed governments to tighten restrictions on civil liberties and infringe on political rights while weakening mechanisms for accountability. Asia and the Pacific has seen a recent shift towards the limiting of public and civic spaces to a degree last seen in the late 1970s, and there seems little prospect of an immediate democratic revival. This has major implications in some locations for overall development trajectories – and for inclusivity and equality. And if the above shift also enables monopolies, this will reduce economic competitiveness.

Unmet aspirations, heightened human insecurity, and a potentially more turbulent future create an urgent need for change

On current trends, the region is not on track to deliver any of the Sustainable Development Goals (SDGs). A significant gap has opened up between aspirations and realities, with particularly alarming regressions for the climate change targets. It is now anticipated that the SDGs will not be realized by 2030, but by 2065. Nevertheless, the essence and ambitions of the 2030 Agenda remain as pertinent as ever.

Across Asia and the Pacific, millions of people live precarious lives with multiple threats to their security – social, political, and environmental. In South and South-East Asia in particular, countries are grappling with conflicts, political unrest, or significant economic hurdles. Unmet aspirations amid high levels of human insecurity make for a volatile and potentially combustible combination, making it even harder to achieve cohesive human development.

The region also faces a potentially more turbulent future as the development landscape is being reshaped by three clusters of interacting risks.

- *Existential risks* – One of the most profound existential threats is climate change. In addition, there is the prospect of future pandemics akin to COVID-19, with a predicted likelihood of recurrence of around 50 percent within the coming 25 years.[1] These risks are heightened by the way human beings interact with nature. Cities continue to grow rapidly, due to population growth, migration, and economic allure, and the region now hosts six of the world's largest coastal mega-cities like Tokyo and Mumbai.
- *Challenges to established growth and job creation engines* – As richer nations deal with aging populations, straining their health and social systems, less affluent ones strive to employ their youth and provide essential services. In South Asia, 80 percent of young workers are in informal sectors, with 30 percent neither in education nor employment. Youth unemployment is persistent and, in several countries, rising. At the same time, globalization is being weakened by geopolitical tensions, sluggish recoveries in richer economies, and growing disparities. Rapid technological advances and energy transition create new opportunities but also significant challenges for job markets and competitiveness.
- *Risks to the momentum of change* – In an era defined by unmet aspirations and looming uncertainties, the potential for reform is being diminished by factors such as democratic backsliding, rising populism, polarization and growing mis- and dis-information on social media platforms. In addition, while digital technologies bring many benefits, they can also have negative results. And while retaining open access is key, AI-driven social media platforms, for example, have come to play an outsized role in shaping public opinion and fanning the flames of division. Amidst a noisy space of polarized opinion, it is becoming harder to craft and implement forward-thinking changes.

These clusters and their components inevitably overlap. Urbanization, for example, while facilitating the spread of viruses, also fosters economic growth by bringing people and businesses together. The use of AI and social media, if not framed by positive behavioural and regulatory actions, may not just eliminate jobs but also hamper policy implementation by heightening conflict and contributing to misinformation. Policy actions too can cut across the clusters – as when the deployment of solar power generation to counter existential risks can also catalyse new engines of growth.

Setting new directions for human development will require a revamp of old practices, but the region can find inspiration in its own proven models

The export-led growth and human development paradigms, which originated in the region, remain rich sources of ideas and inspiration, but they require adaptation to maintain their effectiveness. The Asia-Pacific region was the birthplace of the export-led growth strategy, and where the human development approach, the brainchild of two South Asian economists, was operationalized across several countries. However, to ensure more prosperous, equitable and environmentally sustainable outcomes in the 21st Century, these paradigms need to be reshaped, modernized and mainstreamed. In particular, the human development approach should be more widely adopted if it is to fulfil the rights and meet the needs of current and future generations. And the export-led growth model needs to evolve with the times if it is to generate the right kind of growth that generates ample jobs and reinforces human development in all its dimensions.

But truly 'making our future' means going one step further and addressing issues of governance and the politics of reform. Turning ideas into action will require more proactive and visionary leadership. With anticipatory, adaptable, and agile policymaking, pro-active governance can swiftly re-allocate resources and priorities towards new policies and programmes. It can also support vision-oriented development, while building consensus, collaboration and partnerships, and facilitate investment in critical sectors and human capacities. More fundamentally, it is also important to incentivize change itself. This will require a deeper understanding of and greater focus on socio-political roadblocks and how to devise ways around them.

By prioritizing people's needs, both now and in the future, countries can enlarge opportunity for all, diminish human insecurity, and uphold obligations to coming generations

The practice of human development could be more closely integrated into the region's core decision-making arenas. People-centred perspectives and the voices of future generations are often sidelined, as recent disruptions have exposed and persistent disparities continue to illustrate. It is important that this imbalance is rectified as we anticipate the forthcoming changes that will reshape our development landscape. For this, there can be three broad priorities.

First – Expand people's choices.

- *Tackle persistent structural exclusion and uphold human dignity*. This applies, for example, to women, youth, informal workers, persons with disabilities, LGBTQI+ people, and marginalized groups. The aim should be to end discriminatory laws, norms, and practices towards women, and champion the interests of persons with disabilities and LGBTQI+ people. More generally, this will also include creating better jobs for the vast informal workforce, and providing young people with education that can lead to productive employment. This fulfils people's basic rights. But it also makes a good business case. Women's equality alone could by 2025 add $4.5 trillion to the region's collective annual GDP, while disability-inclusive employment might increase GDP by one to seven percent.
- *Enhance human capabilities by increasing access to quality education and health.* Teaching methods will need to be updated, with more digital education, and curricula better aligned with industry needs. Bangladesh's a2i Teacher's Portal, for instance, has equipped over half a million teachers with digital skills. It will also mean commitment to universal health coverage. All of the above will require a high-level commitment from governments to design, implement, and finance education and health systems and services to enhance human capabilities for all.

Second – Enhance human security. Governments can tackle some of the root causes of human insecurity while cushioning the impact of sudden shocks, by:

- *Overhauling social protection.* Integrated national social protection systems can provide cash support along with skills training and job opportunities, particularly for the 'missing middle' – those in the informal sector or marginally above the poverty line. Singapore, for example, has emphasized lifelong learning to boost productivity across all age groups. Nepal has shown how merging cash transfers with livelihood support, and better financial access and health benefits, can help enhance resilience among vulnerable women.

- *Ensuring resilient health systems.* This involves investing in national and community systems for universal health coverage (UHC). Especially in countries where populations are ageing, health systems need more sustainable financing. This would also enable them to incorporate greater climate resilience and respond better to pandemics, while promoting equality and creating gender-sensitive solutions. Thailand, for example, has made a strong start on UHC, while the Philippines, backed by tobacco and alcohol tax reforms, has effectively extended UHC to its most vulnerable groups.
- *Investing in risk-informed development.* Asia and the Pacific is highly exposed to natural disasters, and needs to build greater community resilience, particularly in coastal areas, making full use of recent technological innovations. Countries are also facing climate-induced migration and displacement, which will require regional cooperation. Many of the countries most exposed to natural disasters have been aiming to ensure sufficient finance. In Tonga, for example, the Government has embedded resilience in the Ministry of Finance's planning and budgeting systems, and created a Resilient Development and Financing Division.
- *Bolstering food security.* Countries can invest in agricultural productivity and stronger supply chains while promoting sustainable farming practices. Singapore for example, is researching new agri-tech methods, aiming by 2030 to produce 30 percent of its food through vertical farms. Similarly in Thailand and Pakistan, fintech and agri-tech, are harnessing artificial intelligence and advanced analytics to boost production, while widening financial access for small-scale farmers.

Third – Safeguard the interests of future generations. The region urgently needs to transition towards carbon-neutral and climate-resilient development. This should support people currently suffering from climate change impacts while also fulfilling responsibilities to future generations. This will mean:

- *Accelerating the Just Energy Transition and striving for net zero.* Power grids can be revitalized and strengthened using a systems approach to equip them to handle the surge in green energy – from solar, wind, and hydro. In areas with extensive grid coverage, shifting to renewables can be challenging. Off-grid solutions may be an interim answer until grids adjust. Meanwhile, workers in the fossil-fuel sector should be enabled to transition to green jobs by re-skilling. Social protection is vital for a just transition, building resilience and capabilities of vulnerable people to weather shocks and seize opportunities over a life cycle.
- *Investing in adaptation and disaster-risk reduction.* While 27 Asia-Pacific countries have updated their adaptation plans, only 8 percent of the regional finance for climate change is devoted to adaptation. Sri Lanka, for example, in 2016 took the lead with its National Adaptation Plan, followed by Bangladesh, Pakistan, and Papua New Guinea (PNG). But there are significant financing gaps, for which it will be important to engage more with the private sector. Mechanisms to address these gaps include the 2021 Systematic Observations Financing Facility, co-founded by UNDP, the World Meteorological Organization and the UN Environment Programme.
- *Repurposing subsidies that harm the environment so as to protect ecosystems and conserve biodiversity.* PNG, for example, is evaluating the market value of ecosystem services, while Sri Lanka is examining the economic implications of subsidies for marine fisheries, energy, agriculture, coastal aquaculture, and transport.
- *Managing public finances more responsibly.* Overburdening future generations with debt hampers human development. Proactive debt management, revenue mobilization, and SDG-aligned investment are vital. Some Asia-Pacific countries, like Cambodia and Nepal, have benefited from these practices. Others, such as India, Republic of Korea, Malaysia, and Thailand, reduced risks with national currency debt. Innovative tools like debt suspension clauses during disasters or 'debt-for-nature/SDG swaps' can unlock resources for SDG investments.

While tackling overarching, systemic issues, each country can devise its own strategies for mobilizing and allocating resources while negotiating necessary trade-offs. Certain facets of human development are non-negotiable, such as women's rights, and equal and fair treatment in accessing resources. But there will inevitably be multiple calls on public funds that will require trade-offs and compromises. In addressing such issues, governments can use comprehensive financing approaches that optimize

public funds, catalyse private finance, and direct investment to sectors with the greatest anticipated impact to foster an economic climate conducive to growth so that more resources can be channelled into human development.

By recalibrating their growth strategies, countries can unlock new drivers of growth and job creation that stimulate positive upward spirals of opportunity, prosperity and security

Economic growth kindles the imagination. Think of what a difference it can make. The global economic leaders of the year 1700 had per capita incomes that surpassed Afghanistan and Nepal's figures in 2018, as long-term comparisons based on the Maddison Project suggest. By 1870, the frontrunners of that year were ahead of modern-day Bangladesh and Cambodia. Or contrast this with India, Lao PDR, Myanmar, Pakistan and Viet Nam, whose 2018 incomes were less than the top global players a century earlier. While these comparisons might seem stark or eclectic, with economic and historical roots, they highlight the vast potential that could be unlocked by incremental progress through steady and sustained growth.

While economic growth remains necessary for human development, it needs to be the right kind of growth. In Asia and the Pacific, as elsewhere, growth has been crucial for reducing poverty and for human development by creating positive upward spirals of opportunity and prosperity, while also contributing to security. But beyond the pace of growth, it is also important to consider its nature and quality. Growth may, for example, be pursued with little regard for human rights, making people work long hours with inadequate pay and poor or dangerous working conditions. And if the benefits of growth are mainly seized by the more powerful groups in the formal economy, growth can result in dualistic economies, with most of the population left behind in the informal sector and vulnerable to external shocks. Also, rapid growth often comes with large environmental footprints.

A robust growth strategy in this new era will require a fresh approach towards export-led growth. Many countries will be looking to export-led growth, connected to trade, foreign direct investment (FDI) and technology. But with external market conditions becoming more competitive, a razor-sharp focus on competitiveness and diversification becomes even more essential. At the same time, workers should also benefit from fair-wage policies and employment rights, along with skills development and training. Connecting export industries, particularly those in free trade zones, with the domestic economy can invigorate local industries and services. While countries like Bangladesh, Cambodia, the Philippines and Viet Nam have made progress in this direction there is ample room for more.

At the same time, all countries can maximize the potential of domestic markets. This is particularly important in larger countries. National and local governments can smooth internal trade by harmonizing regulations and improving transportation, while encouraging subnational specialization in particular goods or services. In many Asia-Pacific countries, most workers remain on the periphery of formal economies, with little institutional support, social protection, or opportunities for training. Governments can improve productivity and workers' rights by enabling more people to join the formal workforce, while also improving informal sector livelihoods. It is also vital to dismantle gender barriers and ensure equal opportunities for women. Beyond upholding the basic rights of half of the region's population, this move offers substantial economic advantages. It enables countries to harness an underutilized talent pool, with skill, and entrepreneurial spirit.

In Asia and the Pacific, countries can latch onto four key areas of opportunity.

- *Manufacturing* – Over the past two decades, the contribution of manufacturing to national economies has been falling as many countries have steadily deindustrialized. This could be deemed as premature. Manufacturing can have side-effects that require attention, such as lax labour standards, or environmental hazards, or the creation of enclaves. But it can still bring many benefits, with linkages to trade and innovation. For many countries in the region, industrialization still holds promise, even if it may require pursuing different industrial pathways.
- *Services and agriculture* – Technological change has been blurring traditional distinctions between services and manufacturing, and also between services and agriculture. To maximize productivity, 'agriculture 3.0' makes full use of GPS and other digital and biochemical technologies, and increasingly relies on

inputs from manufacturing and from providers of services. There are thus opportunities at the intersection of all three sectors.

- *The green, blue and purple economies* – In the green economy, the need for decarbonization creates opportunities to innovate in value chains and infrastructure and adapt, for example, to the EU's Carbon Border Adjustment Mechanism. In the blue economy, the region's rich marine resources can be optimized and sustained through new technology and investment – which is especially important for Small Island Developing States as well as for countries with long coastlines. In the purple (care) economy, girls and women typically spend long hours on unpaid care and household work. But there should also be opportunities for commercial or state provision that is not biased by gender and will free women for greater economic and political participation.
- *Frontier technologies* – Rapid technological advances in a variety of fields are transforming manufacturing industry, lowering entry barriers and allowing firms in the Asia-Pacific region to produce complex, higher-value products such as electric vehicles, storage batteries, solar panels, pharmaceuticals, or smartphones. In addition to assembly, firms are integrating backward into the manufacture of parts and into R&D, and forward into services that augment the value generated by industry taking advantage of digital technologies that are sweeping through the services sector.

All these areas should help meet the aspirations of younger generations. Manufacturing will remain a crucial source of growth and employment for young people in lower- to middle-income nations, especially in light- and medium-tech domains. But manufacturers also need to pivot to low-carbon options, which will add to costs and uncertainties. Opportunities for employment will depend on the composition of demand, the rate of technological evolution, and the quality of workforce skills. Some workers can also be expected to migrate overseas to make the most of their potential.

Alongside people-centred measures, focused on such areas as education and skills, several policy priorities emerge to safeguard growth and spur job creation. Effective leadership and governance form the foundation. Macroeconomic stability requires fiscal discipline and affords flexibility to pursue reform. And to tap into markets created by the region's booming middle classes, governments and industry will need greater external focus – seeking to deepen regional trade ties while also fostering connections at the global level. Streamlining business processes, reforming state enterprises, and fostering start-ups and entrepreneurship remain essential for market competitiveness. Techno-industrial strategies should promote innovation, prioritize market cues, permit firm exits, and consider environmental impacts.

To spark the spirit of change and put new ideas into practice, greater focus is needed on the politics of reform and the effectiveness of delivery systems

The preceding recommendations are only as potent as the actions taken to bring them to life. Proactively 'making our future' will need greater emphasis on the politics of reform and the design of effective delivery mechanisms – tasks which are more difficult at a time of democratic backsliding, rising populism and polarization, and declining citizen trust in public institutions. Policy makers also need to engage with social media and deal with information pollution.

The leap from strategy to action will also require a shift in mindset among leaders and communities, as well as stronger institutions for implementation. Genuine transformation will rely on thoughtful consideration and attention to practicality, as well as on the capacity to make strategic course corrections. As demonstrated during the pandemic, governance has to adjust rapidly to the needs of the moment and execute necessary course corrections.

Governance that is fit for the future reflects an aspiration, yet it is no utopia. It is a journey, a process of continuous learning, experimentation, and improvement. While the region boasts a spectrum of governance structures, all will benefit from mechanisms that are adept at implementing the necessary course corrections to tap into the opportunities of tomorrow.

Future-fit governance systems will need three main characteristics:

- *Anticipation* – Foreseeing potential challenges, opportunities, and changes in the environment, by picking up on a range of signals and imagining different scenarios.

- *Adaptability* – Being able to adapt to new information, changing conditions or shifting priorities – through iterative approaches based not just on learning, but also unlearning.
- *Agility* – Responding quickly to new information or unexpected events by redirecting resources, based on close collaboration across agencies and engaging citizens in budgetary decisions.

And in the face of inertia, it is also important to spark the spirit of change, through:

- *Nurturing political will* – Political leaders or decision-makers may be unsure about venturing in new directions, or feel they lack knowledge and capacity to create new narratives. In this case they can benefit from 'strategic accompaniment' by well-placed and competent advisors who can provide sustained and evidence-based advice.
- *Collaborative leadership* – This will be necessary to bridge gaps and build consensus around crucial policies. It can be based on insider mediation to resolve conflicts and facilitate conversations between competing groups.
- *Civic engagement* – Active citizenry and multi-stakeholder partnerships can ensure diverse perspectives, promote social cohesion and solve problems at the grassroots level. In addition to traditional forms of engagement, citizens can now participate through platforms for e-governance and innovation.

* * *

Each country will choose its own solutions, but all will benefit from an integrated approach. Swift economic growth will not suffice. Nor will promoting human development at the expense of growth. In addition, no strategy will succeed without accompanying actions to bring it to life. Countries can instead employ all three components of the proposed approach: mainstreaming human development; recalibrating growth, and making change happen.

PART I.

HUMAN DEVELOPMENT IN ASIA AND THE PACIFIC: PRESENT LANDSCAPE AND ROAD AHEAD

Chapter 1. The State of Human Development: Progress, Disparity, and Disruption

Efforts to drive transformative change, expand opportunity, and bolster resilience in Asia and the Pacific can be grounded in a clear understanding of the region's human development experience – a story of progress, disparity, and disruption.

Over recent decades, with a few exceptions, the Asia-Pacific region has made transformative progress in human development. The leading economies, fuelled by the Asian 'economic miracle', have achieved exceptional development milestones. Lesser known perhaps is the region's ongoing evolution, as other countries continue to make steady but consistent progress.

But the benefits have been distributed unevenly, perpetuating and amplifying historical disparities, both among and within countries, and with some increases in absolute deprivation. These differences partly reflect differing starting points, but they are also a consequence of diverging human development pathways, and 'structural exclusion' of different groups – based on gender, or informality, and more recently on access to digital services.

Environmental disparities are equally conspicuous within the region. Across Asia and the Pacific, countries pan the entire spectrum of greenhouse gas emissions, with emitters large and small, as well as some most susceptible to the impacts of climate change. Variations in the speed and patterns of growth have also yielded a wide range of outcomes for biodiversity, with a rapid decline observed in numerous countries.

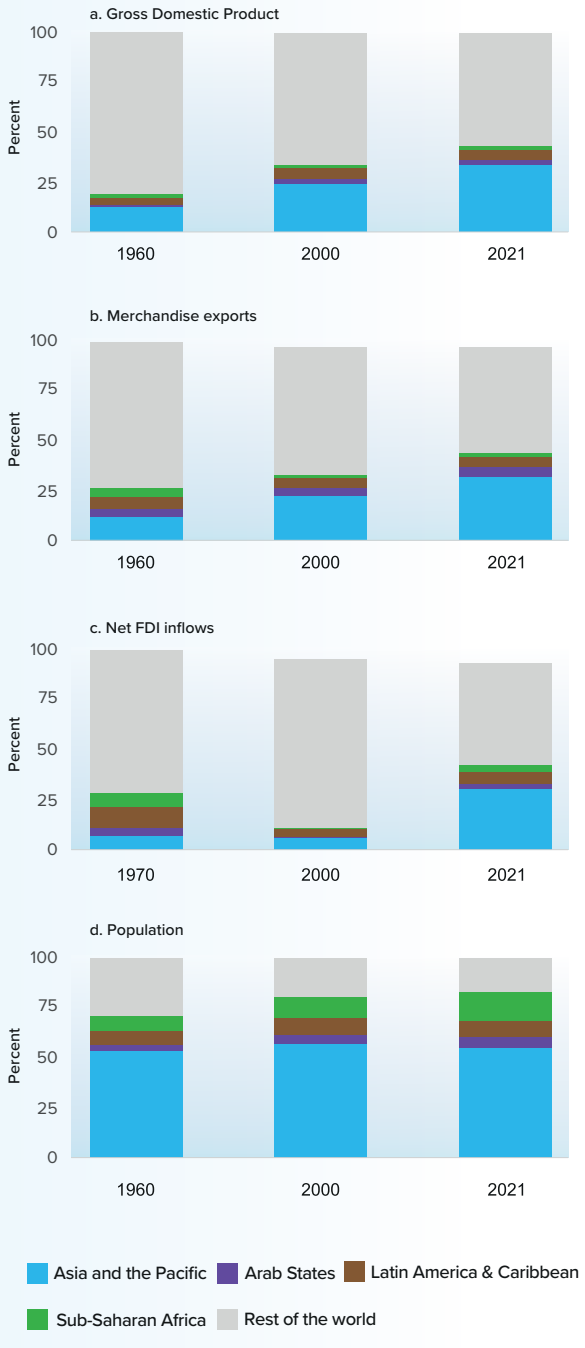
Development momentum has been interrupted recently by damaging disruptions. The COVID-19 pandemic, the war in Ukraine, and the cost-of-living crisis have dealt severe blows, eroding core elements of human development in many countries and increasing the incidence of poverty. Several countries have also seen backsliding with regards to gender equity and the principles of democratic governance. Climate commitments have been weakened, too.

Long-term progress

Since the 1960s, the Asia-Pacific region has had a sequence of transformations. Many countries experienced substantial political reforms, along with rapid socio-economic development, and deep structural change. In the vanguard were the first-generation, newly industrializing countries (NICs) including Singapore and the Republic of Korea, followed by second-generation NICs like Malaysia, Thailand, and China. All achieved exceptional milestones in human development, typically underpinned by consistent investment in infrastructure and education. Other countries also made transformative progress, as in Bangladesh, Fiji, India, Indonesia, Sri Lanka, and Viet Nam.

This dynamic progress positioned the region as an influential player on the global stage. From 1960 to 2021, the Asia-Pacific share of global GDP soared, from 13 to 34 percent. Dubbed "factory Asia", the region solidified its reputation as the world's manufacturing powerhouse, making everything from basic apparel and footwear to advanced electric vehicles, storage batteries, and semiconductors. By 2021, emerging Asian markets drove 17 percent of global trade and drew in over one-third of global net FDI inflows (Figure 1.1). In 2023, Asia and the Pacific is expected to make about two-thirds of global growth, underscoring the shift to a multi-polar global economy.[1]

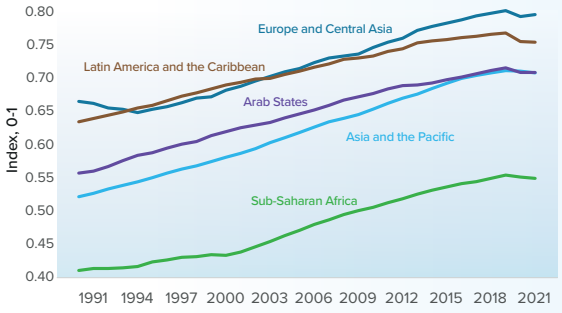
Figure 1.1 Asia and the Pacific share of global output, merchandise exports, and population



Source: Based on the World Development Indicators (WDI) database, World Bank.

Concomitantly, the region saw major improvements in human development – as reflected in UNDP's human development index (HDI), a composite measure of income, educational attainment, and life expectancy (Figure 1.2).[2]

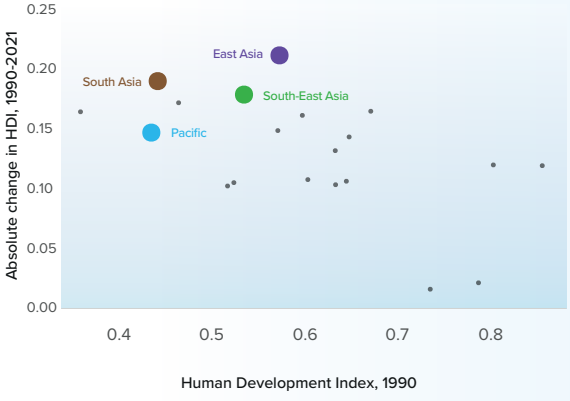
Figure 1.2 Human development index, 1990–2021



Source: Based on the HDI database.

This progress has reached a high proportion of the region's population. This is evident from the changes in HDI score by subregion (Figure 1.3). Between 1990 and 2021, the greatest jump in the world was in East Asia – by 21 percentage points. But South Asia and South-East Asia also made considerable progress, and in the future Asia and the Pacific is likely to overtake the Arab States, and close the gap with Latin America and the Caribbean.

Figure 1.3 HDI progress in global subregions, Asia and the Pacific and the rest of the world



Source: Based on the HDI database.
Note: Sub-regions based on the UN geographic regions (M49 Standard). Pacific sub-region includes countries listed in Annex 1.

More prosperous

Rapid economic growth has boosted living standards and boosted most countries to higher income status. In 1990, the region had 15 countries classified as low-income; fast-forward to 2023, and only two remained in that bracket: Afghanistan and the Democratic People's Republic of Korea (DPRK). Many countries in South Asia

climbed the income ladder towards lower middle-income status, while others in East Asia were reaching the cusp of the higher-income tiers. Moreover, some countries leapfrogged straight from low to upper-middle-income status – China, Indonesia, and Maldives. Concurrently, the Republic of Korea (ROK) and Singapore joined Japan in the high-income echelon.

This helped pull over 1.5 billion people out of extreme income poverty (Figure 1.4), in large part driven by the ascent of China. Between 1981 and 2019, based on World Bank metrics and regional classifications, the extreme poverty rate in East Asia and the Pacific plummeted from 83 to 1 percent. This success was mirrored in South Asia, where over the same period the extreme income poverty rate dropped from 58 to 9 percent. Nevertheless, many countries still have high poverty rates, such as in Pacific countries like the Solomon Islands, Micronesia, PNG, and Vanuatu. Nevertheless, by global standards the Asia-Pacific poverty reduction story has been impressive.

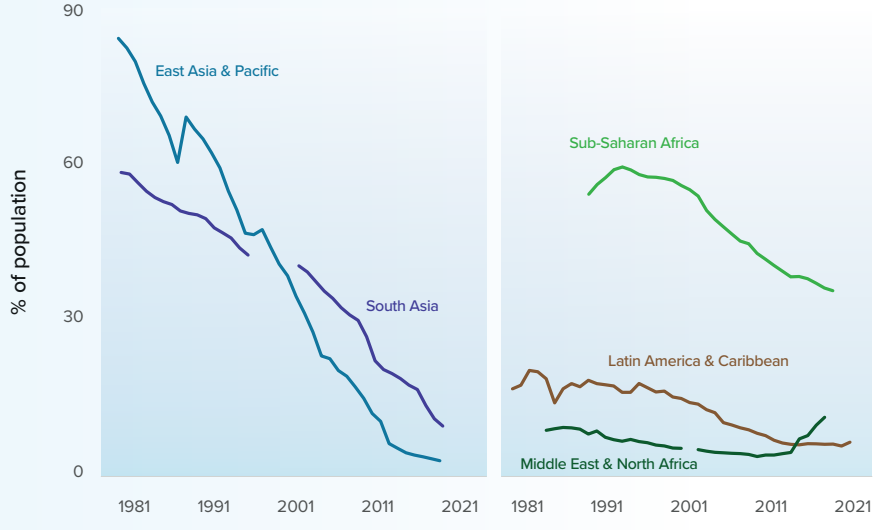
Better educated

Since 1990, the region has also made important strides in education and literacy (Figure 1.5). East Asia has set global benchmarks, and South Asia has seen a remarkable leap in adult literacy, from 47 to 74 percent, surpassing sub-Saharan Africa, though still trailing other Asia-Pacific subregions.[3] Furthermore, many more people are completing tertiary education, especially in East Asia and South-East Asia.[4]

Healthier

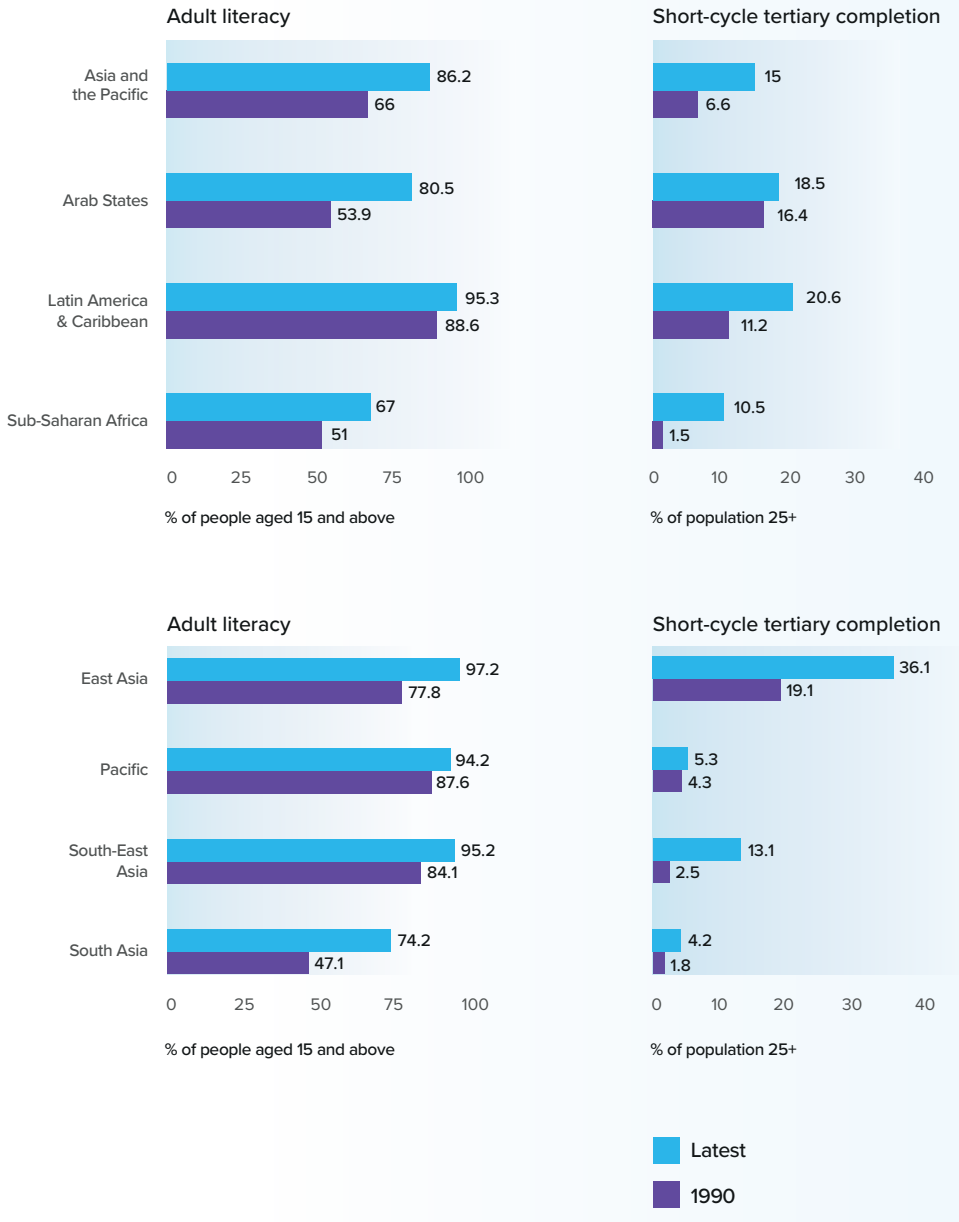
Over the same period, investments in infrastructure and staffing have enabled more affordable and equitable healthcare. This has produced striking results. One of the most telling indicators is the under-five mortality rate (Figure 1.6). In South Asia, between 1980 and 2021, the number of deaths per thousand live births dropped from 169 to 33. East Asia had the region's lowest child mortality figures, while the Pacific had the highest at 39. On the life expectancy front, people in East Asia are now living longer, almost on a par with the OECD nations. This positive trajectory is evident across all Asia-Pacific subregions.

Figure 1.4 Percentage of population in extreme poverty



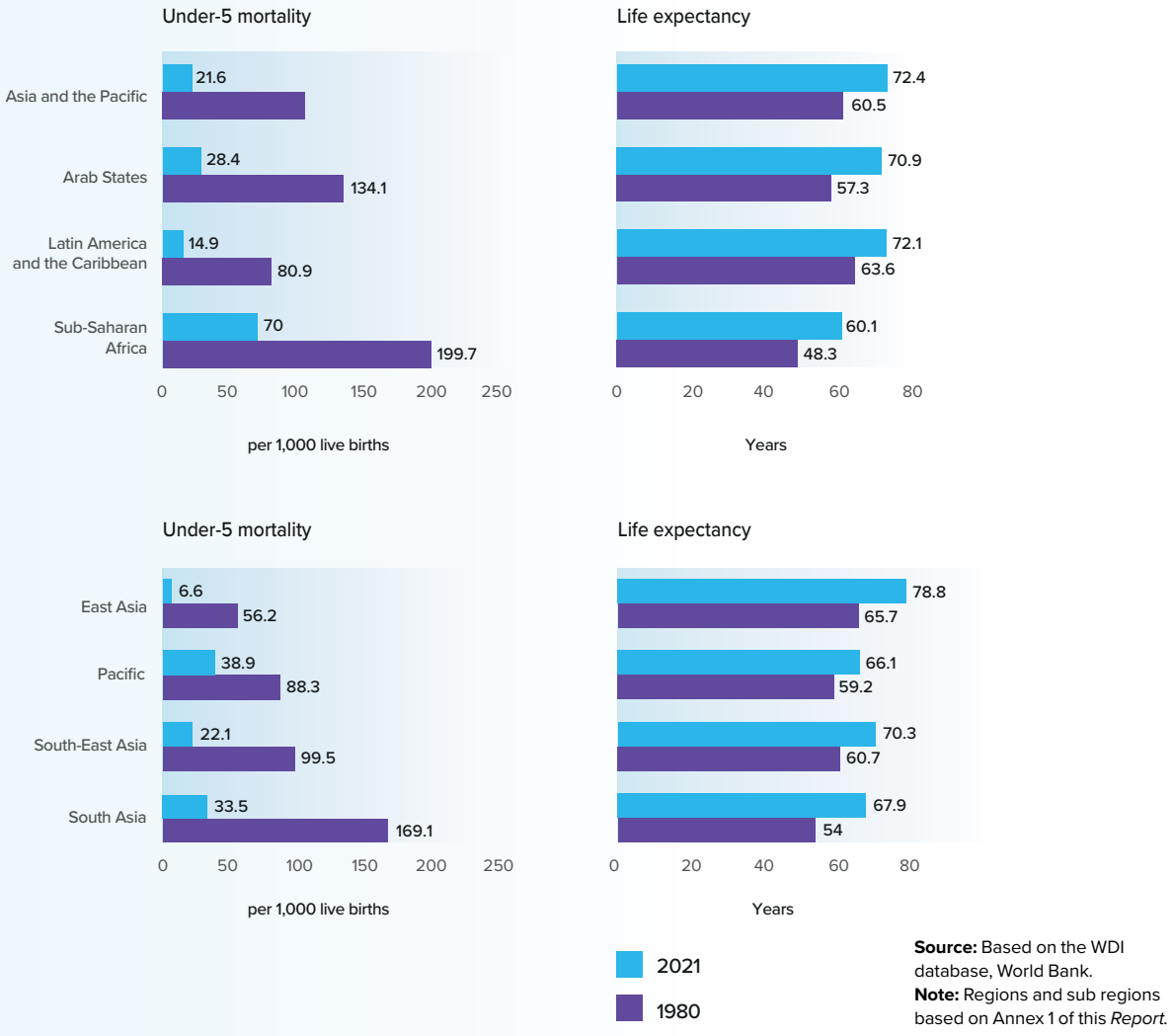
Source: Based on the WDI database, World Bank.
Note: Extreme poverty is defined as less than $2.15 per day. $PPP 2017. Subregions based on the World Bank geographic regions. Discontinuities in the series for South Asia and Middle East and North Africa were due to data unavailability.

Figure 1.5 Adult literacy and short-cycle tertiary education completion



Source: Based on the WDI database, World Bank.
Note: Regions and sub regions based on Annex 1 of this *Report*. Short-cycle tertiary education typically refers to one- or two-year courses, usually practically based, that prepare students to enter the labour market.

Figure 1.6 Under-5 mortality and life expectancy



Source: Based on the WDI database, World Bank.
Note: Regions and sub regions based on Annex 1 of this *Report*.

Persistent disparities

Despite significant progress, the region still has many stark and enduring disparities, both among and within countries. In a vast region with a huge population, diverse outcomes are inevitable. Even so, the contrasts are striking.

Limited convergence across countries

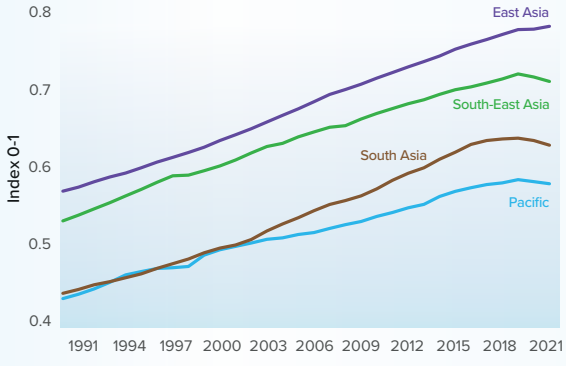
The Asia-Pacific region encompasses nations at all stages of income or human development. There are also notable differences in patterns of demographic change. Some countries have rapidly expanding youth populations, i.e., aged 15-24, as in Afghanistan, India, Samoa, Solomon Islands, and Vanuatu. In other countries, the populations are rapidly ageing – as in China, Islamic Republic of Iran, Maldives, Singapore and Thailand. Similar differences in development context apply within countries, as reflected in large urban-rural disparities or the structural exclusion of socio-economic strata.

Disturbingly, subregions have been growing further apart. All subregions have made advances, but initial disparities have been widened by different progress velocities. East

Asia has been striding ahead, while the Pacific has been trailing (Figure 1.7). For the classification of countries by subregion, see Annex 1.

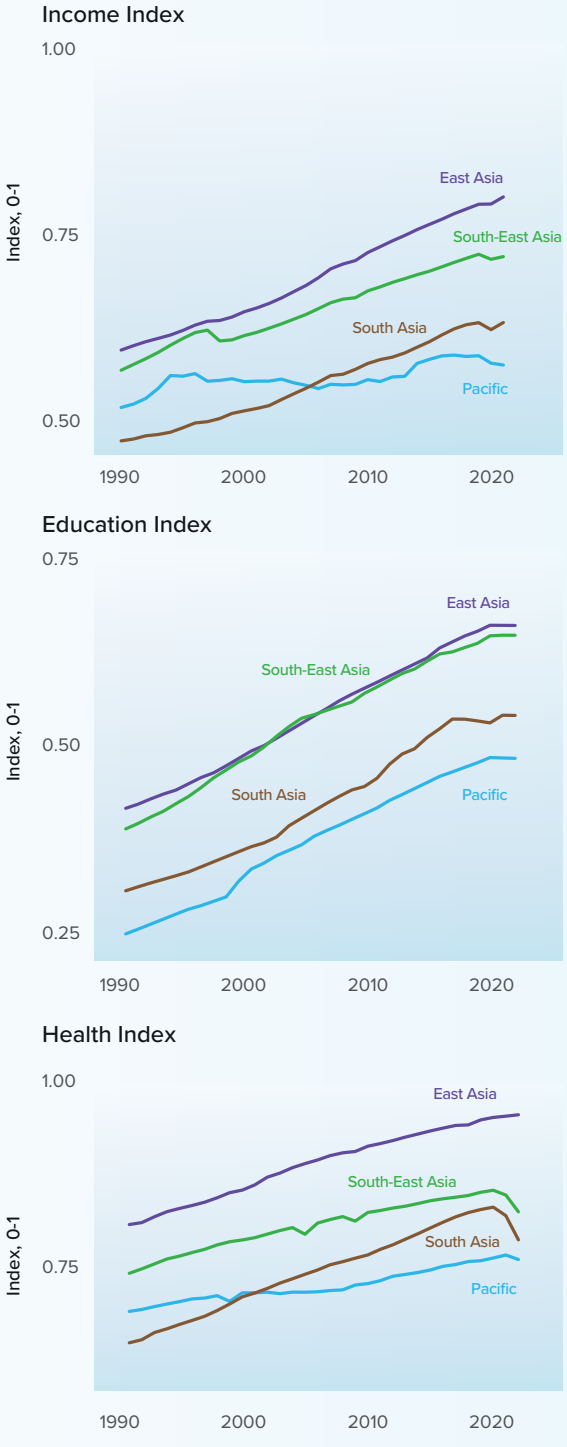
- *East Asia* – As a result of rapid and sustained HDI growth, East Asia has widened its lead over other sub-regions, and during recent disruptions has proved to be more robust.
- *South-East Asia* – On the education component of the HDI, South-East Asia has kept pace with East Asia, though has lagged on health and income measures (Figure 1.8).
- *Pacific* – Starting from a lower base, the Pacific initially made good progress, but since the early-2000s this has stalled. While the subregion made steady progress in education it did less well in income and health.
- *South Asia* – This subregion has seen steady overall progress and has moved ahead of the Pacific in all three components of the HDI.

Figure 1.7 Human development index in Asia and the Pacific, by subregion, 1990-2021



Source: Based on the HDI database.
Note: Sub-regions are defined in Annex 1.

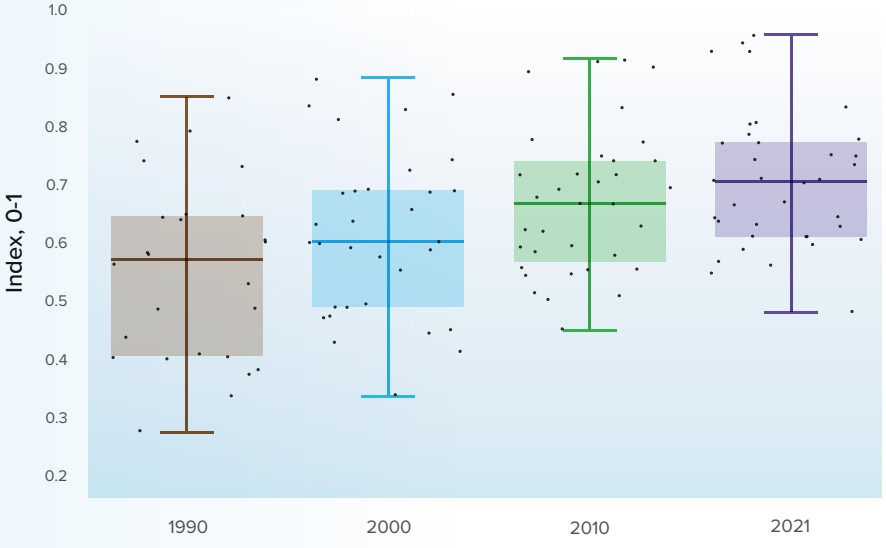
Figure 1.8 Components of the HDI by Asia-Pacific subregion, 1990–2021



Source: Based on the HDI database.
Note: Subregion aggregates are obtained from the country-level indicators using the appropriate weights[5].

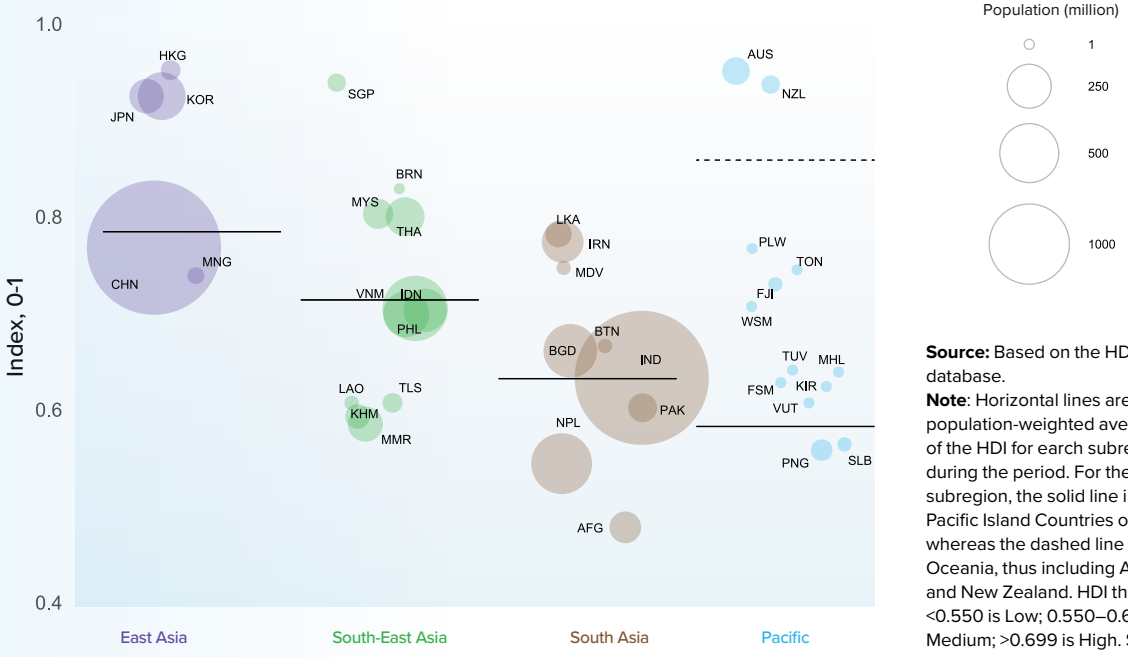
As well as notable differences between subregions there remain wide gaps between countries and convergence has been limited (Figure 1.9) and (Figure 1.10). In 1990, the region's highest HDI value was for Japan, the lowest was for Afghanistan, and the gap between them was 57 percentage points. By 2021, that gap had narrowed to 44 percentage points. If the ranking only included developing countries, in 1990 the highest HDI was in Malaysia, and the gap with Afghanistan was 37 percentage points. By 2021, that gap was 33 percentage points, and recent developments in Afghanistan suggest the divide will persist or widen. In terms of regional average HDI trajectory, the median has been flatter than the mean, suggesting an upward pull from high-performing countries.

Figure 1.9 Human development index in Asia and the Pacific, 1990–2021



Source: Based on the HDI database.
Note: Box shows the inter-quartile range (from the 25th to the 75th percentiles), with the horizontal bar referring to the median. The vertical line ranges from the maximum to the minimum.

Figure 1.10 Human development index in Asia and the Pacific, by country, 2021



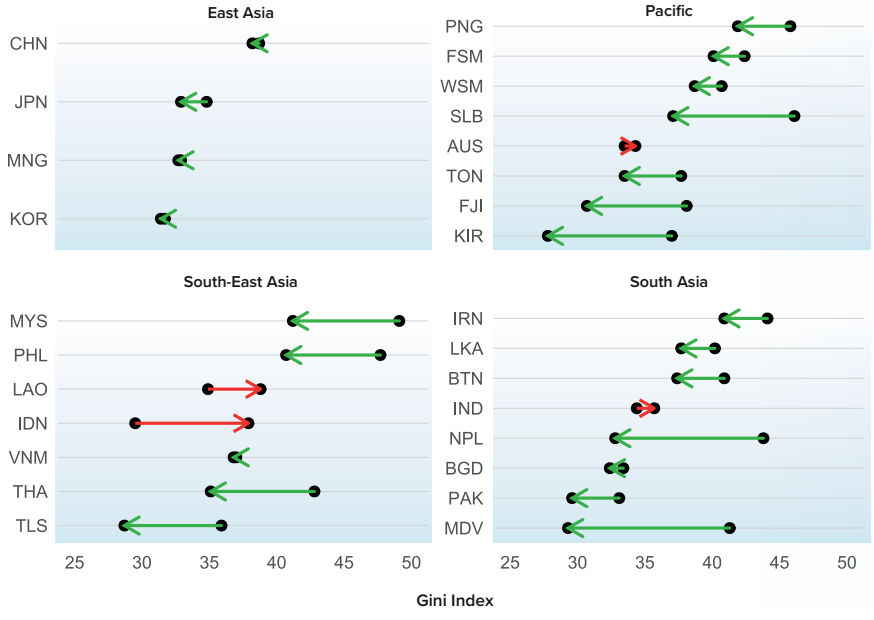
Source: Based on the HDI database.
Note: Horizontal lines are the population-weighted average of the HDI for earch subregion during the period. For the Pacific subregion, the solid line includes Pacific Island Countries only, whereas the dashed line covers Oceania, thus including Australia and New Zealand. HDI thresholds: <0.550 is Low; 0.550–0.699 is Medium; >0.699 is High. Sub-regions defined in the Annex.

High inequality within countries

For income disparities within countries, based on the Gini index for income or consumption, countries in Asia and the Pacific fall broadly into one of three categories.[6] The first comprises countries like Fiji, Kiribati, Nepal, Timor-Leste and Maldives that have managed to curb income inequality quite considerably. The second includes countries like Islamic Republic of Iran, Malaysia, PNG, Solomon Islands and the Philippines that have made progress, but still have Gini indices higher than the regional mean. The third comprises countries where income disparities have widened, like India (Box 1.1), Indonesia and Lao PDR.

Across the region as a whole, based on the World Inequality Database (WID), the richest 10 percent consistently command more than half of total income (Figure 1.12, panel a).[7] And in recent decades the gaps seem to be widening, with an increasing concentration of income and wealth among the higher echelons.[8] These data on inequality have traditionally been based on household surveys, which still provide valuable information and cover a wide range of countries.[9] But household surveys often miss the wealthiest individuals and it can be difficult to make cross-country comparisons.[10]

Figure 1.11 Gini index across Asia-Pacific countries, circa 2000 and latest available data

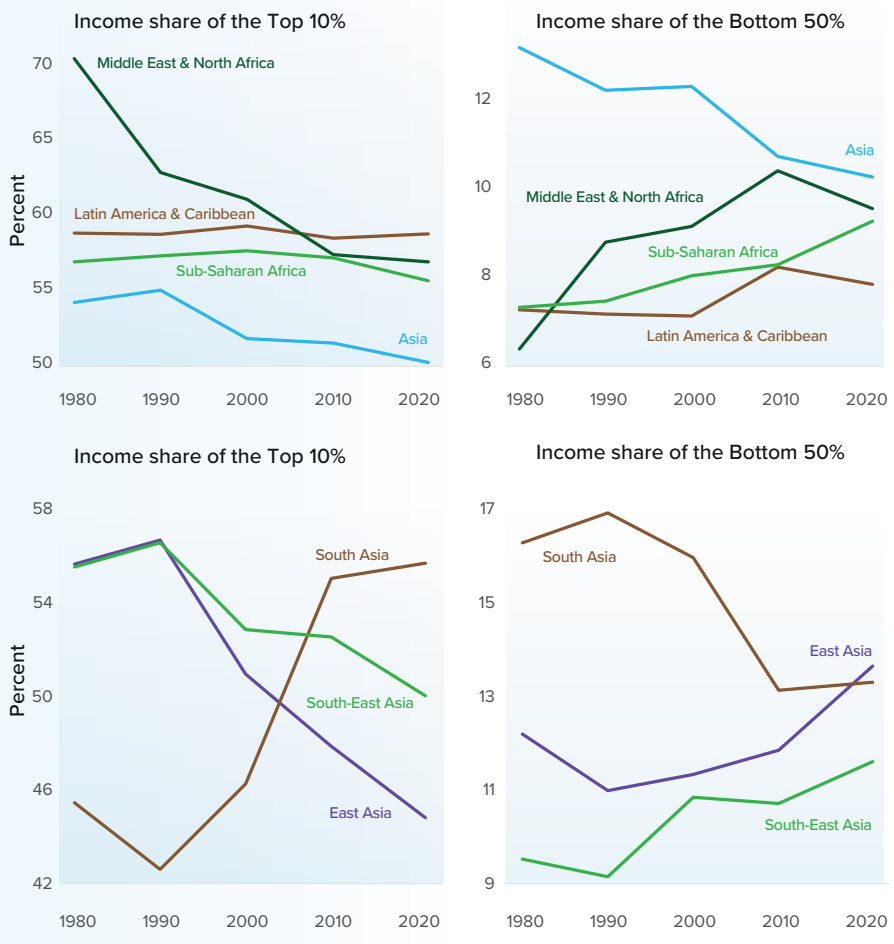


Source: Based on the WDI database, World Bank.
Note: Red arrows indicate an increase in the Gini index.

To address these limitations, the WID has amalgamated various data sources, including national accounts, survey data, fiscal data, and wealth rankings, and used these to track income and wealth levels, from the lowest to the highest.[11] On this basis, since 1990, Asia has outperformed other world regions, and the income share of the top 10 percent has slightly decreased. On the other hand, the WID shows a worrying decline in income share for the bottom 50 percent of the population, especially since 2000. Between 1980 and 2021, this share fell from 13 to 10 percent (Figure 1.12, panel a).

Over the period, subregions in Asia and the Pacific were also diverging. In South-East Asia, the share of the bottom 50 percent rose from 10 to 12 percent, and the share of the top 10 percent declined from 55 to 50 percent. In East Asia the share of the bottom 50 percent rose from 12 to 14 percent and the share of the top 10 percent also fell below 50 percent. In South Asia, on the other hand, the income share of the bottom 50 percent fell, while that of the top 10 percent increased by 10 percentage points to 56 percent. [12] The countries with the highest income inequality measured by the income share of the richest 10 percent are Maldives, India, Thailand, and The Islamic Republic of Iran (Figure 1.13, panel on income inequality).

Figure 1.12 Income inequality, 1980–2021

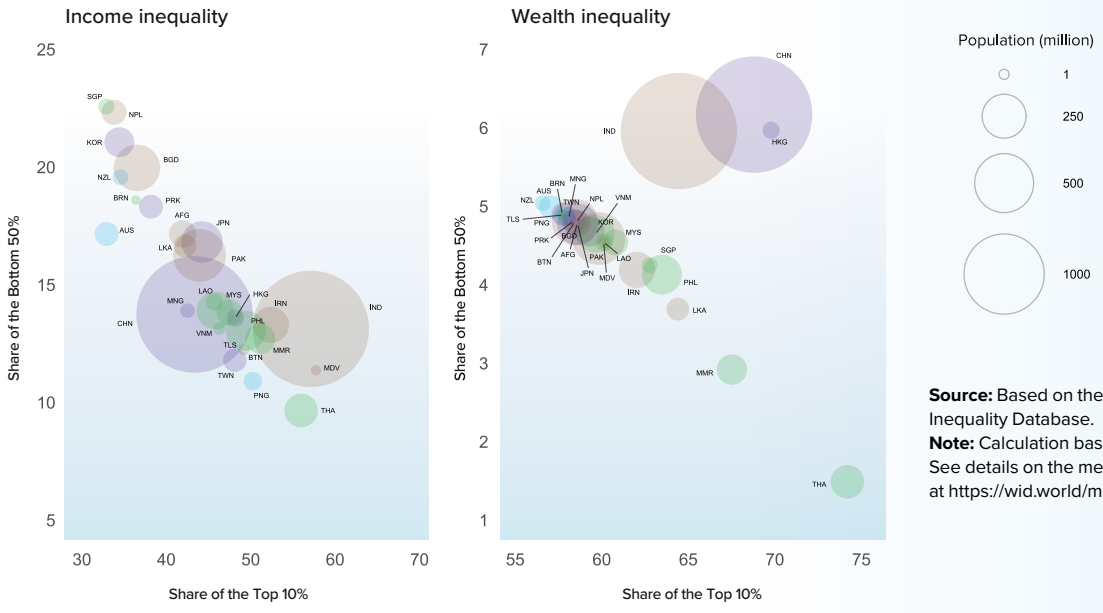


Source: Data from the World Inequality Database.
Notes: Calculations based on $PPP. See details on the methodology at WID: https://wid.world/methodology/. Except for PNG, data are not available for Pacific Island countries. As per the WID regional classification, The Islamic Republic of Iran is included in the Arab States instead of South Asia.

The WID also tracks disparities in wealth. In Asia and the Pacific these have been persistently high. Between 2000 and 2021, for Asia and the Pacific as a whole, the wealth Gini index stagnated at 0.81. In South-East Asia, the wealth Gini index fell from 0.85 to 0.82, but was still the highest among subregions. In East Asia, the wealth Gini index fell slightly from 0.79 to 0.78. Over this period, driven by rising income inequality, South Asia saw its wealth Gini index rise from 0.71 to 0.77. It is a serious concern that the wealth share of the bottom 50 percent in many countries in the region does not even exceed 6 percent. The countries exhibiting the highest wealth inequality, as measured by the wealth share of the top 10 percent, include Thailand, China, Myanmar, India, and Sri Lanka (Figure 1.13, panel on wealth inequality).

This persistent wealth divide is driven by various factors. Globalization and technological advances have, for example, created new opportunities for some groups while leaving others behind. This typically results in the owners of capital getting a greater share of national incomes. ILO data show, for example, that in Asia and the Pacific labour has a lower income share than the world average.[13] As a result, workers have less income to save and invest, further worsening inequality. The most vulnerable in this vicious feedback loop include those working in the informal sector, particularly women. Inequality is further exacerbated by corruption, and weak tax policy and administration, as well as by the lack of effective social safety nets.

Figure 1.13 Income and wealth share of the top 10 percent and bottom 50 percent, by country, 2021



Source: Based on the World Inequality Database.
Note: Calculation based on $PPP. See details on the methodology at https://wid.world/methodology.

Once adjusted for inequality, the picture of human development in the region is more sobering. UNDP's inequality-adjusted human development index (IHDI) discounts the average value of each HDI dimension by the extent of inequality.[14] If there were no inequality, the IHDI and HDI values would be identical, but as inequality increases, the IHDI falls below the HDI. The results are shown by subregion in Figure 1.14. While all subregions have significantly lower IHDIs than HDIs, the discrepancy between the two is largest for South Asia and the Pacific. However, the ranking of subregions remains the same for both measures: East Asia had the highest levels, followed by South-East Asia, then South Asia and finally the Pacific. Since 2019, IHDIs have fallen in the Pacific as well as in South Asia.

Figure 1.14 Inequality-adjusted human development index, 2010–2021

Source: Based on the HDI database.
Note: Calculated using the geometric mean of the adjusted dimensional indices, the IHDI discounts the average value of each dimension based on its degree of inequality. Hence, as inequality increases, the IHDI falls beneath the HDI value. 2010-15 data for the Pacific are omitted due to inconsistent data availability.

Box 1.1 India: trends in the distribution of income and wealth

Over recent decades, India has improved living standards, and significantly reduced poverty, but it is seeing an increase in inequality.

Between 2000 and 2022, per capita income soared from $442 to $2,389. And between 2004 and 2019, poverty rates (based on the international poverty measure of $2.15 per day) plummeted from 40 to 10 percent. Moreover, between 2015-16 and 2019-21, the share of the population living in multidimensional poverty fell from 25 to 15 percent.

Despite these successes, poverty remains persistently concentrated in states that are home to 45 percent of the country's population but contain 62 percent of its poor. In addition, many other people are very vulnerable, hovering just above the poverty line. The groups at greater risk of falling back into poverty include women, informal workers, and inter-state migrants. Women are only 23 percent of the labour force.

Amidst rapid growth but persistent disparity, the income distribution has become more skewed. The top 10 percent of the population get 57 percent of national income and the top 1 percent get 22 percent – one of the most unequal income distributions. There are similar gaps in wealth: the top 10 percent of the population controls 65 percent of the nation's total wealth. There is growing evidence of a strong rise in wealth inequality, mainly in the post-2000 period.

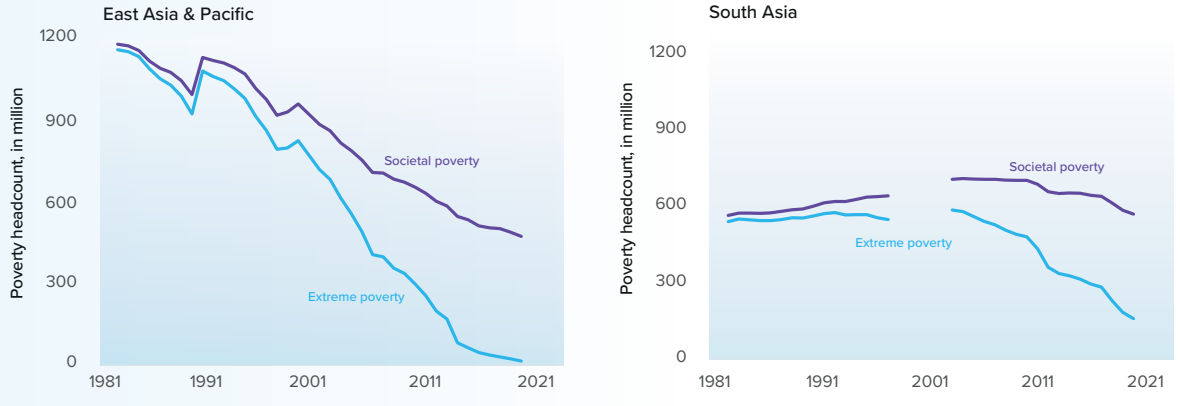
Sources: Bharti 2018; Nepal 2020; Chancel and others 2021, ILOSTAT.

People being left behind

The region has achieved noteworthy advances in human development, but millions of people are still being left behind. In 2019, 185 million were in extreme poverty, a number likely higher post-COVID. Compared with sub-Saharan Africa, extreme poverty in Asia and the Pacific is fairly shallow, with a significant proportion of people just below the $2.15 extreme poverty line. Deeper in poverty were the 47 million who lived below 75 percent of this line, and the six million who lived under half of it in 'ultra poverty'.[15]

When the poverty line is drawn based on societal poverty, the number of poor people increases significantly. Societal poverty incorporates a measure of relative disparity, based on what the average person in each country consumes.[16] In Asia and the Pacific, around one billion people live below this societal poverty line (Figure 1.15).

Figure 1.15 Extreme poverty and societal poverty, absolute headcount, millions



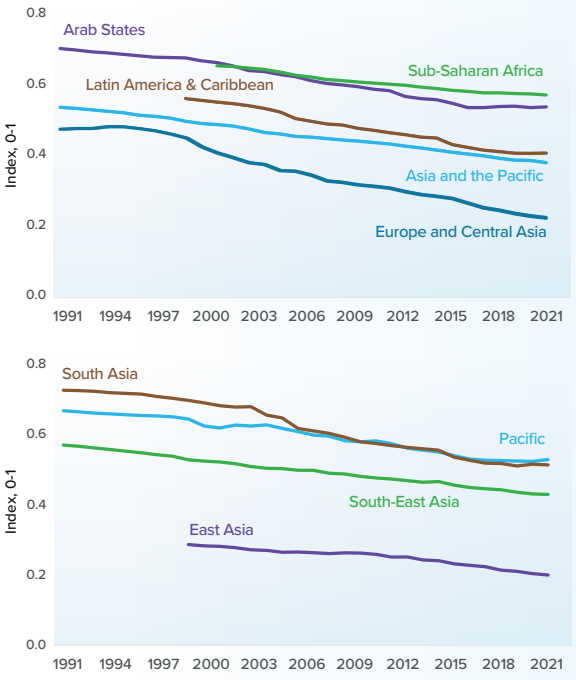
Source: World Bank 2023.
Note: World Bank regions. Extreme poverty line is $2.15 a day. Societal poverty line reflects maximum of $2.15 and $1.15 + half of median consumption in each country. All in 2017 $PPP terms. Discontinuity in South Asia due to data unavailability.

The number of poor people also rises when the measure is widened to incorporate other dimensions of poverty. This is reflected in the multidimensional poverty index (MPI) which measures the multiple deprivations that poor people face in the areas of education, health, and living standards. As per the latest estimates of 2021[17], in Asia and the Pacific, 495 million people lived in multidimensional poverty – far more than those who were income poor, with the region accounting for almost half the global total. Of these, the majority were in South Asia – 389 million. Nevertheless, the trend over the short period over which the MPI has been calculated is encouraging, particularly for countries in South Asia. For example, between 2005–2006 and 2019–2020, India decreased its MPI by 39 percentage points, lifting 415 million people out of multidimensional poverty.

The region has made some progress in narrowing the gender divide but the extent and pace of change varies across countries. There has, for example, been progress in educational attainment, literacy, health and longevity, and access to markets. More women are entering workforces, partly as a result of family-friendly measures such as maternity leave, more childcare support, and flexible work hours. And more women have access to finance: in South Asia, for example, between 2011 and 2021, the proportion of women with financial accounts rose from 24 to 66 percent. More women are also becoming political representatives; between 2000 and 2020, the proportion of parliamentarians who were women climbed from 13 to 20 percent, albeit lagging behind the global average of 25 percent.[18]

Nevertheless, there remain many deep-rooted gender biases, and parts of the region have the world's highest levels of gender inequality. Historically, this was measured by a gender equality index which was calculated between 1950 and 2000.[19] On this measure, Asia and the Pacific improved more than other regions, yet its score remained among the world's lowest. Over a more recent period, UNDP has calculated a gender inequality index (GII), a composite measure, covering access to reproductive health, and women empowerment and labour market participation (Figure 1.16). [20] This indicates an overall advance, though since 2015 progress has stalled in South Asia and, based on the limited available data, also in the Pacific.

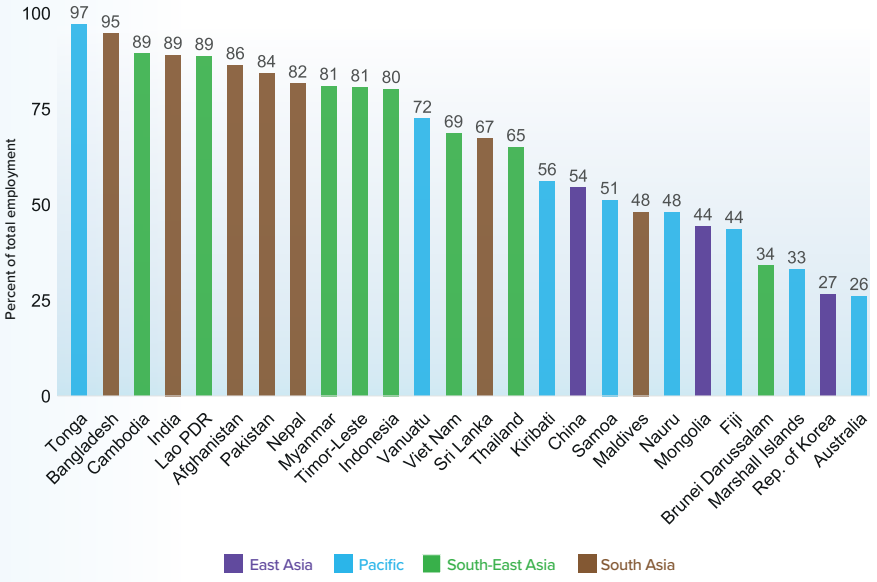
Figure 1.16 Gender inequality index, 1990–2021



Source: Based on the HDI database.
Note: GII is a composite metric of gender inequality using three dimensions: reproductive health, political empowerment and presence in the labour market. A high GII value indicates high inequality between women and men, and vice-versa.

Another group being left behind are the region's many workers in the informal sector – often trapped in low-quality work because the formal sector has failed to offer employment opportunities. Informality is especially prevalent in the region's lower middle-income nations (Figure 1.17).[21] East Asia is creating more formal sector jobs, but still not enough to substantially reduce the proportion of informal work.[22] The most recent estimates of the proportion of workers in informal work were 49 percent in East Asia, 71 percent in South-East Asia, and 87 percent in South Asia.

Figure 1.17 Informal employment in Asia and the Pacific, percent of total employment, population aged 15+ (latest available date)



Source: All countries except China from ILOSTAT. China data are from ILO 2018a.[23]

People in the Asia-Pacific region have embraced many elements of digital technology, and in many respects the region has been setting global benchmarks. But this has been accompanied by widening digital divides. For example, the subregion exhibits a pronounced disparity in terms of internet accessibility. East Asia has an internet penetration rate of 90 percent of the population (excluding China and Japan), compared with 70 percent in South-East Asia, 35 percent in South Asia, and only 20 percent in the Pacific.[24]

One of the region's most notable digital divides is between men and women – with a 6 percent gender discrepancy in internet usage.[25] Women are least likely to be connected in less developed countries; in 2022, only 30 percent had access to internet, globally. In South Asia, women are 70 percent less likely than men to own a smartphone.[26] The digital gender gaps arise for a number of reasons, women and girls may be less able to afford digital services, for example, or can be hampered by socio-cultural norms, or fears of harassment and online violence.[27]

Older people can also be excluded. In Singapore, for people aged between 25 and 74 years, internet usage is around 97 percent, while the corresponding figure for those aged 75 and older is only 15 percent.[28]

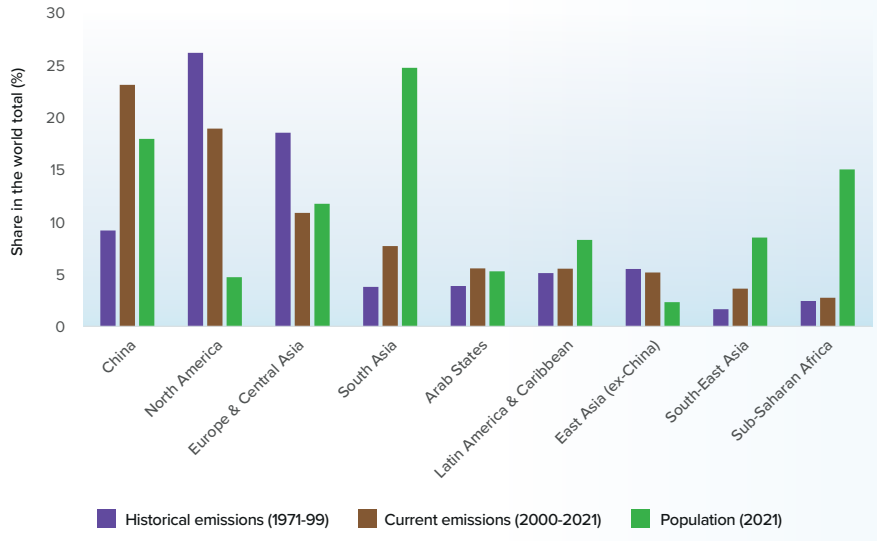
A planetary-pressures divide

Asia and the Pacific also faces a divide in planetary pressures, which arises from unsustainable resource use and a surge in global carbon emissions. The region has countries across the whole greenhouse-gas spectrum, with emitters large and small, and some of the countries most vulnerable to the impacts of climate change and biodiversity loss. The energy landscape is dominated by fossil fuels which account for 85 percent of energy consumption. Between 1990 and 2022, the Asia-Pacific share of global CO_2 emissions rose considerably from 23 to 48 percent – the region's contribution was 18 gigatonnes in 2022. This, in part, can be attributed to the region's substantial 60 percent share of the world's population, but also reflects its carbon-intensive industrial development profile.[29]

The country currently emitting the most greenhouse gases is China, which in 2022 accounted for 32 percent of global CO_2 emissions. India, the second largest emitter of the region, is expected to have been recording considerable rises in emissions last year. At the other end of the spectrum are the small Pacific Island States, which contribute only 0.01 percent to global emissions but must grapple with immediate and existential threats such as rising sea levels.

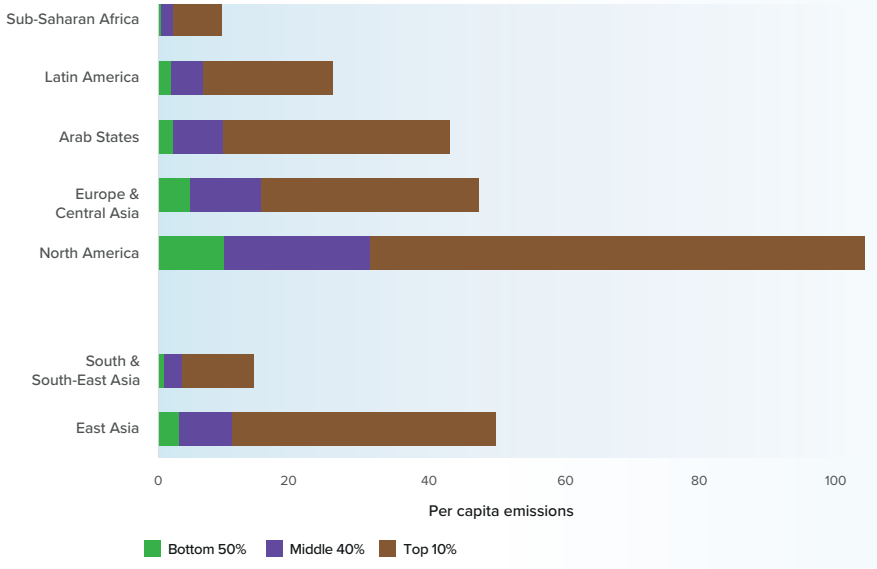
Figure 1.18 compares historic and current carbon emissions and country population sizes and provides some perspective for the above. In the region, South Asia has the largest population, which combined with relatively low current emissions implies it also records the lowest per capita emissions. Figure 1.19 shows the extent to which, as elsewhere, the carbon emissions come primarily from the top 10 percent of the population by income group. In East Asia, the top 10 percent of the income group is responsible for 40 tonnes of CO_2 emissions per year versus the poorest 50 percent of the population emitting around three tonnes per year.

Figure 1.18 Share in historic and recent emissions, and population, by world region



Source: IEA (accessed August 2023). World Bank.

Figure 1.19 Per capita emissions by income level and region, 2019



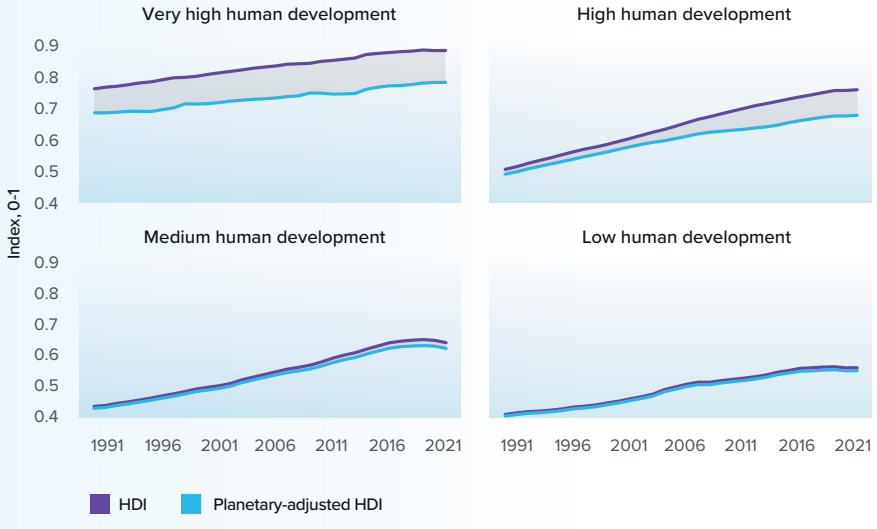
Source: Based on the World Inequality Report 2022.
Note: Bottom 50 percent, middle 40 percent and top 10 percent of the income distribution of each region. The Islamic Republic of Iran is included in the Arab States in these charts – as per the WIL regional classification.

The planet's biodiversity is under threat due to habitat loss, pollution, overexploitation, invasive species and all these factors further accentuated by climate change.[30] Threats arising from humans such as socioeconomic pressures, include logging and urbanization have particularly been damaging to biodiversity.[31] Since 1970, the Asia-Pacific region has seen the third largest biodiversity decline in the world after Latin America and Africa. As a result, the risk is increasing for the 200 million people in Asia and the Pacific who depend on forests for their health and livelihoods.[32]

The total environmental impact can be assessed through the 'material footprint' which measures resources consumed to satisfy domestic needs. This is the amount of primary materials required to serve a country's final demand.[33] Among subregions, East Asia has the largest footprint. But across countries, there is a wide spectrum within the region – with Brunei Darussalam at the top end and Afghanistan and the DPRK at the bottom.

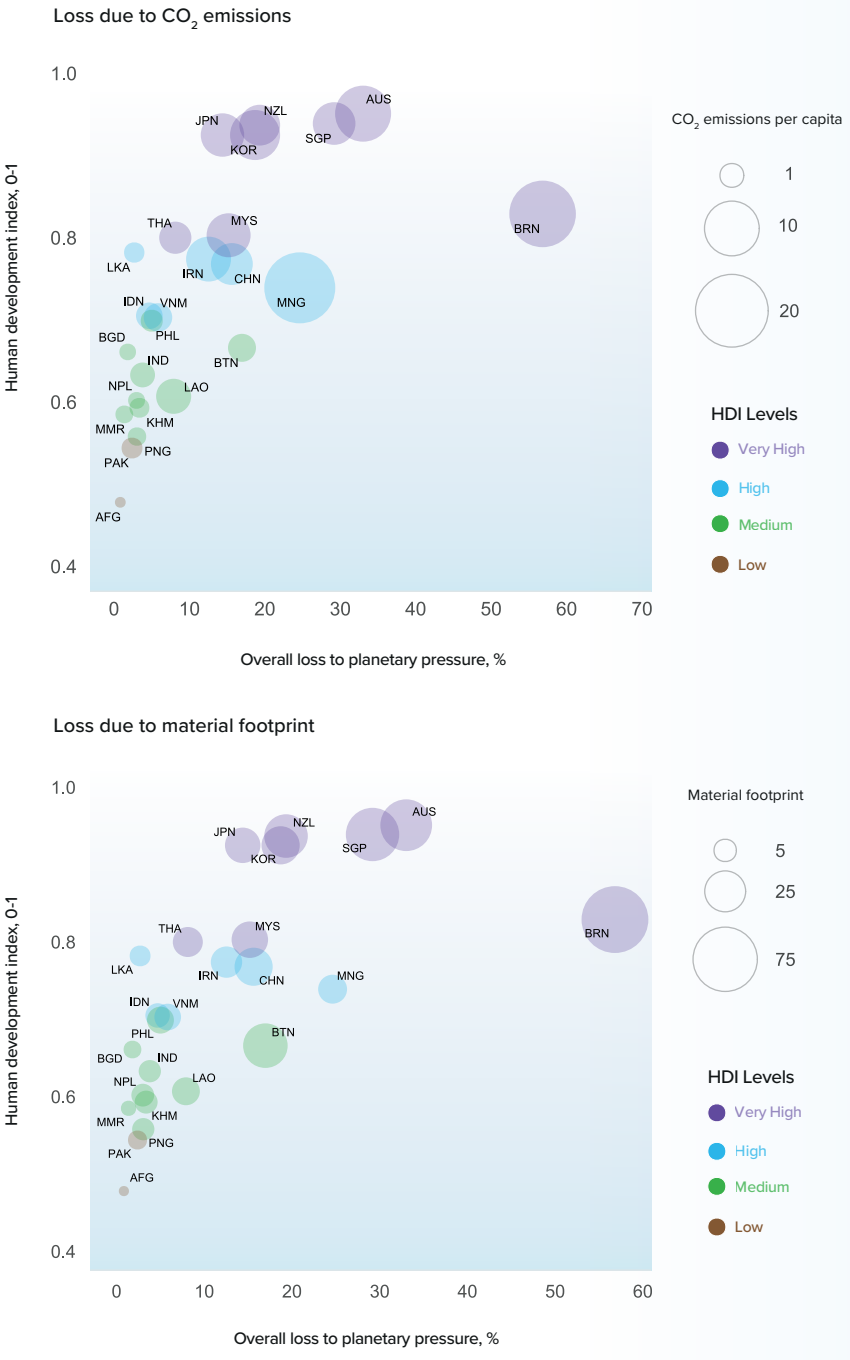
The region's human development progress must therefore be qualified by the damage to the planet. To take this into account, UNDP has produced a planetary-pressures-adjusted human development index (PHDI), which corrects for environmental impact (Figure 1.20). The largest adjustments are for countries at the highest levels of human development, which also tend to have higher per capita emissions and larger material footprints (Figure 1.21). The world's largest gap is in East Asia (Figure 1.22)

Figure 1.20 HDI and planetary-pressures-adjusted-HDI in Asia and the Pacific, 1990–2021



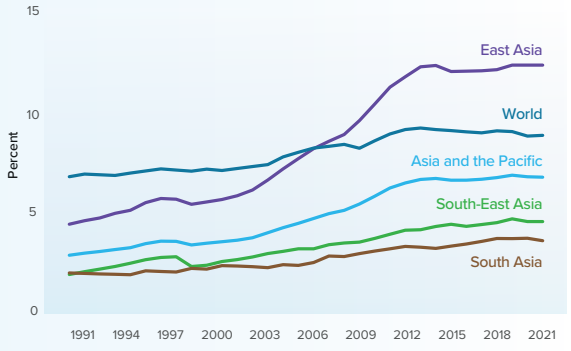
Source: Based on HDI database.
Note: See statistical annex for the list of countries under very high, high, medium and low human development in 2021. The planetary pressures-HDI discounts the HDI for pressures from human activities on the planet.

Figure 1.21 Planetary pressures increase with levels of human development



Source: Based on HDI database.
Note: Bubble reflects CO_2 emissions per capita in the chart above and material footprint per capita on the chart below.[34] Asia-Pacific countries are classified according to 2021 HDI rankings.

Figure 1.22 Percentage gap between HDI and PHDI, by subregion



Source: Based on HDI database.

Widespread disruption

Beyond long-term progress and persistent disparities, the Asia-Pacific region, along with the rest of the world, has over recent years suffered from major disruptions that have accentuated existing vulnerabilities and posed new problems. The COVID-19 epidemic, the war in Ukraine, and the cost-of-living crisis have dealt severe blows to human development.

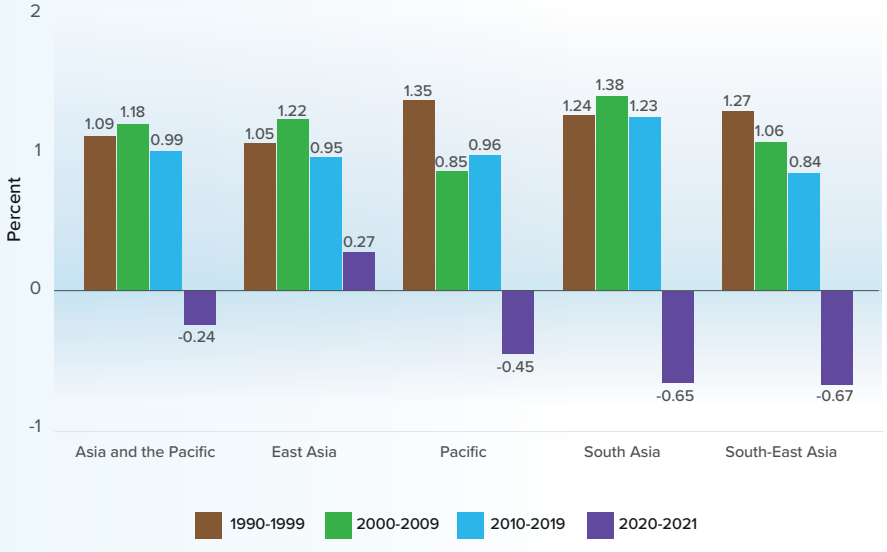
Decline in the HDI

From 1990 to 1999, the region's average annual HDI increased by 1.09 percent, and between 2010 and 2019 by 0.99 percent. But in 2020 and 2021, as a result of the pandemic, the average HDI fell (Figure 1.23). Lockdowns and other restrictions affected 988 million of the region's 1.3 billion informal sector workers – among the hardest hit were those in low- and lower middle-income countries, and people working in hospitality, tourism, construction, and food vending.

In East Asia in 2020–2021 the HDI grew, but in South Asia and South-East Asia it declined, exposing the vulnerability of healthcare systems stretched to the maximum. There were also impacts on income and education. The HDI also dropped in the Pacific, primarily due to disruptions to tourism and lost incomes from remittances. Millions of people in the Asia-Pacific region fell back into poverty.

The region then experienced the knock-on effects of the war in Ukraine. Food prices soared, with falls in purchasing power and declines in real income. A healthy diet became unaffordable for nearly two billion inhabitants, equivalent to 45 percent of the region's population. In 2021, 396 million people in the region were undernourished and an estimated 1.05 billion people suffered from moderate or severe food insecurity.[35]

Figure 1.23 Average annual growth in HDI, by subregion, percentage



Source: Based on the HDI database.
Note: The sub-regional aggregates are obtained from the country-level indicators using the appropriate population weights.

Over the period 2019 to 2022, the number of poor people will have increased.[36] However, the impact of these cumulative shocks on multidimensional poverty is less clear. Data covering the last three years are available for only three countries – Cambodia, India and Viet Nam. In all three, the MPI fell.[37]

In Myanmar, many of the poverty issues are related to conflict and have been tracked at the subnational level using various methods (Box 1.2).

Rising financial pressures

Compared to other regions, Asia and the Pacific has historically seen less pressure on public finances. For instance, during the debt crises of the early 2000s, Afghanistan was the only Asia-Pacific country which went through the Heavily Indebted Poor Countries (HIPC) initiative. But the situation is changing, with a general shrinkage in 'fiscal space' – a government's headroom for sustainable spending.[38] In 2022, Sri Lanka became the first Asia-Pacific country in decades to default on sovereign debt.[39] Pakistan and Lao PDR are going through acute debt stress and six Pacific Island countries are rated at high risk of debt distress.[40] Even relatively resilient countries like Bangladesh and Nepal, have faced fiscal constraints.

Emerging debt stress in Asia and the Pacific has also been affected by the structure of debt, which is owed more to bondholders, exposing governments to greater pressures from financial markets. Between 2010 and 2021, the proportion of public and publicly guaranteed external debt owed to bondholders increased from 19 to 45 percent.

Rising fiscal pressures, combined with economic crises, reduce the resources available for investment in education, health and social protection – jeopardizing hard-won development gains. In Sri Lanka, for example, between 2019 and 2022, poverty rates surged from 11 to 25 percent – higher than in 2006.[41] As of March 2023, about 3.9 million people, equivalent to 17 percent of Sri Lanka's population, were dealing with moderate to acute food insecurity, especially in the Northern, Eastern, and Central Provinces.[42] In Lao PDR, spending on education and health declined from 4.2 percent of GDP in 2017 to an estimated 2.6 percent in 2022.[43] Households have been impacted by series of crises and a survey showed that around half of impacted households reported spending less on education and health care.

Box 1.2 A subnational view of vulnerability and conflict in Myanmar

Understanding poverty means looking beyond monetary income or lack of financial resources, taking a multidimensional perspective that embraces all aspects of human development.

Higher incomes do not always equate to better health, education, or living conditions. Nor do they necessarily make people more resilient to natural disasters. Conversely, low incomes can be effectively mitigated by ready access to essential public services, especially during emergencies.

Assessments of poverty should therefore be multidimensional – taking into account other factors such as health, education, living conditions, and physical and climate security. This can be illustrated for Myanmar using the World Bank's multidimensional disadvantage index (MDI). This reveals a complex interplay between vulnerability, deprivation, and physical security. The MDI assesses whether people achieve liveable standards in areas like health, education, water and sanitation, employment, housing, and assets. For countries affected by political crisis and conflict, one of the most critical components of human development is security. For Myanmar, UNDP's ranking of 330 townships using the vulnerability to conflict index (VCI) found people in border areas initially had lower security scores than the more urbanized central regions where conflicts first broke out. This pattern changed over time.

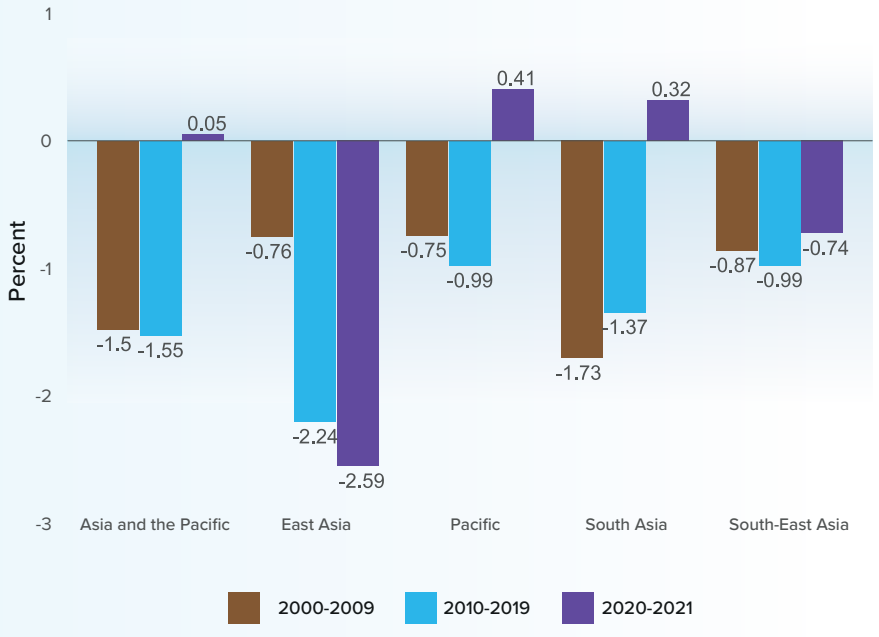
The impact of conflict in Myanmar is also revealed in UNDP's vulnerability and conflict index (VAC). The VAC uses eight equally weighted average of the VCI and the MDI. In 2021, when conflict was more prevalent in urban areas, the VAC and the MDI had differing geographical patterns. However, as the conflict spread to more rural areas, such as Sagain and Thanintarya, the two indices moved into greater alignment.

Source: Myanmar Development Observatory.

Backsliding on gender equality

There have also been serious setbacks in gender equality, largely driven by trends in South Asia and in the Pacific, as reflected in increases in their GII scores (Figure 1.24). This is due primarily to disparities in labour markets, and especially to women's caregiving responsibilities. During the pandemic, women bore a disproportionate burden of domestic obligations, including household chores and caring for children and sick and elderly family members. During 2020 and 2021, though not all directly caused by the pandemic, there were notable setbacks in Papua New Guinea and Myanmar as well as in Afghanistan (Box 1.3).

Figure 1.24 Average annual growth of gender inequality index, 2000-21, percentage



Source: Based on the HDI database.
Note: GII is a composite metric of gender inequality using three dimensions: reproductive health, empowerment and the labour market. A higher GII value indicates higher inequality between women and men, and vice-versa.

Box 1.3 The gender equality crisis in Afghanistan

Until 2020, women in Afghanistan had taken important strides towards gender equality. But in recent years those gains have been reversed, denying basic rights to women and girls and sharply reducing household incomes.

Since 2020, Afghanistan's GDP has fallen by 29 percent. Around 85 percent of the population is below the national poverty line of AFN2,268 ($29) per person per month. The country faces a humanitarian crisis: around 34 million people need humanitarian assistance. While the ongoing humanitarian assistance is saving lives by providing subsistence to millions of Afghans, livelihoods sustainability and local economic revitalization are also clear priorities in tandem with the humanitarian response. Particularly concerning is the rollback of women's rights. By 2021, many women had been working in a wider range of professions, from teaching to aviation; they made up 20 percent of the seven million people employed, and helped provide services in health, education, and infrastructure. Empowering women in this way led to marked improvements in life expectancy, a reduction in infant mortality, and a decline in the fertility rate – aligning Afghanistan with other low-income countries.

Since 2021, however, women have been denied fundamental rights to education, employment, and to participation in public life. The de facto authorities have issued 22 edicts excluding women from secondary and tertiary education while severely restricting them from working in the public sector, national or international NGOs, or United Nations agencies. Women can neither travel nor appear in public unless accompanied by a male relative.

Denying women's rights and freedoms has also caused serious economic damage and undermined development prospects.

- UNDP estimates (from models) point to reduction in GDP from constraints on female employment ranging from 3 percent to 5 percent of 2020 GDP, equivalent to $600 million to $1 billion in economic impact. The lower estimate of output decline (3 percent) assumes that the limitations on women's employment are confined to wage-earning female employees, whereas the higher estimate (5 percent) considers the possibility that half of the female workforce exited the labour market.[44]
- Households with at least one female worker have higher incomes than those with none. If a household loses the income of a woman working in the formal sector its per capita income can be almost halved. Banning women's employment could reduce the income of 5.3 million households by on average six percent.
- People will then be less unable to afford education, healthcare, and other essential services.

Type of work	Household per capita income per month*		Reduction in household income if women's employment is banned
	With female workers	Without female workers	
Formal	AFN 2,066 ($25)	AFN 1,080 ($13)	48%
Formal + SME work	AFN 1,833 ($21.5)	AFN 1,076 ($12.6)	41%
Formal + daily work**	AFN 1,247 ($14.6)	AFN 1,080 ($13)	13%

* Exchange rate – 85 Afghanis (AFNs) = $1
**Includes daily work in agriculture, livestock, and elsewhere.

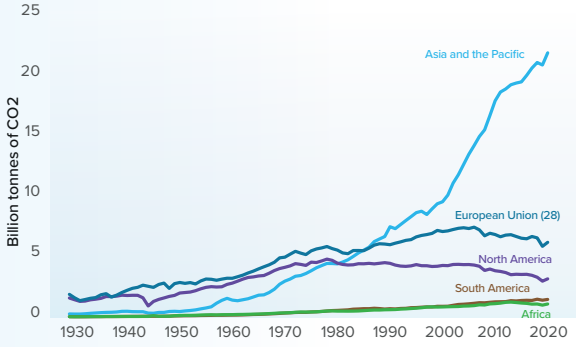
Source: WoAA Survey, 2022.

Weakening climate commitments

The COVID-19 crisis and the fall in economic activity temporarily reduced CO_2 output, but emissions subsequently resumed their upward trajectory (Figure 1.25). Governments have conveyed willingness to 'build back greener'. But their will and capacity to do so is being tested by recent shocks as they attempt to balance long-term environmental priorities with the need for short-term growth, jobs, and energy security.

Governments in the region have pledged to address climate change (SDG 13) but, as elsewhere, this resolve has yet to be matched with consistent action.[45] By August 2022, 30 Asia-Pacific countries had announced carbon neutrality and net-zero initiatives, but most lacked robust strategies linked to Nationally Determined Contributions.[46] The turbulence in the energy market has set back decarbonization, and in a number of countries in the region, there has been an increase in the use and exports of coal, pointing to the urgent necessity of accelerating the clean energy transition and diversifying out of unsustainable fossil fuels in terms of exports as well.

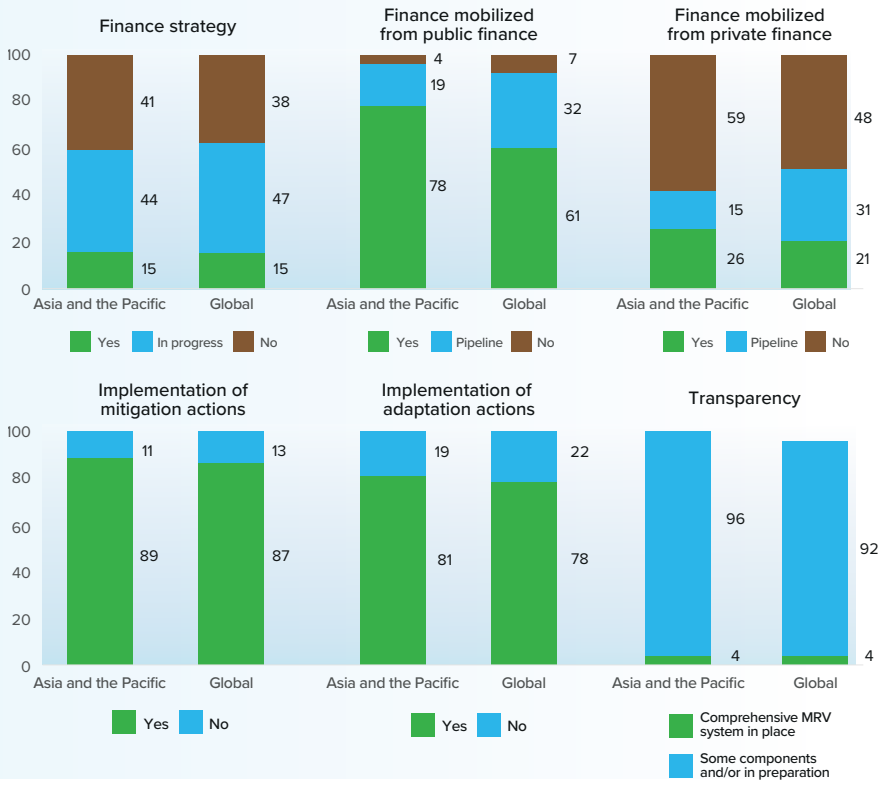
Figure 1.25 Annual CO_2 emissions by global region, 1930–2021



Source: Our World in Data

Asia-Pacific countries have made many non-binding climate commitments, but these have yet to be followed by consistent action. For example, ASEAN Member States have made conditional and unconditional commitments to achieve long-term net zero emissions. But as of 2021, in ASEAN, 14 percent of primary energy came from renewables – a share that has changed little in half a decade, even though the total renewable share of the installed capacity rose to around a third by 2020.[47]

Figure 1.26 Progress on NDC systems and architecture, Asia-Pacific and global averages



Source: UNDP Climate Promise. The State of Climate Ambition in Asia-Pacific.

Erosion of democratic space

Over the past decade, reflecting global patterns, the Asia-Pacific region has seen a noticeable decline in democratic practices, a trend accentuated by the COVID-19 pandemic.[48, 49] The Bertelsmann Transformation Index has noted a decline in the democratic quality of political institutions and processes.[50] Other studies point to a limiting of public and civic spaces to a degree last seen in 1978, and there seems little immediate prospect of a democratic revival. [51] This has serious implications for overall development trajectories – for inclusivity, equality, and economic competitiveness, especially if industrial monopolization were to grow as a result.

* * *

In recent decades, Asia and the Pacific has thus achieved transformative growth, but the benefits have been shared unequally, leading to pronounced disparities. This progress has also been interrupted by recent crises.

But the region can derive strength from previous experiences which offer valuable insights as countries look to the future. Asia and the Pacific can also glean lessons from the experience of recent disruptions to emerge stronger than before. Chapter 2 considers the prospects for future turbulence, and outlines potential directions for revitalizing human development.

Chapter 2. The Road Ahead: The Need for Change and Directions for Progress

Progress in Asia and the Pacific will rely on a firm commitment to human development and revitalizing the region's tried and tested model of export-led growth. By modernizing and mainstreaming these strategies, with improved governance and stronger political determination, the region can accelerate progress, diminish disparities, and prepare for a potentially more turbulent future.

Recent shocks have disrupted human development in Asia and the Pacific, and the situation is unlikely to get any easier. Along with the rest of the world, the region faces a number of overlapping risks that pose existential threats, jeopardize growth and job creation, and challenge governance and societal cohesion. In a more volatile and unpredictable world, sustainable human development will require not just commitment but flexibility and adaptability.

In many Asia-Pacific countries economic success and poverty reduction have been based on two models that were pioneered in the region: export-led growth, and the principles and practice of human development.[1] Both offer compasses for the journey ahead. But export-driven growth can be further adapted to yield richer benefits. And a commitment to human development, enabling all socioeconomic groups to flourish, in both current and future generations, should ensure that no one is left behind, and that the furthest behind are reached first.

However, it will be important to go far beyond recalibrating models. What is needed is a determination to be 'making our future'. This in turn means making governance fit for the future, so that governments are well equipped to deliver such transformations. At the same time, it is also essential to spark the spirit of change, through a deep understanding of socio-political barriers – and of the ways round them.

The need for change

The need for change arises from a combination of unmet aspirations and the prospect of a potentially more turbulent future. Compared with other developing regions, human development in Asia and the Pacific has been a relative success story. Nevertheless, progress has been accompanied by persistent disparities and in recent years by a series of disruptions. The result is a mixed picture: one of considerable human development progress in many countries, but little or no convergence among them.

The future may be even more challenging. Three clusters of risks - existential threats, challenges to growth and job creation, and risks to reform and implementation - are combining to reshape the region's development landscape. They present significant existential threats, and make it more difficult to achieve growth with decent employment, and to turn policy into practice. But it is crucial not to succumb to pessimism and instead recognize that disruptions can also generate new opportunities, and with the right course corrections the challenges can be addressed head on.

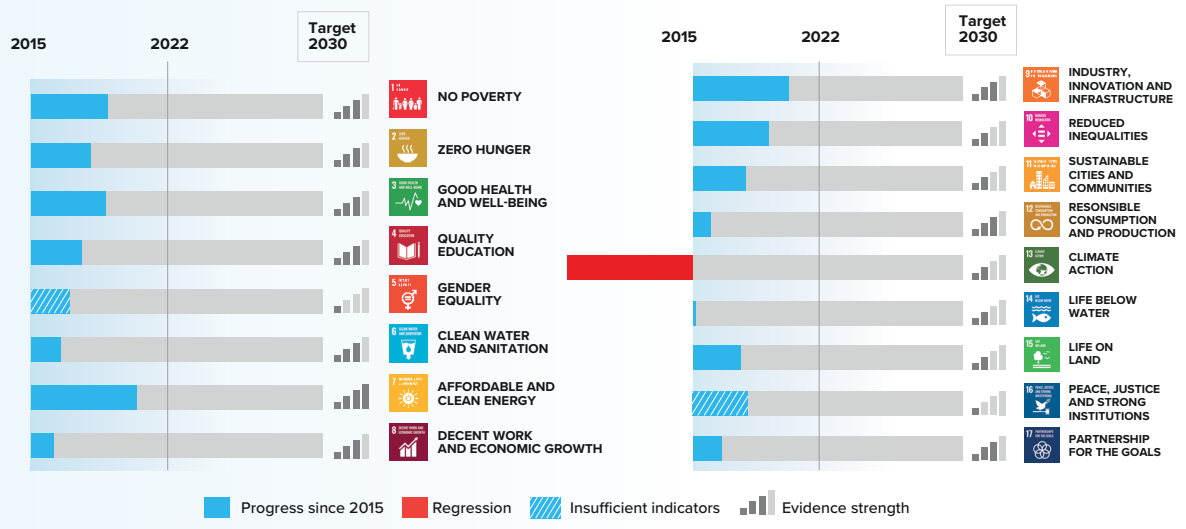
Unmet aspirations

The starting point – the conclusion of Chapter 1 – is that the region still has a long way to go to meet its human development goals. And the baseline projections for closing existing gaps are not encouraging. Meanwhile, many countries have high levels of human insecurity which, taken together with unmet aspirations, create a volatile mix, intensifying the need for change.

Progress gaps

On current trends, the latest projections suggest that the region is not on track to deliver any of the SDGs by 2030 (Figure 2.1). In other words, large gaps have opened up between where the region is and where it wants to be. In most areas, this reflects slower progress than what was foreseen when the goals were set in 2015. But in some areas the region has seen actual regressing, such as with respect to the climate goal. With each passing year, there is the risk that weaker implementation will widen SDG disparities even further. It is now anticipated that the SDGs will not be realized in Asia and the Pacific by 2030 but by 2064, even if the essence and ambitions of the 2030 Agenda remain as pertinent as ever.[2]

Figure 2.1 Progress on the SDG Agenda in Asia and the Pacific

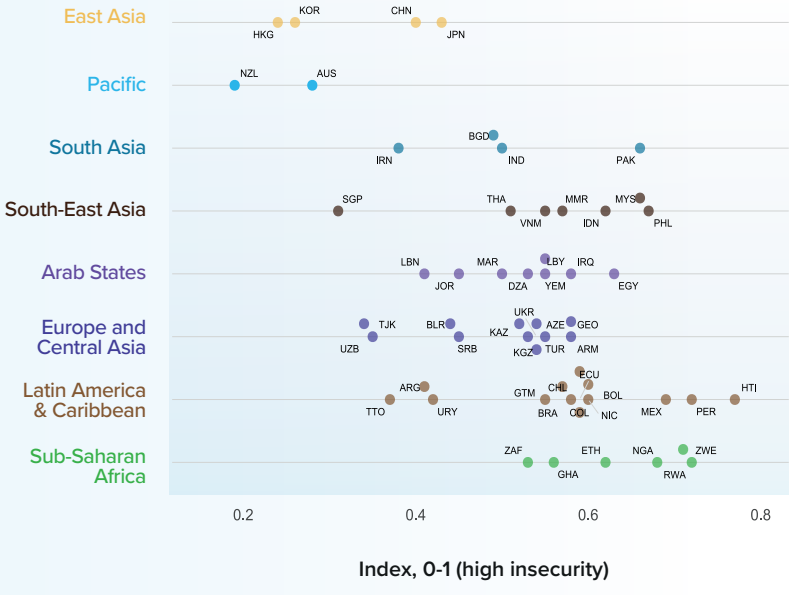


Source: UNESCAP 2023. Asia and the Pacific SDG Progress Report 2023.

Heightened insecurity

Across Asia and the Pacific, millions of people live precarious lives with multiple threats to their security: economic and environmental, social and political. To assess the extent of these risks, UNDP has an index of perceived human insecurity, using data from the World Values Survey (Figure 2.2).[3] This indicates that several South and South-East Asian countries have high levels of human insecurity, particularly those grappling with conflict, political unrest, or significant economic hurdles.

Figure 2.2 Index of perceived human insecurity (2017-2020)



Source: UNDP Human Development Report Office, based on World Values Survey, latest available data.
Note: The index captures perceived threats across different dimensions of daily life: citizen security, socioeconomic security and violent conflict. The threshold for the index is categorized as follows: relatively secure <0.2; moderately insecure 0.2-0.5, very insecure >0.5. Data not available for Pacific Island countries.

While the data are limited, they indicate that the countries with pre-existing high levels of insecurity experienced further increases in the second half of the 2010s (Malaysia, Pakistan, Philippines). The opposite was observed in countries with lower levels (Japan, Republic of Korea, New Zealand). As a result, there was significant divergence in the region (Table 2.1).

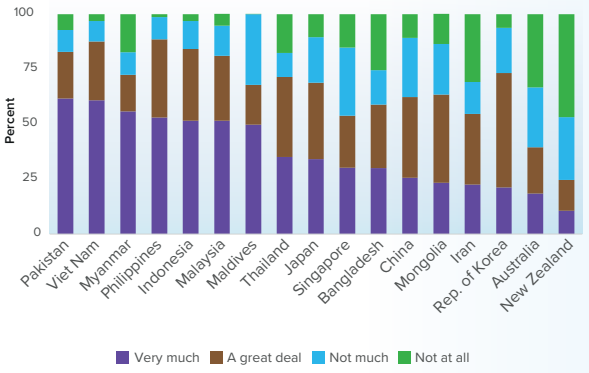
Table 2.1: Index of perceived human insecurity, 2010–2016 and 2017–2020

Country	2010-2016	2017-2020
Australia	0.22	0.28
Japan	0.46	0.43
Malaysia	0.60	0.66
New Zealand	0.22	0.19
Pakistan	0.63	0.66
Philippines	0.66	0.67
Singapore	0.30	0.31
Korea (Republic of)	0.33	0.26
Thailand	0.47	0.51

Source: UNDP Human Development Report Office, based on Wave 6 and Wave 7 World Values Survey.
Note: Increase in value signifies increasing human insecurity. Green colour indicates countries where human insecurity decreased and blue colour shows human insecurity increased between two waves of survey.

Focusing on the issue of job insecurity, the World Values Survey found that more than half of respondents in 15 of the 17 countries surveyed worry about losing their job or not finding one (Figure 2.3). Homing in on the issue of food insecurity, and observing the change in perception, four of the eight countries with data experienced an increase in food insecurity (Japan, Malaysia, Pakistan, Thailand).

Figure 2.3 Share of respondents worried about job loss or not finding one by extent



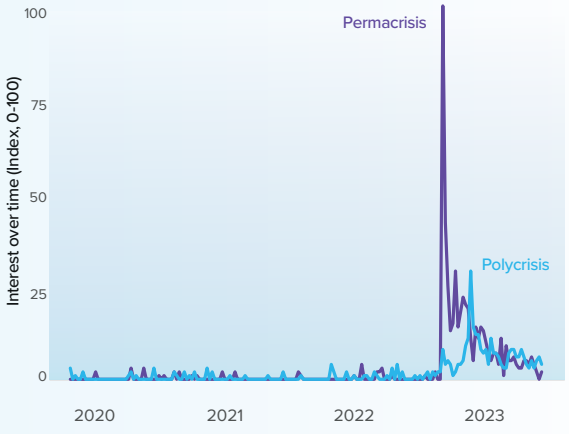
Source: World Values Survey. Wave 7 (2017–2022).

Unmet aspirations amidst high levels of human insecurity, in a world of instant digital communications, make for a volatile and potentially combustible combination. The spread of mobile telephony and the proliferation of social media apps, with narratives and memes that spring up within hours, can rapidly reshape the views of the public at large. While many of these messages are disruptive and destabilizing, others can pave the way for greater cohesion and innovation. The challenge is to ensure the primacy of the latter over the former – a task that becomes more difficult the longer aspirations remain unfulfilled.

A potentially more turbulent future

The growing interplay of various trends and shocks has captured increased attention in recent years. They have been referred to as 'polycrises' – confluences of factors that intertwine and interact, creating composite threats greater than the sum of their parts.[4] A related term is 'permacrisis' – a polycrisis on steroids, implying a prolonged period of instability or turmoil with no clear resolution (Figure 2.4). [5]

Figure 2.4 Global search interest in the terms "permacrisis" and "polycrisis", 2020–2023



Source: Google Trends. Accessed August 2023.
Note: Numbers represent global search interest relative to the highest point on the chart for the given time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

In the region's 'evolving development landscape' these risks are increasingly interconnected. Three broad clusters emerge:

- *Existential threats* – Long-brewing and interwoven trends, with particular emphasis on climate change and pandemics, with risks that can be amplified by existing patterns of urbanization and high-levels of global interconnectivity.
- *Challenges to economic growth and job creation* – These include new patterns in globalization amidst intense demographic and technological change.
- *Risks to reform and implementation* – Rising inequality can provoke political polarization and populism, while torrents of disinformation can dissolve social cohesion, and undermine democratic governance and freedoms.

These clusters and their components inevitably overlap. Urbanization, for example, while facilitating the spread of viruses also fosters economic growth by bringing people and activities together. And AI algorithms can not only affect job creation but may also hamper implementation by spreading conflict and confusion. Actions too can cut across the clusters as when solutions to counter existential risks, such as the development of solar power, also catalyse new engines of growth.

Cluster 1. Existential threats

In an increasingly interconnected world, rapid economic growth and technological innovation have enabled impressive advances in human development. The connections are often sources of strength and dynamism, but they can also transmit pathogens or acts of malevolence that threaten human survival.

Climate change – Countries in Asia and the Pacific region are extremely susceptible to the adverse impacts of climate change, which pose existential threats in the near term to Small Island Developing States as well as to low-lying coastal areas. Asia has six of the world's largest coastal mega-cities, including Tokyo and Mumbai. At the same time, the region relies for energy heavily on fossil fuels, notably coal, so is also a huge producer of carbon emissions – accounting for around half the global total. Moreover, because the region's coal fleet is relatively young, it will demand greater sacrifices to upgrade to cleaner energy sources. So, given the rapid economic growth in many Asia-Pacific countries, without significant policy interventions emissions will continue to surge.

Future pandemics – COVID-19 was not just a humanitarian disaster, but also a stark reminder that dense urban populations and mass movements of people within and between countries provide conducive environments for the spread of infectious diseases. Future viruses could be even more transmissible and more deadly. The prospect of future pandemics akin to COVID-19 are becoming ever more likely predicting a 47-57 percent likelihood in the coming 25 years.[6]

At the same time climate change is altering ecosystems and increasing the frequency of extreme weather events, which can disrupt traditional animal habitats, leading to greater human-animal interactions and potential zoonotic spillovers. Changes in extreme temperature and rainfall patterns also affect the distribution of disease vectors such as mosquitoes, bringing them into new areas. Over- and inappropriate use of antibiotics, for both humans and animals, is also creating antimicrobial resistance, with South-East Asia judged by WHO to be a subregion at particular risk.[7]

Climate change and pandemics are closely intertwined with urbanization and migration. But it should be emphasized that towns and cities, along with migrant populations,

are also cradles for enterprise and innovation, leading to new solutions based on sustainable urban planning and green infrastructure.

Cluster 2. Challenges to growth and job creation

Human development in Asia and the Pacific will rely on equitable and sustainable economic growth that creates sufficient incomes and jobs for future generations. But this vision may now be fading in the face of demographic pressures, slower trade integration, and rapid technological change that may sweep away many previous assumptions about work and employment,

Demographic change – Some Asia-Pacific countries are aging rapidly; others are facing population booms.[8] Falling birth rates and longer life expectancy, particular in parts of East and South-East Asia, are increasing the proportion of older people. By 2050, across the region the number of people aged 60+ is set to double, to 1.3 billion.[9] This ageing trend will put greater pressure on systems of health and social protection. Conversely, other countries face youth bulges and rising unemployment or underemployment: in parts of South Asia, around one-third of youth are out of education or employment, which could stir political and societal unrest.[10] This combination of aging in advanced economies and youth surges in emerging ones is likely to stimulate more labour migration.

Slowing trade integration – From the last quarter of the 20th Century and continuing through the first decade of the 21st Century, trade integration helped lift millions of people out of poverty. This process slowed following the financial crisis of 2009 and an uptick in protectionism worldwide. A restructuring of supply chains, triggered by the disruption caused by the COVID-19 pandemic and geopolitical tensions, are resulting in some transfer of production from China to South-East Asia and South Asia. Concomitantly, amidst complex geopolitical dynamics, the major trading blocks are continuing to explore greater self-reliance in critical production sectors. These developments, if they continue, could affect the pattern of trade and of FDI and lead to continued stagnation in the share of global trade to GDP, with profound effects on the region. Trade in services is, however, still rising, as are cross-border financial transactions.[11] While the jury is still out as to whether globalization has reached its zenith, a weakening of trade integration could jeopardize export-led strategies and restrict opportunities for labour migration, potentially increasing unemployment and weakening social cohesion.

Rapid technological change – Digitalization and innovations in AI, biotech and other fields can increase productivity, accelerate economic development, and contribute to societal and environmental progress. And simultaneous advances across multiple domains – technological and social – can synergize, interconnect, and amplify each another, providing new solutions to complex challenges. But there are also worries that advances in digital technologies, and automation will lead to further job losses in (smart) manufacturing and that generative artificial intelligence will eliminate many mid-level white collar occupations in the services sector. This cluster of converging risks poses a challenge to established engines of growth and job creation. Much will depend on the speed with which labour-displacing technologies diffuse, and the extent to which new technology creates new forms of employment. If new jobs are as plentiful as in the past, they could absorb workers displaced by automation. Countries that manage technological change well can thus minimize labour-market disruption.[12] And by stimulating entrepreneurship and investment in start-up activity, countries with growing youthful workforces, and others with ageing ones, could ensure that their economies generate enough decent jobs.

Cluster 3. Risks to reform and implementation

Human development, now and in the future, will rely not only on ingenuity from individuals and enterprises but also on effective governance that can provide the incentives for change, and resolutely implement the necessary reforms. Unfortunately, when the need for effective governance has never been greater, some of the old certainties of public administration are rapidly dissolving.

- *Erosion of democracy and institutions* – Rising inequality and threats to people's jobs or standards of living can fuel public disillusionment, eroding trust in institutions and magnifying the appeal of identity politics and populist solutions that pander to parochial interests and promise simple, quick fixes to complex problems while undermining democratic foundations and institutional integrity.
- *Public opinion polarized by social media* – Social media platforms can be instruments of unity, promoting dialogue and innovation, but they can also spread

disinformation and fan the flames of discord and division. Algorithms designed to capture and retain users tend to accentuate extreme views, creating loud echo chambers that block out subtle shades of opinion and voice, and compromise the foundations of informed and constructive discussion.

In a noisy space of polarized opinion and disinformation, it is increasingly difficult to craft and implement effective forward-thinking policies. Policymakers feel pressured to appease immediate demands at the expense of long-term goals.

Directions for progress

The United Nations Millennium Declaration that gave rise to the Sustainable Development Goals was signed in September 2000. This was only a couple of decades ago, but it seems like a different age. And as the world moves into more turbulent economic and political waters, the individual goals and targets set for the year 2030 are increasingly out of reach. But while the times may have changed, the ultimate destinations remain the same. In a region in which hundreds of millions of people have lives of deprivation and uncertainty, there can be no wavering from the goal of sustainable human development.

What does need to change is how countries in Asia and the Pacific reach those destinations – how they 'do development better'. This can start with an acceptance that no one has all the answers and that all proposed solutions are provisional. There is an analogy here with the natural sciences which proceed incrementally, displacing previous theories and paradigms with ones that better fit new data and understanding.

Doing development better is a similar process of learning, of finding new solutions to current crises and impending threats. Indeed, as the experiences of the past decade have shown, each crisis also carries within it the germs of answers. The COVID-19 pandemic, supply-chain disruptions, severe weather events, and geo-strategic fissures, all squeezed into the past decade, have highlighted problems and pressure points, but also opened doors to fresh solutions.

The need of the day therefore, and of the decades ahead, is to translate these lessons into more effective action – taking advantage of emergent opportunities in the spheres of manufacturing 4.0, technology, trade, FDI, decarbonization, AI and the digitalization of services, and doing so in ways that meet each country's specific needs.

This region is fortunate in that it can draw inspiration from its own successful models. The Asia-Pacific region was the birthplace of the export-led growth strategy and the two South Asian pioneers of the human development approach.[13] Both models remain valuable and rich sources of ideas and inspiration.

Any evolving strategy will recognize that human development should continue to be underpinned by economic growth, and when the drivers of growth themselves are under stress, this also jeopardizes the pursuit of human development. Growth and human development strategies should not therefore be travelling along separate tracks but must instead converge and combine into one single train of ideas and action.

Nevertheless, to ensure more equitable outcomes in the 21st Century, these models need to be reshaped, modernized and mainstreamed. The export-led growth model should also evolve with the times, and the human development approach should be more widely adopted if it is to fulfil the rights and meet the needs of current and future generations.

But doing development better will not just require new strategies, it will also require stronger implementation, through more capable and trusted governance. This means paying closer attention to the 'political economy' of reform, arriving at better understandings of the shifting relationships between individuals, states, and markets. Otherwise, new forms of governance or policy implementation risk being derailed by entrenched interests and the vagaries of electoral and political cycles. This means considering how to make change happen at a tactical level.

This chapter offers a brief overview of the bigger picture. While delving later into the essential details in subsequent chapters, it is important to keep the overall direction and goals in view.

Mainstreaming human development

Human development takes a holistic people-centred approach, emphasizing well-being and empowerment, particularly of vulnerable and marginalized populations. It positions poverty, inequality, and environmental sustainability on a par with economic growth in terms of their significance to human and societal advancement. This requires long-term commitments to health, education, equity, sustainability, and human security, and to creating enough decent employment. Human development also underscores the critical roles of gender equality and inclusive governance in unlocking human potential.

Human development is not to be confused with social development. While related, they involve different areas and considerations. Social development is usually confined to social policy and is often managed by specific parts of government. Human development on the other hand considers the interrelation of economic, social, and environmental factors and acknowledges their collective impact on overall well-being. Human development goes beyond social policies to include more extensive systemic transformations and sustainable well-being in all facets of society.

If countries are to enter new, complex, and more varied markets, capitalizing on technological advances they will need new human resource capacities and skills. Fulfilling rights to good health and education, and human security are human development ends in themselves, but they also equip workers with the security and skills to offset job losses in the face of automation, and thus smooth technological transitions.

Many countries have learned to compete and find the sweet spots by shaping markets and building the necessary capabilities.[14] All governments, even those in resource-starved countries, can work with their citizens and partners to identify emerging opportunities and potential problems, and any needs for structural change. All such policies can reduce inequalities, empower the structurally excluded, and ensure equal access to opportunities and resources, and more equitable, resilient, and environmentally conscious societies.

At the heart of all these changes should be sustainability. All policy and decision making – public and private – will eventually be internalizing the realities of climate change and will therefore incorporate natural assets, including the air and the oceans, as never before. The balance sheets of governments and enterprises would build in environmental losses and costs.

Around the world, countries are reimagining a future based on sustainable industries, jobs, cities, transportation, and energy systems. The United States, for example, has had an important achievement with the Inflation Reduction Act. The European Union similarly has the Green Deal, coupled with its regulatory framework. The EU's Carbon Border Adjustment Mechanism will also have significant implications for many Asia-Pacific countries.[15]

Recalibrating growth

The export-led growth model, often hailed as the driving force behind the 'Asian Miracle', transformed many Asia-Pacific countries. Not everyone gained, indeed millions of people who did not have the opportunity or capacity to participate, were left at the margins. And some countries benefited more than others.

Nevertheless, export-led growth brought many benefits that resonated across Asia and around the world. Central to this model was a process of industrialization, while tapping into larger, more affluent external markets through trade and integration in global value chains. All this was enabled by hefty investment in infrastructure and industrial development, taking advantage of technological advances. But the export-led model was also underpinned by significant investments in education and health, to build the necessary capabilities and capacities of the workforce – an early acknowledgement of the primacy of human development.

To remain relevant, the export-led growth model needs to be adjusted to both current and future realities. Companies will face fiercer competition in global markets, as both incumbents and new entrants vie to meet the new demands for goods and services.[16] Many will fall by the wayside. Less than half of companies in the top quintile for profit generation in the top performing emerging economies were still there a decade later.

Multinational corporations in Asia and the Pacific and around the world appear to have started to restructure their global value chains, aiming to diversify their sources of supply and reduce exposure to political and other risks.

Moreover, given rapid technological change, the bar for competitiveness is likely to rise, favouring early adopters and increasingly leading to winner-takes-all scenarios. The export-led growth model needs to adjust to this more competitive environment, and, especially in the larger countries, this can mean taking greater advantage of domestic opportunities.

The implications will be explored in Chapter 4, but four areas of opportunity present themselves.

- *Reiterate the importance of manufacturing* – Countries should not deemphasize manufacturing; for most this still holds considerable potential for growth. But manufacturing alone will not do the trick; other sectors must pull their weight as well.
- *Harness opportunities in services and agriculture* – Countries can exploit prospects in services and agriculture, along with opportunities at the intersection of all three sectors. Digital tech can enable remote high-value services.[17] Rising incomes and a projected two billion population rise by mid-century will increase the demand for agricultural products. Despite some losses in productivity due to climate change, this should offer opportunities to countries that have strengths in food production.
- *Tap into the green, blue and purple economies* – There is a need to green and decarbonize economic development and especially manufacturing. This will not only improve sustainability but also enhance growth, while also reaping other opportunities in the blue economy (oceans) and the purple economy (care economy).
- *Exploit technological opportunities* – All countries can, to a certain degree, seize opportunities presented by new technologies. For example, in order to improve productivity and quality some countries in the region are applying selective automation to processes in the garments, footwear and consumer electronics industries. Moreover, in some industries new technology has lowered the barriers to entry. Computing power and new software tools make it easier to design and model new products. Entry into the electrical vehicle sector, for example, is easier because the vehicles have fewer sophisticated parts, and major components, such as battery packs, can be outsourced. Manufacturers in China are taking full advantage of this and have emerged as the leading EV producers.

Making change happen

Advancing human development will require more pro-active and visionary governance. With anticipatory, adaptable, and agile policymaking, pro-active governance of this kind can swiftly re-allocate resources and priorities towards new policies and programmes – with support for mission-oriented development, while building consensus and facilitating investment in critical capacities and sectors.[18] In this way, Asia-Pacific countries can unlock the region's growth potential, boost resilience and chart paths towards more prosperous and secure futures.

Given the likely uncertainties and the potential turbulence in the making, all procedures, policies, and programme planning should be on a contingent basis, allowing for different scenarios. To keep pace with innovation, countries can take advantage of platforms for social innovation,[19] use open-source development of new ideas and technologies,[20] and incorporate creativity hubs within flatter decision-making architectures.

This strategy entails knocking down silos between government departments while building partnerships with civil society, academia, and the private sector – themes to be picked up in Chapter 5.[21] In this way, the Asia-Pacific region can exploit collective knowledge, resources, and expertise – with the exchange of best practices and cross-sectoral coordination that can arrive at innovative solutions. More integrated and synergistic development, promoting transparency and engaging with local communities can ensure a more inclusive and sustainable future.

None of the above is feasible without also a clearer understanding and more tactical application of the political economy of reform. Merely tweaking development models and revising governance structures is insufficient; to truly succeed, there needs to be a clear pathway for sparking the spirit of change.

Countries in Asia and the Pacific now have the opportunity to snap out of the status quo and transition to a different state. In this regard, later chapters consider the influence of crises, legitimacy, and self-interest, and propose actionable recommendations on the one paramount priority: how to bring about change effectively.

In many countries, the path can be blocked by powerful economic and political forces. Economic elites often act

as rentiers with no developmental role, who might seek to undermine or even capture the state. On the other hand, some elites can be active champions of development. Various political economists have considered how developmental elites can contribute to a stable economic environment and how to encourage them in this direction.[22] This phenomenon has appeared at various stages in a number of Asia-Pacific countries, including India, Indonesia, Japan, Republic of Korea, Malaysia and Thailand.[23]

To snap out of status quo, stakeholders have to become changemakers and adopt pro-development policies. Chapter 4 will delineate several strategies:

- *Fostering a demand for reform* – By raising awareness, and deploying compelling evidence and insights about the current state of human development and the looming potential challenges. This means actively engaging with the public, which can be amplified through social media.
- *Emphasizing immediacy* – Reforms often happen during crises, either out of sheer necessity or due to external influences, such as market dynamics or conditions for external financial support. If we are indeed heading into a tumultuous era, terms like "polycrisis" and "permacrisis" may become all the more relevant. Stakeholders may have to be warned of the consequences of inertia and the importance of shifting from reactive responses to proactive measures.
- *Identifying concerns for legitimacy* – If progress stagnates and future challenges intensify, the general public could become increasingly critical of deep-seated power structures – threatening the legitimacy of those at the helm.
- *Enlightening self-interest* – Pro-development policies may shift the balance of power, but this is not a zero-sum game. Comprehensive growth and human development strategies offer benefits at both individual and societal levels, and the whole is greater than the sum of the parts. Hence, even if the elites see their relative positions affected, they still stand to make tangible absolute gains.

* * *

This chapter has highlighted the pressing need for change. It has pointed out a clear gap between where Asia and the Pacific is on the SDGs and where it aspires to be. And across the region, millions of people experience deep levels of human insecurity. This future filled with uncertainty is marked by existential risks, challenges to the traditional engines of growth and job creation, and risks to the momentum for change. It is essential to be ready and proactive.

Powering up human development will mean updating old playbooks. This means putting people first, emphasizing equity within and across societies and generations. It also means revisiting what drives economic growth and creates jobs, and recalibrating growth strategy. At the same time, future success will depend upon strengthening state capacities, improving governance, and diving deeper into the dynamics of reform.

None of this will be easy, especially for countries that bear the scars of the COVID-19 pandemic and find themselves in a highly charged and fissuring global environment. But avoiding the problems is not an option. There is no ducking the need to make the necessary changes in directions and to make them simultaneously. Progress in all the above areas will rely on a strategy that prioritizes human development.

Part II of this *Report*, and subsequent chapters, discuss the essential policy pathways, offering tangible policy suggestions for each key area while also considering their interplay. The most appropriate policies will inevitably differ from one country to another, so the *Report* provides various options for change in different development situations, finishing with the best ways to "make it happen."

PART II.

MAKING OUR FUTURE: OPPORTUNITIES FOR POLICY

Chapter 3. Mainstreaming Human Development

Development strategy needs to be recentred so as to fully meet people's needs and rights, while easing pressures on the planet. This will enable countries to enlarge people's choices, build stronger human security, ensure environmental sustainability, and help meet obligations to future generations.

The 21st Century has unfolded with sweeping transformations in societies and technologies – changes that need to be matched with corresponding measures to reinvigorate human development. In Asia and the Pacific, this will entail sustaining economic growth while making determined efforts to combat the disparities between different groups, based on household income, for example, gender, age, ethnicity or where people live, and to restore human dignity. Countries across the region also have to face up to new threats to governance, to economies and the environment, and to do so while fully engaging citizens in the process of change.

In a more complex and turbulent world, countries will benefit from a renewed, people-centred approach that can widen choices and opportunities. But marginal adjustments will not suffice. 'Making our future' requires a systemic reset, a new policy framework encompassing well-being, fairness, and ecological sustainability.

This can be embodied in a new eco-social contract between governments and citizens, which would cover policies for achieving just transitions to a low-carbon economy, and measures to mobilize the revenue needed for investing in human development, ensuring that businesses can create productive and fulfilling jobs and that citizens can engage and participate in political processes.

Changes on this scale will not occur spontaneously. They need to be stimulated by intentional policy choices in at least three domains:

- *Enlarging people's choices* – This will include tackling structural exclusion – which occurs when mainstream society excludes particular groups from fully participating in economic, social and political life – while upholding human dignity, as well as enhancing human capabilities. This will require repealing discriminatory laws, confronting harmful societal norms and practices, addressing the concerns of different groups including women, youth, persons with disabilities and LGBTQI+ people, and also addressing the diverse needs and vulnerabilities of the large informal workforce.
- *Human security in a more turbulent world* – To thrive in a potentially more turbulent future, people need a safe and stable environment. Governments can support them by providing sufficient social security, investing in health and food security, and ensuring disaster preparedness and response.
- *Obligations to future generations* – This involves considering the long-term impacts of current proposals on the environment and society. Policy makers can promote the just energy transition, invest in climate-resilient development, and protect nature, while managing public finances responsibly. They can also encourage the private sector to invest in ways that help sustain the planet.

Mainstreaming human development means ensuring that policy processes incorporate the human development perspective. The objective is to expand people's choices and improve human security, now and in the future, and this must be central to policy and programmatic design at all levels. Mainstreaming will often mean reorganizing how these policies and programmes are designed, implemented and evaluated.

This Chapter will lay out policy options to accelerate human development in the region while preparing for the future. It will briefly revisit the importance of mainstreaming human development and then tackle the three critical themes highlighted above: enlarging people's choices, reducing human insecurity, and fulfilling our obligations to future generations.

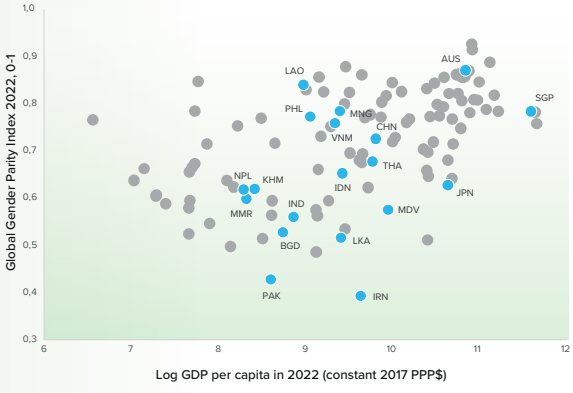
The importance of mainstreaming human development

The human development approach needs to become more central in the region's decision-making arenas. Existing disparities and recent disruptions indicate that the discussion, formulation, and execution of development strategies give insufficient weight to the needs and perspectives of people – in either current or future generations. While the pursuit of economic growth is important, it alone cannot guarantee comprehensive human development. This becomes increasingly evident in an environment marked by heightened human insecurity and with the prospect of a potentially more turbulent future.

Human development is not achieved automatically by growth alone

Economic growth should not be an end in itself, rather it is a crucial means of achieving human development. It is also closely intertwined with human development but the linkages can be stronger or weaker at different points of time and across countries.[1] Growth alone is not likely, for example, to link with or promote gender equality. As indicated in Figure 3.1, countries with higher per capita GDPs do not necessarily have lower gender disparities.

Figure 3.1 Higher incomes do not automatically reduce gender disparities

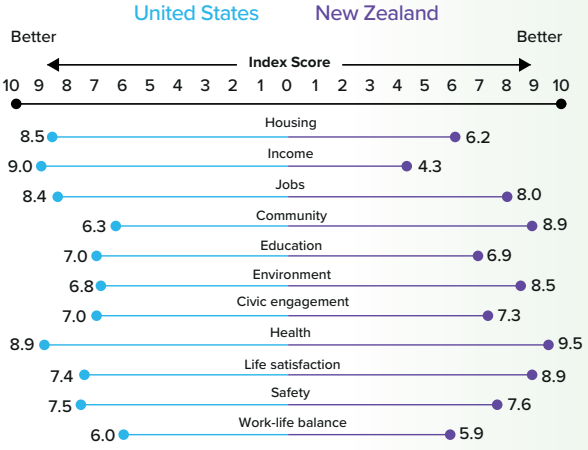


Sources: Based on WDI, World Bank and Global Gender Parity Index, UN Women.

Nor do the benefits of growth always trickle down to the majority of people. Free-market mechanisms may ensure that resources are allocated efficiently, but they do not ensure distributive justice. That is why governments devise ways to transfer income and other economic opportunities to vulnerable and poor populations.

Growth metrics also do not fully capture the comprehensive aspects of human well-being**.** This is evident from the OECD's quality of life index (Figure 3.2). Despite a lower per capita GDP, New Zealand outperforms the United States in multiple indicators of well-being.

Figure 3.2 Well-being in the United States and New Zealand



Source: Stiglitz, 2020.[2]
Note: OECD lists 11 indicators to measure quality of life. In the chart above, though US fares better on per capita income, New Zealand performs better in community, environment, health, safety, life satisfaction.

GDP on its own is thus not a comprehensive measure of well-being. It only assesses total economic output but takes no account how that income is distributed, or its contribution to well-being through healthcare, education, housing, or social support. Also, GDP only covers market-based transactions, missing out many crucial but unpaid activities like caregiving and volunteering. Finally, it neglects the environmental costs associated with economic growth, from pollution and resource depletion to habitat loss.

To provide more comprehensive and nuanced assessments of human well-being, poverty and vulnerability, there are a number of additional measures – the human development index (HDI), the multidimensional poverty index (MPI), and the multidimensional vulnerability index (MVI). These recognize that human well-being is multidimensional and incorporate measures of the risks and vulnerabilities that affect individuals and communities. Also useful is the more recent planetary-pressures-adjusted human development index (PHDI) which discounts

a country's HDI by the extent to which ever-increasing output is degrading the natural environment.

Growth that is not directed to supporting human development is lopsided and flawed in different ways. It can be seen as:

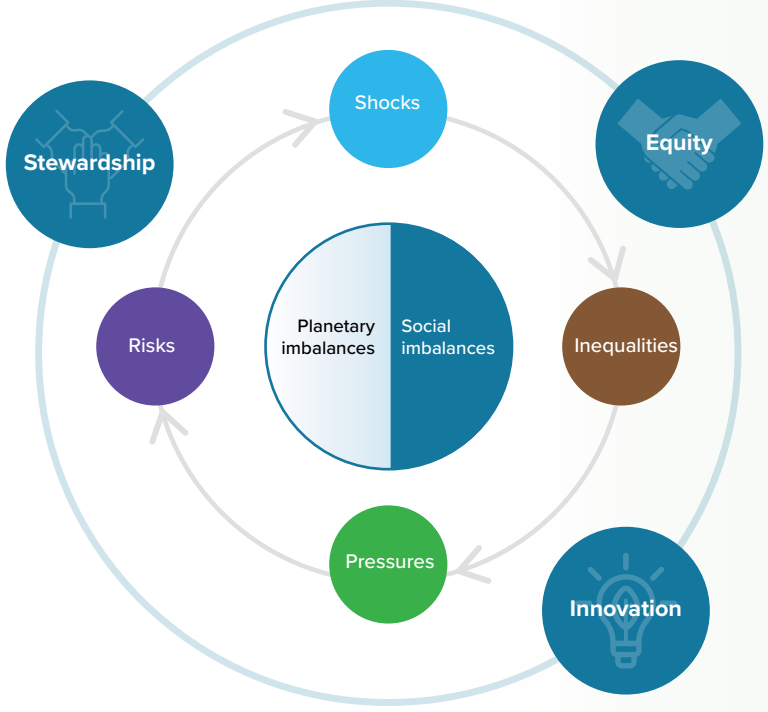
- *Jobless growth* – where the overall economy grows but does not expand the opportunities for employment.
- *Ruthless growth* – where the fruits of economic growth mostly benefit the rich, leaving millions of people struggling in ever-deepening poverty.
- *Voiceless* growth – where growth in the economy has not been accompanied by an extension of democracy or empowerment.
- *Rootless* growth – which causes people's cultural identity to wither.
- *Futureless growth* – where the present generation squanders resources needed by future generations.[3]

People at the heart of development strategy

The human development approach is centred on people. Anchored in Amartya Sen's human capabilities approach, in 1990 the UNDP economist Mahbub ul-Haq introduced the human development approach. This perspective focuses less on the prosperity of economies and instead emphasizes the depth and quality of human experiences.[4] The goal is to help people lead lives they value, by expanding their capabilities and choices, which go beyond achievements in well-being to include agency and freedoms.[5] The aim is to:

- *Enhance capabilities* – for people to lead long and healthy lives, to be educated, to be well nourished, and able to appear in public without shame.
- *Widen choices* – for people to do and be what they value in life.
- *Expand freedoms* – including political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security.
- *Assure human rights* – economic, social and cultural rights, and civil and political rights.

Figure 3.3 Breaking the vicious cycle of social and planetary imbalances



Source: Human Development Report 2020.

Since then, the human development paradigm has been steadily renewed, in particular to achieve a better balance between people and the planet – with a greater emphasis on sustainability and environmental protection. Thus, while pursuing equity and innovation, human development is now widely recognized to also involve easing planetary pressures and instilling a sense of stewardship of nature (Figure 3.3).[6]

Unfinished business and future turbulence

Human development now needs to be mainstreamed – to become central at every level of intervention, redefining policy processes and objectives around people's choices and their needs for security, now and in the future.

Countries that have done so effectively have ranked highly on the human development index.[7] Japan and the Republic of Korea, for example, while implementing sound economic policies also invested heavily in education and health care for decades. In the area of education, Japan ensured equal opportunities for students across socio-economic backgrounds – so students from poor families became less disadvantaged. As a result, less than 10 percent of the variation in student performance in Japan is explained by a student's socioeconomic background. Across OECD countries, the proportion is 13 percent.[8] Similarly, in the area of health care, since the 1960s, Japan's system of universal health insurance has provided comprehensive coverage to all citizens – enabling the country to control and eradicate common infectious diseases and achieve one of the world's highest life expectancies.[9]

As indicated in Chapter 2, the Asia-Pacific region will likely face a more complex and turbulent outlook for human development, making it even more urgent for countries to foster more cohesive and equitable societies. This entails tackling structural exclusion and investing in human capabilities to enlarge people's choices and enhance competitiveness as well as fulfilling human security needs, while meeting the needs of future generations, especially through environmental stewardship.

Enlarging people's choices

Expanding the social, economic and political choices of all people, not just for one segment of society, should be central to the region's approach to human development. It is about people being able to exercise choices to pursue a full and creative life, and being able to live in freedom and dignity.[10] Structural exclusion, which is widespread in the region, impedes certain segments of the population from exercising these choices. It impacts women, youth, informal workers, persons with disabilities, LGBTQI+ people, and others. Addressing this exclusion is not only needed to uphold human dignity, but also essential to boost the region's productivity. Beyond this, we can bolster human potential by ensuring access to quality education and healthcare, bridging the digital and skills divides, and providing other fundamental necessities. Doing so equips individuals to actively engage in a brighter and fairer future.

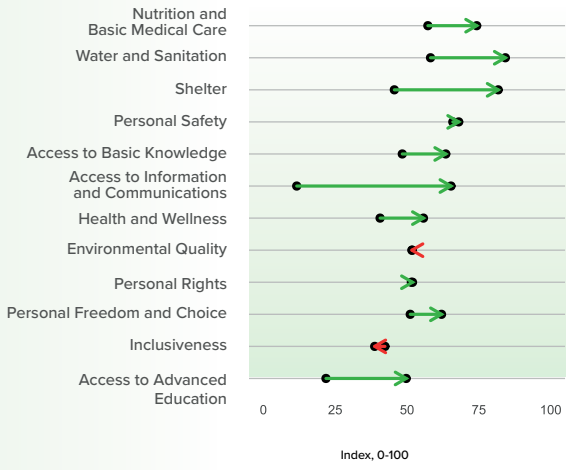
Tackle structural exclusion and uphold human dignity

The rapid technological advances underway, coupled with the drive to build competitive economies to reignite growth in the region, can bring tremendous opportunities for human development. It could provide economic and employment opportunities, raise living standards, reduce inequality, and lift millions out of poverty. These opportunities, however, can only be realized if all segments of the population are active participants in this transformation.

Yet, in Asia and the Pacific, millions of people continue to find themselves structurally excluded. Structural exclusion refers to systematic and enduring barriers that prevent certain groups from fully participating in economic, social, and political processes. Structural exclusion impacts women, youth, informal workers, persons with disabilities, and LGBTQI+ people, among other groups. They can be systematically excluded from decent employment opportunities, education, healthcare, finance, and from meaningful participation in decision-making processes. These barriers are often rooted in systemic inequalities, discriminatory laws and practices, and in limited access to resources, all of which perpetuate cycles of exclusion, and compound the disadvantages and the indignity.

The social progress index (from the non-profit organization Social Progress Imperative) shows that while Asia and the Pacific has made significant progress in many aspects of human well-being, it has been regressing on inclusiveness (Figure 3.4).

Figure 3.4 Social progress index, Asia and the Pacific, 1990–2022



Source: Based on the Social Progress Index (Social Progress Imperative).
Note: Inclusiveness index is composed of: equal protection index, equal access index, power distributed by sexual orientation, access to public services distributed by social group, discrimination and violence against minorities, and acceptance of gay and lesbian people.

In addition, poor people are systematically excluded from many opportunities and can be trapped in cycles of poverty and low human development. Without savings to fall back on, they fear making investments in their futures that risk significant and potentially ruinous losses. They may also be excluded simply by living in poor neighbourhoods characterized by low-quality services like healthcare, education, or public utilities, and more often are pressured to pay bribes for basic electricity or water connections. And typically, they have limited voice or representation to demand improvements.

Addressing structural exclusion will need sustained efforts across institutions and society. It is a long-term endeavour that requires political will, a consistent commitment to dismantling systemic barriers, and the involvement of all stakeholders in shifting societal attitudes. This will entail a shift away from development approaches that focus on short-term gains and neglect the underlying structural issues that perpetuate inequalities. It is time to move on from the standardized models that take no account of the unique circumstances and challenges faced by individuals and communities, and from the siloed approaches that result in limited impact in tackling structural exclusion and human indignity.

Tackling structural exclusion and enhancing human dignity will mean addressing the circumstances and challenges faced by excluded individuals and communities and adopting a holistic and inclusive approach to development.

Women

Countries that systematically exclude women from economic participation are not only denying women their rights but losing half their population's economic potential. Gender equality in economic participation is thus essential for boosting the region's productivity. Women's political participation is a fundamental prerequisite for gender equality as their direct engagement in public decision-making helps ensure better accountability to women and good governance. See Box 3.1 for the experience of the Maldives.

One immediate priority is to repeal discriminatory laws, and reverse harmful societal norms and practices. These impede women's access to economic opportunities and equal representation, hindering the realization of their full potential. Combining policy action with cultural shifts and community engagement can help address deep-rooted structural barriers, social norms, and gender persistent biases, particularly in South Asia and the Pacific.

Box 3.1 Women's political representation rising in Maldives

In many countries, women are unequally represented in national and local parliaments. Maldives is making progress by specifying that one-third of local councilors should be women.

Research shows that gender-inclusive polities, societies and workforces boost economic growth, spur innovation, and increase investments in social protection, health, and education. Yet women's representation in politics and at the corporate board level has tended to lag in the region. Nevertheless, there has been progress in recent years as in Maldives.

Although Maldives is in the high-development category of the human development index, in 2022 it ranked 179 out of 189 countries for the number of women representatives in national parliaments.[11] The implementation of the amended Decentralization Act mandates a minimum of 33 percent women in local councils, which produced significant progress at the local level.[12] Local councils now have 40 percent female representation.[13]

Women's Development Committees (WDCs) play a key role in promoting women's political participation at the local level. Initiated in the 1980s, WDCs gained more traction and legal recognition as platforms to promote women's political participation. They also play an important role in providing an avenue for women to network, fundraise, collaborate, and implement, initiatives for community development. The government allocates a specific budget of five percent of each local council's budget for WDCs.[14]

Actions will require legislative reform, enacting and enforcing comprehensive anti-discrimination laws that cover all aspects of life, including education, employment, healthcare, and public spaces, and establishing legal frameworks that criminalize harmful practices like child marriage and gender-based violence.

All policies and programmes should aim to integrate a gender perspective to ensure the specific needs and experiences of women are considered, invest in better gender-disaggregated data collection to inform policies, and work with all stakeholders. Public and private sectors, educational institutions, the media, and civil society all will have to implement education and awareness programmes that challenge gender stereotypes and promote gender equality. Estimates suggest that advancing women's equality in the region could add $4.5 trillion to countries' collective annual GDP by 2025.[15] [16]

There are good examples of policy actions taken to tackle the structural challenges that women and girls face.

- *India, Indonesia, Maldives, Nepal, and Timor-Leste* – Using quotas through direct means such as reserved seats or legislated candidate quotas for women, these countries have seen increases in parliamentary and/or local government representation, although more remains to be done to reach parity.[17] [18] In India, as of 2017, reserving one-third of seats for women in Panchayati Raj Institutions helped elect over one million women to government positions – globally the largest absolute number of women in grassroots politics.[19] The country's Parliament passed a constitutional amendment bill in September 2023 to reserve one-third of seats in both houses of Parliament and State Legislative Assemblies.
- *Indonesia* – In its efforts to encourage women entrepreneurship and support private sector development, the Government of Indonesia abolished formal restrictions on independent asset ownership, credit access and the assumption or disposal of property.[20]
- *Japan, Mongolia, Republic of Korea, and Thailand* – All have mainstreamed time-use surveys in their national statistical systems and collect the data regularly, helping develop gender-responsive policies.[21]
- *Philippines* – The Government has adopted a holistic approach that covers curricula reform and training of teachers in science, technology, engineering, and mathematics (STEM) subjects that reinforce breaking down gender stereotypes and gender roles.[22]
- *Georgia* – Beyond the region, Georgia is a good example where the Government incentivizes party reform to increase women's political participation and achieve gender parity.[23] Political parties receive 30 percent more funding if the first 10 names on their party list have at least 30 percent of each sex. Additional fund-

ing is provided to parties that successfully nominate and have a woman candidate elected. Georgia has a higher representation of women in parliament than the median of countries that lack quota systems.

Informal workers

Many countries can make progress by recognizing and addressing the diverse needs and vulnerabilities of their large informal workforce. A related objective could be to support the transition of these workers to the formal workforce which would not only boost their earning capacity but also increase overall labour productivity (Figure 3.5). Action will require a multi-faceted approach that may include the following areas:

- *Legal frameworks* – Develop legal frameworks that acknowledge the human rights and dignity of informal workers and provide them with legal protection against exploitation and abuse.
- *Registration* – Create mechanisms for registering informal workers to ensure they have access to basic rights, social protection,[24] and public services.
- *Information* – Raise awareness among informal workers about their rights, entitlements, and available support services through targeted information campaigns.
- *Association* – Support the formation of worker cooperatives, associations, or unions that enable informal workers to collectively negotiate for better working conditions and benefits.
- *Education and training* – Enhance the capabilities of informal workers, improving their employability and income-earning potential, through education and training.
- *Formalization* – Develop pathways for informal workers to access formal labour markets while ensuring social protection.
- *Collaboration* – Foster collaboration between government agencies, labour organizations, civil society, and informal worker representatives to develop effective and inclusive policies.

Figure 3.5 Correlation between informal employment and labour productivity

Sources: Based on Penn World Table 10.0 and ILOSTAT.

Efforts have been undertaken in a few countries to create a more inclusive environment for the informal workforce.

- *Cambodia* – In terms of mechanisms to better negotiate the needs of informal workers, the Independent Democracy of Informal Economy Association, is a union representing thousands of informal workers, including street vendors, taxi drivers and tuk-tuk drivers. It advocates for workers' rights to social protection benefits and assists workers in accessing the National Social Security Fund's ID card for free health care.[25]
- *India* – the new Rajasthan Platform-Based Gig Workers (Registration and Welfare) Act, 2023 is a first-of-its-kind social security law that targets the fast-growing platform-based gig work. It calls for the establishment of a welfare board and a dedicated social security fund for the state's platform-based gig workers. It is to be financed by a levy of between one and two percent on each platform-based transaction.[26]
- *Indonesia* – In some countries, legislation protects domestic workers against violence and harassment by expanding the definition of domestic violence beyond traditionally understood family relationships. In Indonesia, for example, live-in domestic workers are considered as members of the household for which they work and as such, are protected against physical, psychological, sexual and economic violence.[27]
- *Indonesia, Pakistan, Philippines and Viet Nam* – Social security laws protect migrant domestic workers by extending social security coverage to them.[28]

Youth

Youth concerns can be addressed using a holistic approach that targets education, employment, social inclusion, and participation. As recorded in Chapter 1, many countries grapple with youth unemployment. Here there is an opportunity to fully harness the potential of young people.

Actions may centre on the following areas:

- *Equal opportunities* – Advocate for labour policies that prohibit discrimination based on age and ensure equal opportunities for youth in the workforce.
- *Participation* – Youth participation is important in decision-making processes at all levels of governance, ensuring their voices are heard in shaping policies that affect them.
- *Social protection* – Develop targeted social protection programmes that address the specific vulnerabilities of youth, including unemployment benefits and health coverage, with access to quality mental health services.
- *Education* – Improve access to quality education at all levels for all youth, regardless of socio-economic background or location.
- *Inclusion* – Tailor policies to address the unique challenges faced by marginalized youth, including young women and those from indigenous communities or rural areas.

There are good examples from the region on efforts to enable greater inclusion of youth in all spheres.

- *Philippines* – The Republic Act 10869 was enacted in 2016 to institutionalize the implementation of the JobStart Philippines programme nationwide.[29] The programme, implemented by the Philippines Department of Labor and Employment, prepares young Filipinos for employment by providing career coaching, life skills and technical training, and paid internships with employers.[30] The programme targets youth of 18-24 years and those not in education, in employment, or in training at the time of registration. Through partnerships with the private sector, the programme helps employers meet their manpower needs with qualified young Filipinos. Over 7,000 youth have been assisted through the programme as of 2022.[31]
- *Sri Lanka* – In terms of the political participation of youth, Sri Lanka is the first country in the world to engage youth as representatives in its Parliamentary Sectoral Oversight Committees.[32] These Committees function with the participation of parliamentarians representing all political parties in the Parliament.

Persons with disabilities

Inclusive policies are needed to address the specific needs and vulnerabilities of the region's persons with disabilities (PwDs). With over 700 million PwDs[33] in the region – a population which is projected to increase due to aging and a rise in non-communicable diseases, among other issues – countries need to tackle the significant barriers they face. This would entail ensuring their equal access to a range of rights, opportunities, and social provisions, including transport, employment, education, social protection, health care, and information. PwDs can be fully productive members of society, particularly when physical, social, and information barriers are removed. It has been estimated that disability-inclusive employment could raise GDP by 1 to 7 percent.[34]

Actions towards ensuring the well-being of PwDs can cover:

- *Legislation* – Enacting comprehensive anti-discrimination laws that protect the rights of PwDs in various aspects of life, ensuring effective enforcement, and providing avenues for legal recourse.
- *Employment* – Implementing policies that promote equal employment opportunities for persons with disabilities.
- *Education* – Implementing policies that ensure access to quality, inclusive education for PwDs, and training of teachers and educators to effectively support students with diverse needs.
- *Accessibility* – Introducing accessibility standards and regulations for public spaces, transportation, infrastructure, information, and digital platforms to ensure full accessibility for all.
- *Healthcare* – Ensuring PwDs have access to affordable healthcare and assistive devices.
- *Disability rights* – Raising awareness about disability rights to reduce stigma and foster a more inclusive society.

Some countries in the region are working towards greater inclusion of PwDs.

- *China* – The Regulations on Employment of Persons with Disabilities, 2007, prohibit discrimination against employees with disabilities in relation to promotion,

performance evaluation and granting of professional qualifications, remuneration, social security and welfare benefits.[35]

- *Singapore* – The Ministry of Social and Family Development established SG Enable, an agency that works on empowering PwDs and caregivers through providing timely access to information, referral services, and grants. It also enhances employability and employment opportunities for PwDs requiring assistance, and engages families, communities, and other stakeholders, in enabling greater integration of PwDs into society.[36]
- *Viet Nam* – The Labour Code, 2012, mandates employers to consult with employees with disabilities on issues related to their rights and interests, and to provide persons with disabilities with equal pay for work of equal value, along with suitable working conditions, working tools and safety and health provisions.[37] To support entrepreneurs with disabilities, the Government established the National Employment Fund to enable access to credit through subsidized loans. The Viet Nam Bank for Social Policy provides loans for entrepreneurs with disabilities at a preferential interest rate. Based on national decrees, the lending interest rate for PwDs is calculated at half of what it is for persons from near-poor households. In 2018, around 15,000 PwDs were working in more than 400 businesses owned by entrepreneurs with disabilities.[38]

Place

It is also important to address place-based disparities, which result in unequal life chances and undermine the inclusivity of development. Many young people in rural areas experience systemic shortfalls in capital formation – in early childhood development, in education, and in learning important skills and competencies. As result, many are unable to compete with their urban peers for jobs. Nor are they well prepared for the new jobs that are being created, or for employment in sectors that increasingly have skill shortages.[39] Underemployment and vulnerable livelihoods are also an issue in various countries where there is significant pressure on land with agriculture increasingly subject to climate change. The sections on food security, diversifying agriculture and protecting people will delve more deeply into this.

Enhance human capabilities

The inequities created by the patterns and nature of economic growth in many countries are accentuated by unmet basic rights, such as access to education and healthcare. The pandemic exposed the wide disparities beneath the averages. Tackling structural exclusion, as discussed earlier, will involve addressing historical inequities that limit people's ability to enhance human capabilities. The objective of this section is to highlight the need for access to quality basic services to all, so that human capabilities can lay the foundation for greater prosperity and resilience in a more competitive and turbulent world.

Education

COVID-19 became a turning point in reaffirming education as a common good and a universal right.[40] Regardless of wealth, remoteness, gender or language, the issue of accessibility became a concern to all, alongside the need for unhindered access to online education with connectivity and ownership of devices. Almost every country introduced remote learning in its education response to COVID-19 – using online platforms, TV/radio programmes and/or take-home packages, along with measures to increase access to the devices and connectivity needed for online learning through mobile devices or subsidized / free internet access. There was also support for people at risk of exclusion, such as students with disabilities.[41] Inevitably, there were variations in the ability of countries and localities to operationalize alternative learning, which create an impetus for global and regional solidarity to address inequities and inequalities.

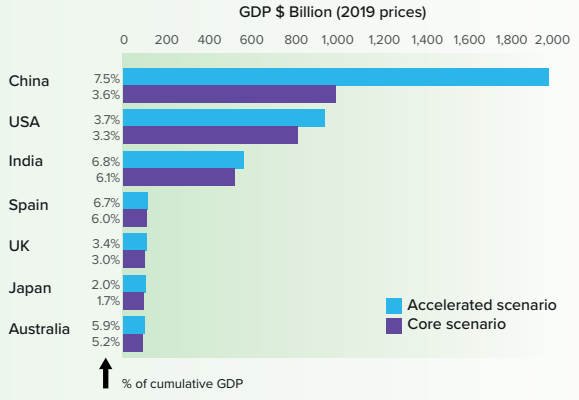
Skills

Acquisition of future-oriented skills and competencies is becoming necessary, with rapid technological change and within the evolving nature of work. Analytical thinking and creative thinking, for instance, are considered the most important skills for a productive, competitive, and adaptable economy.[42] Science, technology, engineering, and mathematics (STEM) education is becoming increasingly vital with the need for investments from an early age, as it fosters individual capabilities, making it a powerful force for human development and progress.

To ensure that the workforce remains competitive, innovated, and prepared for the evolving job landscape, countries must invest in upskilling. China and India, for example, could gain economically by closing the skills gap, by $1,986 billion and $571 billion respectively, under an accelerated scenario (Figure 3.6).[43] Despite the eco-

nomic potential, the needs for upskilling are insufficiently accounted for in national development planning in many countries and require urgent consideration.

Figure 3.6 Additional GDP potential due to upskilling in core and accelerated scenarios, 2020–2030



Source: World Economic Forum and PwC, 2021. The methodology can be accessed in the 'Upskilling for Shared Prosperity' by the World Economic Forum and PwC.
Note: The core scenario assumes the skills gaps are closed by 2030 and the accelerated scenario assumes the skills gaps are closed by 2028.

The skills mismatch in the region needs urgent attention. It will likely worsen if the region continues to rely on the old model of skills supply.[44] Instead, countries can work towards aligning educational curricula with industry needs through facilitating joint curriculum development, investing in technical and vocational education and training (TVET) that provides practical, job-specific training, while also supporting entrepreneurship skills development. Countries can also establish comprehensive labour market information systems to monitor current and emerging skill demands and gaps, and to inform policies.

Bearing in mind the increasing levels of urbanization, strategies can include expanding vocational training and apprenticeship programmes to provide practical, on-the-job training. This prepares the urban workforce for skilled positions in sectors like construction, manufacturing, and hospitality, as well as in green sectors. It is important to ensure that skills strategies are inclusive, addressing any disparities in access to quality education and training.

There are examples of ongoing efforts to tackle the skills mismatch in the region.

- *Republic of Korea* – Through skill levy funds, larger enterprises are required to contribute a fixed share of their revenue or wage bill to support skills development in TVETs, including public and private providers.[45]
- *Singapore* – To leverage the opportunities of a green transition, Singapore has established new training programmes related to the greening of its economy, along with a training subsidy scheme that aims to encourage professionals to upgrade their skills and obtain certificates in fields such as energy management.[46]

Digital

Enabling access to digital technologies is imperative to improve education outcomes and enhance human capabilities. As recorded in Chapter 1, there is a large digital divide across countries and socio-economic groups. Enabling digital access can empower individuals by providing access to information, education, and opportunities regardless of geographical or socio-economic constraints. Where feasible, the following areas may be considered to improve access:

- *Costs* – Enable affordable internet access by reducing data costs, subsidizing services for low-income populations, and eliminating taxes and fees on digital services.
- *Access* – Provide digital devices and internet access to schools, enabling equitable access to online education resources, particularly in underserved areas.
- *Teaching methods* – Update teaching methods through digital solutions to prepare students to meet the demands of the digital age.
- *Digital literacy programmes* – Implement digital literacy programmes to equip people with the skills necessary to use digital technologies, including basic computer skills.

Digital access, in essence, helps break down barriers, amplifies human potential, and promotes inclusive development, contributing to a more equitable and prosperous society. Successful examples are highlighted below.

- *Bangladesh* – The Government of Bangladesh's a2i Teacher's Portal initiative, established in 2011, is the largest online educational content storage and professional development platform in the country, with more than 575,000 teachers as active members.[47] The Portal incorporates blended education while developing the core digital skills of teachers across the country.

- *Malaysia* – Malaysia is a good example of national broadband planning and of enabling affordable access to the internet for all. An array of supply- and demand-side regulatory interventions helped achieve the plan's broadband availability and adoption targets.[48] [49]
- *India* – The country's digital public infrastructure (DPI) has facilitated significant financial inclusion, provided the digital backbone for social transfers and access to social and other services, and has been transformative for the country. It is underpinned by the India Stack (often referred to as the JAM trinity), the interlinked building blocks of which are comprised of Jan Dhan (J) free savings accounts; Aadhaar (A) the biometric identification system which provides for unique digital identities, and Mobile (M) which has become the primary means of accessing financial services, combined with the instant unified payments interface (UPI) and the more recent Open Network for Digital Commerce initiative which aims to facilitate a single open network digital commerce solution to level the playing field for businesses, including SMEs.[50]

Health

The right to health is a human right and underpins human development. The idea that every individual, regardless of their socioeconomic status, should have access to quality healthcare when they need it is rooted in the principles of equity and social justice. Universal access to health and universal health coverage foster healthier populations, reduces inequalities, enhances productivity, and contributes to overall well-being. Over the past decades, many countries in Asia and the Pacific have rapidly expanded health coverage.

- *China* – China's New Cooperative Medical Scheme initiated in 2003 comprehensively covered hospital expenditures for rural households and registered more than 800 million people within the first five years.[51] A number of positive impacts were observed, including improvements in life expectancy, cost efficiency and increases in healthcare utilization.
- *Thailand* – Thailand is a prime example of a country that successfully achieved universal health coverage (Box 3.3).

It is essential to invest in universal health coverage (UHC). Good health and income security directly contribute to well-being and productive capacities at the individual and household levels. This requires high-level commitment by governments to design, implement, and finance health systems and services. These efforts must be informed by key principles, including rights-based entitlements, collective financing, and broad risk-pooling.[52]

Fundamental to ensuring health security is re-doubling investment in essential components of the health system including a quality health sector workforce, improving the delivery and quality of primary and community health care services, and strengthening data.[53] Despite progress in health coverage in the region over the recent decades, this right is not yet a reality for all. Only 63 percent of the population in the region are protected by a health care scheme, leaving about 1.6 billion people wholly unprotected.[54]

These aggregate figures further mask inequalities within and across countries. This situation is compounded by coverage gaps for sickness benefits where less than half of the region's workforce enjoys legal entitlement to income security when sick. Out-of-pocket expenditure remains high, at 40 percent in low-and lower-middle-income countries, 23 percent in upper-middle-income countries and 18 percent in high-income countries, exposing many people to catastrophic health incidents through the course of their lives. Medicines constitute 60 percent out-of-pocket spending, and even more among poorer people, reflecting a disproportionate financial burden.[55] As countries brace for future health security risks, expanding coverage to these poorer and more vulnerable segments of the population is urgent.

The Philippines is advancing towards the progressive realization of universal health coverage. In 2019, the country achieved a significant milestone with the passage of Republic Act 11223, also known as the Universal Health Care Act. This legislation automatically enrols all citizens in comprehensive healthcare coverage to "ensure that all Filipinos are guaranteed equitable access to quality and affordable health care goods and services and protected against financial risk".[56]

By ensuring universal access to quality education and health coverage, we can unlock the boundless potential of individuals, enabling them to not only overcome challenges but also reach new heights of human capability and contribute to a brighter, more equitable future for all.

Human security in a more turbulent world

Despite notable progress in human development in Asia and the Pacific, there has been a rise in insecurity – a situation exacerbated by the growing turbulence in the global environment. While it is important to enlarge opportunity for all by tackling structural exclusion and enhancing human capabilities, it is also necessary to confront and resolve the root causes of human insecurity.

More recently, the understanding of human security has broadened to encompass the burden of mental health problems, exacerbated by the pandemic and the growing uncertainty of individual and societal futures. A holistic approach to ensuring human security is necessary, and in the subsequent discussion, we will zero-in on four areas that demand attention and action: adapting social protection schemes, ensuring health security, investing in risk-informed development and implementing proactive disaster risk prevention and response mechanisms, and guaranteeing food security.

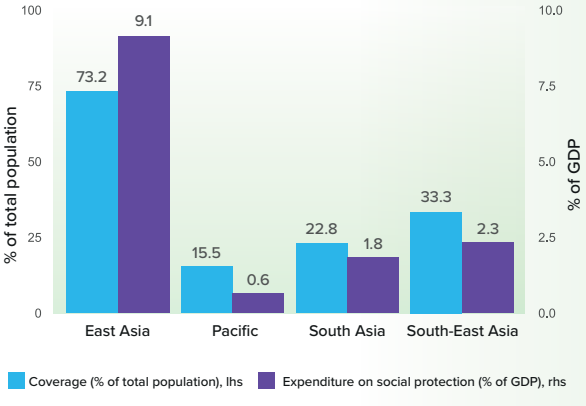
Human security is a concept born from the human development tradition. The 1994 Human Development Report, in the aftermath of the end of the Cold War, advocated for shifting the focus away from discussions surrounding nuclear threats to redirecting attention towards the everyday challenges faced by people. "*For most people, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event. Their vision acknowledged the pressing concerns individuals grapple with on a day-to-day basis, ranging from access to sufficient food and job security to personal safety in their neighbourhoods. This shift in perspective recognized the intricate web of factors affecting human security, encompassing issues like state repression, gender-based violence, and persecution based on religious or ethnic affiliations.*"[57] The growing turbulence in the region has provided renewed relevance to this concept as people´s well-being and opportunities depend on making sure they remain free from fear, free from want and free from indignity.

Transform social protection

Recent turbulence has highlighted the importance of social protection. During the pandemic, $800 million was directed towards social protection, 22 percent more than for the 2008/2009 Asian Financial crisis.[58] Cash transfers, especially in the form of Temporary Basic Income (TBI), became a staple in worldwide relief efforts. These were mainly channelled as emergency, time-bound payments to groups severely impacted by the socio-economic fallout. Beyond merely ensuring a minimum income to uphold well-being during the crisis, TBI served as a lifeline, connecting individuals to opportunities, and preventing extreme destitution and lasting damage. The Islamic Republic of Iran, and Mongolia, for example, have introduced Universal Basic Income (UBI).[59] Mongolia, however, discontinued its UBI due to fiscal constraints and lack of public and political support – the programme is now replaced by a child grant programme.

However, even with these strides, there remains significant room for improvement in coverage (Figure 3.7). Countries in the region invest on average 4.3 percent of GDP on social protection, excluding health (simple average). When weighted by GDP levels, investment in social protection (excluding health) is just 7.4 percent[60], which is significantly lower than the global weighted average of 11 percent. While public service pensions are well covered, they respond to the needs of only a small share of the population, leaving a missing middle of those without coverage, and limited protection for the poor and near-poor.[61]

Figure 3.7 Coverage and expenditure on social protection, c. 2020



Source: Based on the ILO Social protection database.
Note: Coverage refers to the proportion of the total population receiving at least one contributory or non-contributory cash benefit, or actively contributing to at least one social security scheme. Expenditure on social protection includes public spending on services, and transfers provided to individual persons and households as well as expenditure on services provided on a collective basis. It excludes expenditure on healthcare. Country coverage based on Annex 1 of this Report.

Social protection needs to adapt to new realities. In light of future uncertainties, the focus must be on the millions who live on the brink and could easily spiral down back into poverty. Rather than just "lifting" people out of poverty, social protection can more fully encompass transformative interventions that build long-term resilience.

Countries in the region have differing financing, institutional and delivery capacities. So rather than opting for a homogenous set of benefits and services, social protection systems and schemes would need therefore to be contextualized and to adapt with agility to the evolving vulnerabilities. Meanwhile, regardless of the constraints or stages of development, the region is home to promising models that have been demonstrated and operationalized with strong political will, setting a vision for long-term systems building.

Meeting the moment

During crises, governments can harness the stabilization potential of social protection systems by having in place legal provisions and policy frameworks to be able to swiftly operationalize response. Early warning systems can help assess vulnerabilities, whereas an expansion of benefits and beneficiaries can be supported through contingency budgets and integrated registries. Digital payments and social security systems can in turn improve timely delivery.[62]

During the COVID-19 pandemic, the emphasis on digital beneficiary registration in Pakistan's Ehsaas programme, for example, built upon a registry with information on 85 percent of the population. This not only enabled a quick response but also facilitated economic opportunities for empowerment.[63] Subsequently, 115 social protection schemes were consolidated under Ehsaas, combining add-on interventions such as to improve financial inclusion especially for women, access to assets, behavioural change, and skills development.[64] A responsible governance structure made these systems not only responsive but anticipatory.

The missing middle

Structural transformation calls for countries to bolster productivity and resilience among the 'missing middle'. Increasingly, the missing middle remain entrenched in the informal sector, neither covered by tax-based targeted schemes for the poorest nor by contributory schemes.[65] [66] Loss of jobs and income have far-reaching implications, and forgone income cannot be solely covered by one-off cash transfers. During COVID-19, social security systems and labour market interventions kicked in and were expanded in advanced economies, while many developing economies had inadequate systems and limited financing in place to do the same.

In such contexts, pivoting towards secure livelihood will require a transformative approach, combining cash transfers with asset provision, skills training, entrepreneurship development, job creation, financial inclusion, and social security access.[67] Here are two examples of countries that undertook such initiatives:

- *Cambodia* – Cambodia's pilot Graduation Based Social Protection (GBSP) links social assistance to productivity and livelihoods in view of tackling poverty and vulnerability in the medium term and optimizing fiscal space for social protection.[68] GBSP has now been prioritized by the Government's new development strategy, the Pentagonal Strategy Phase I 2024-2028, leading the way for institutionalizing the pilot through a national scheme.
- *Nepal* – The Prayash initiative (Box 3.2) built on the local governance systems to deliver unconditional Temporary Basic Income to vulnerable women during the pandemic, alongside economic empowerment measures.

Women and girls

Recent setbacks underscore the need for a heightened emphasis on social protection for women and girls. Analysis reveals that of the various socioeconomic policy response measures to COVID-19 introduced in the region through April 2021, less than 30 percent were care-sensitive and only 12 percent were gender-differentiated.[69] The adverse impacts of the pandemic on women's economic security must be understood within the context of a number of megatrends, including demographic transitions, urbanization, and macroeconomic and technological restructuring, which have combined to present a more challenging environment.

While cash transfers supplement essential household income, and care services can address the care burden, a mix of policies – including labour market interventions, skilling, financial inclusion, and entrepreneurship development – enable women to be economically empowered and offer options to embrace opportunities. During COVID-

19, governments in the region introduced measures to address unpaid care work – focusing on care infrastructure, care-related social protection transfers and benefits, care services, and employment-related care policies.[70] For example, Malaysia provided income-tax relief for parents on childcare services costs, increasing it by 1,000 ringgit for 2020 and 2021.[71] Looking ahead, the Government can enhance the empowerment and resilience of women through an integrated social protection system that optimizes equality in the economic, political and social spheres.

Intergenerational solidarity

Solidarity that addresses vulnerabilities across generations will allow countries to address the needs of both the elderly and youth in a changing demographic landscape. It is projected that by 2050, 25 percent of the population in the region will be aged 60 or older.[72] Demographic changes increase pressure on social protection systems, including pensions, while young people may have limited access to decent work with social security coverage.

Given this context, enhancing employability and productivity among young people would be essential for generating income, and accumulating savings and assets that could facilitate transitions to decent work, securing pension contributions and health care costs in old age. In addition, promoting employment opportunities that allow older persons who are willing and able to continue working, can provide an income and contribute to their pensions.

Amid longer life expectancy, cost-of-living crises and technological transformations, the reciprocity between the older and younger generations can also be furthered through transfers of skills and experience. For example, Mongolia developed the Senior Professional Advisory Services Development Programme to involve older persons in the policy making process across government institutions, which helped transfer knowledge and experience.[73]

Expanding fiscal space and diversifying financing options

The transition to a low-carbon economy could rebuild fiscal space or offer alternative financing options for scaling up social protection that might have been previously financed through proceeds from mining and fossil fuels. In Indonesia, fossil fuel subsidy reform in 2015 resulted in the reallocation of around $15.6 billion towards broader development goals, including increasing investments in education, social protection, and food security programmes.[74] This may also be complemented by robust and progressive tax reform – including fuel excise duties, carbon taxes, auctioned GHG emissions and environmental conservation taxes, offering fiscally sustainable opportunities for countries to expand their social protection systems.

Box 3.2 Bolstering women's economic empowerment and resilience in Nepal

Nepal's Prayash initiative built on local governance systems to deliver unconditional Temporary Basic Income in the form of emergency cash transfers to vulnerable women during the COVID-19 pandemic.[75]

To enhance the freedom and dignity of beneficiaries and transform their lives, beneficiaries were able to access cash transfers as well as economic empowerment opportunities, basic services and health insurance. More than 60 percent of vulnerable women accessed livelihood opportunities, of which 20 percent were able to re-enrol their children in school.

Local governments also undertook outreach to enrol beneficiaries without official documents, and allocated their own budgets to offer livelihood opportunities. Financial literacy sessions equipped women with knowledge on savings and credit transactions, Meanwhile, regardless of possession of national ID or citizenship cards, women were able to open bank accounts, enabling their legal access as well as financial inclusion.

All beneficiaries were covered by annual health insurance premiums in partnership with local governments, and opened bank accounts to facilitate financial inclusion. Vulnerable communities like Musahar, a terai Dalit community in Madhesh Province, have been able to sustain income security through both cash transfers and an additional relief package that allowed them to earn from raising livestock. The subsequent Sambodhan programme builds on the concept and lessons learnt from the Prayash initiative, expanding coverage to more vulnerable women, and enhancing their resilience and empowerment.

Ensure health for human security and development

Health security is centred around the "protection of the vital core of all human lives in ways that enhance human freedoms and human fulfilment."[76] It is fundamental to human development, underpinning the right to live in freedom, dignity, and free from poverty. It is essential for economic development,[77] quality growth, and poverty eradication.[78]

The Asia-Pacific region has witnessed consistent improvements in health outcomes over the past few decades, as exemplified by the notable increases in life expectancy at birth. The regional average for life expectancy increased from 68.6 years in 2000 to 74.2 years in 2019.[79] In particular, three of the least-developed countries in the region, Bhutan, Cambodia, and Timor-Leste, achieved the largest increase in life expectancy since 2000, or 10.9, 11.4 and 10.5 years, respectively.[80]

At the same time, health security in the region is being threatened by numerous challenges such as aging populations, the double burden of communicable and non-communicable diseases, and urbanization. People's health is also affected by a lack of universal health coverage and inequitable access to healthcare (Box 34). In addition, there are climate crisis-induced health challenges, along with unhealthy diets, as well as poor sanitation.[81] The region is also subject to anti-microbial resistance and is one of the areas likely to be worst affected by emerging infectious diseases.[82]

Resilient health systems

Success in overcoming health challenges hinges on bolstering the resilience of health systems. As the world faces multiple crises in health, environment, and security, reinforcing the capacity of governments and public sector systems has become an urgent imperative. It is not enough for governments to mount a response when forced by crises. National health systems also need to be able to provide continuity of care when it comes to a crisis.

A resilient national health system is one that can respond effectively to crises and anticipate health threats, as well as manage and decrease vulnerability to existing health risks[83] This includes addressing NCDs, such as diabetes, cancers, cardiovascular disease, and chronic lung illnesses, which impose significant health and socioeconomic burdens. For example, a 2021 study found that NCDs in Thailand cost the economy 1.6 trillion Thai Baht every year, which is equivalent to 9.7 percent of its 2019 GDP.[84]

Universal health coverage

Universal health coverage is essential for health and human security. In Thailand, for example, the introduction of UHC significantly reduced impoverishment (Box 3.3) and increased the use of healthcare particularly among vulnerable populations such as low-income people, the elderly, and women.[85] Scaling up primary health care across poorer countries could save 60 million lives and increase average life expectancy by 3.7 years by 2030.[86] This would more than restore the years of global life expectancy that COVID-19 has erased.[87]

It is increasingly clear that pandemic preparedness and progress towards UHC go hand in hand. While addressing ongoing pandemics, like HIV and COVID-19, and other infectious diseases such as malaria and TB, as well as the rise of non-communicable diseases, governments also need to ramp up preparedness to thwart future pandemics and secure global health.

Financing health care

Strengthening national health systems should include the development of well-resourced national health security plans with equity at their core. Support is needed for resilient domestic financing that integrates pandemic preparedness and response and recognizes the relevance of multisectoral coordination across the value chain of health functions at the national level.

Robust and equitable health systems are vital for pandemic readiness, UHC, and ultimately for safeguarding health security. Achieving this requires a number of factors to align: securing sustainable financing for health, scaling of innovation and digitalization, building climate resilience of the health sector and advancing inclusive and gender-responsive decision-making.

Increased public financing for health is a pivotal step towards realizing UHC. Some countries in the region face a substantial burden of out-of-pocket spending as percentage of their total health expenditures: 75 percent for Afghanistan,[88] 61 percent for Cambodia, and 78 percent for Myanmar.[89] In Indonesia, the introduction of universal health coverage increased government health expenditure from 28.5 percent in 2013 to 55.1 percent in 2020,

while OOPS declined from 51 percent to 32 percent during the same period,[90] demonstrating a positive impact, particularly for economically disadvantaged households.

These developments underscore the critical importance of enhancing public financing in healthcare for the region's overall health, UHC and human security goals.[91] The Philippines has made substantial strides in the implementation of UHC, effectively enrolling vulnerable groups, including older individuals and low-income households. These achievements have been made possible by the establishment of a sustainable financial foundation, accomplished through a series of bold tobacco and alcohol tax reforms executed over the past decade.[92] Strengthening public financial management, including the prevention of corruption in the health sector, is also crucial.[93]

Innovation and digitalization

The introduction of appropriate, innovative digital solutions can improve the efficiency and effectiveness of health systems. Enhanced with appropriate digital tools, health systems can facilitate consistent and equitable provision of essential health services. During the pandemic, digital platforms enabled more efficient tracking and management of COVID-19 cases, streamlined the distribution of vaccines, and facilitated real-time data collection and analysis. It is essential to continue investing in these technological advances and innovations to ensure that health systems are better prepared and equipped to respond to current and future health challenges. It is also important for governments and the private sector to adopt/adhere to an inclusive and human rights-based approach in the introduction and use of digital technologies for health.

Health, climate and biodiversity

Health systems need to be strengthened to be climate-resilient, ensuring that they can provide safe, good-quality healthcare, especially for the most vulnerable populations who face the highest exposure to environmental risks and, consequently, adverse health outcomes. Climate change imposes a significant burden on health systems by heightening the risk of infectious diseases, including pandemics.

This risk is magnified by the loss of biodiversity and of nature, which fuels numerous health challenges, including the emergence of zoonotic diseases. As humans increasingly encroach upon new habitats and species, they bring new pathogens to the human population.[94] Alarmingly, estimates indicate that due to the rate of disease emergence from zoonotic reservoirs associated with environmental changes, the annual probability of extreme epidemics could triple in the coming decades.[95] Embracing green energy solutions is also essential for enhancing access to high-quality, low-emission healthcare, especially for those living in remote rural areas.

Inclusive health responses

An equitable, gender-sensitive and inclusive approach should underpin people-centred health system delivery. This will help eliminate barriers to access for women, people living in poverty, persons with disabilities, LGBTQI+ people, people living with HIV, and other vulnerable and marginalized groups.

This involves strengthening regional and national civil society and community-based organizations and key vulnerable populations, enhancing their effectiveness, advocacy, and contribution to policy dialogues, thus diversifying voices in development agenda settings and prioritizations. It is important to promote protective laws, increase access to justice, shift discriminatory social norms, support inclusion in governance and democratic processes, improve the evidence base related to LGBTQI+ people and other vulnerable groups, and enhance service delivery for excluded populations.

Nepal's Public Health Service Act of 2018, for example, prohibits discrimination against patients on the basis of sexual or gender identity.[96] Equity-oriented approaches, which prioritize the unique needs of marginalized and vulnerable populations, are just as vital as sustainable public financing in the pursuit of UHC and the broader objectives of health and human security.

Strengthening regional cooperation.

Regional cooperation provides a means to leverage scarce resources, strengthen capacities and build political commitment to effectively address health as a transboundary issue. This is relevant for a range of issues, including collaboration for improved disease surveillance, early warning systems, strategic cooperation on pharmaceutical and vaccine research and development (R&D) and manufacturing. Coordination of public-sector interventions at the regional level may bring forward solutions for tackling health emergencies, through the coordination of regional resources. This should include capacity build-

ing in both the public and private sectors to localize R&D and production within the region and enable more timely and affordable procurement of health technologies, such as medicines, vaccines, and diagnostic tools.

Box 3.3 Universal health coverage in Thailand

Thailand has made a strong start on universal health coverage - covering the entire population with one of three public health insurance schemes[97].

By 2020, eight percent of the population of Thailand was covered by the Civil Servant Medical Benefit Scheme (CSMBS), 19 percent by the Social Security Scheme (SSS), and 71 percent by the Universal Coverage Scheme (UCS).

The CSMBS and SSS schemes are employment-related, but the UCS, which provides entitlement to health care for all Thai citizens, is financed by taxes. Unemployed SSS members, or dependents of CSMBS members older than 20 years who have lost their coverage, are thus automatically covered by the UCS.

This combination of schemes has improved access to health and reduced the risk of catastrophic health spending and impoverishment. The National Health Security Office, which manages the UCS, has the power to negotiate the best prices for the more expensive medicines and medical devices and thus enable higher coverage.

However, there remain significant imbalances between the three schemes, in terms of price-setting, purchasing, and regulation. Expenditure per capita for the CSMBS, for example, is four times higher than that of the UCS. Across all three schemes, continued efforts will be needed to strengthen the purchasing and regulatory functions to optimize resource allocation and ensure value for money.

It will also be important to continue monitoring each scheme – making the necessary adjustments to ensure that all citizens, regardless of their employment status or age, have access to quality healthcare without facing financial hardship.

Source: Barber, Sarah L and Luca Lorenzoni, Paul Ong (2019); ILO (2021)[98].

Box 3.4 Health inequalities in Asia and the Pacific

Across Asia and the Pacific there are significant inequalities in health outcomes that are driven by socio-economic, geographic, systemic, cultural, and environmental factors.

Asia and the Pacific, home to over half of the global population (4.7 billion people), faces significant challenges in addressing the growing burden of infectious diseases, non-communicable diseases, and disabilities. Despite these challenges, average health expenditure in the region remains relatively low at 5 percent of GDP.[99] The region also counts 700 million people living with a disability,[100] which has become an increasingly large share of the global disease burden—rising from around a fifth of the total burden in 1990 to more than a third in 2019.[101]

There is a large mismatch between the number of health workers and specialists available compared to population size. Some countries have among the fewest physicians per capita in the world. In the absolute, the shortage amounts to about 3.6 million, and counting given the region's rapidly aging population. By 2050, a quarter of the region will be over 60; that is almost 1.3 billion people, who need increasing levels of healthcare. This mismatch between anticipated future demand and the availability of medical care poses significant risks to the carrying capacity and quality of care provided by health systems. At the same time, there is significant outmigration of health care personnel, with medium-term implications for health systems in the case of those countries in economic crisis which had made significant investments.[102]

COVID-19 has further compounded these issues, testing the resilience of economies and health systems, and placing immense pressure on frontline health workers. The pandemic had an unequal impact in the region, amplifying inequities and inequalities. Insuffi-

cient access to vaccines, medicines, and technologies, and weak health systems, have impeded the realization of people's right to health. Moreover, the region, particularly East Asia and the Pacific, is identified as global hotspots for pandemic emergence, having seen the highest economic losses from epidemics of any region in the world, costing the region $200 billion per year.[103] These risks connect with agricultural strategies, as rapid urbanization and agricultural expansion encroach into wilderness areas, making pathogen spillover to humans more likely.[104]

Environmental factors, such as pollution, play a significant role in health inequalities in the region. South Asia is home to the world's four most polluted countries.[105] In 2018, air pollution generated by burning fossil fuels has been linked to over one million premature deaths in South Asia.[106] Just 6.8 per cent of governments in Asia provide fully open air quality data, and only one-third of countries in Asia have air quality standards – both foundational ingredients for policy action.[107] Particle pollution, including dust, affects more people than any other pollutant, and there is no safe threshold. Chronic exposure to fine particulates is associated with premature death due to cardiovascular and respiratory disease, lung cancer, and acute lower respiratory infections (e.g., pneumonia).

Invest in risk-informed development

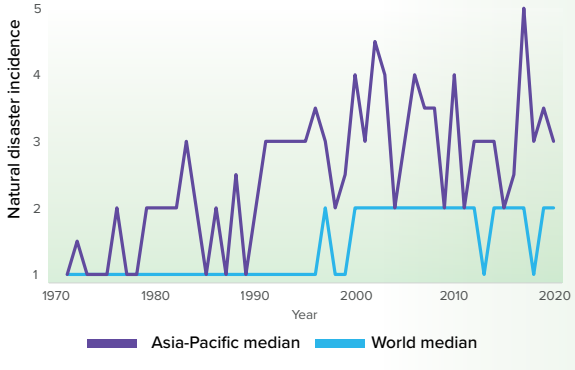
The geographical characteristics of the Asia-Pacific region make it particularly susceptible to a range of escalating risks and multiple hazards. The region is surrounded by two major oceans – the Pacific and the Indian – where coastal vulnerabilities are particularly pronounced. These vulnerabilities are aggravated by the extensive degradation of natural coastal defences such as mangroves and coral reefs – crucial buffers against storm surges and rising sea levels. Additionally, land subsidence, driven by excessive groundwater extraction and rapid urbanization, further heightens the region's flood susceptibility. Climate change exacerbates these vulnerabilities by intensifying storms, elevating sea levels, and altering precipitation patterns, thereby increasing the pressure on already-strained coastal systems.

Moreover, the region is a hotspot for geological risks, notably earthquakes and tsunamis. The Hindukush and Himalayan Mountain regions are among the world's most seismically active zones, predisposing them to earthquakes, landslides, avalanches, and glacial lake outburst floods. A repeat of the deadly and damaging Indian Ocean Tsunami of 2004 is probable.[108] Countries in the Pacific Ocean are constantly under threat from catastrophic earthquakes and tsunamis with the Great East Japan Earthquake of 2011 as the most recent reminder. The density of the population in this region amplifies the risks associated with these geological hazards, as many communities are situated in areas of high vulnerability. These geological risks intersect with various environmental and societal aspects, often exacerbating existing challenges associated with sustainable water resources, biodiversity, and transboundary issues.

Increasingly imperiled

As a result, Asia and the Pacific suffers from more natural disasters than other developing regions (Figure 3.8). Over the period 1990-2020 the average Asia-Pacific country experienced about six natural disasters in a year. This is about twice as many as in developing countries of Latin America and the Caribbean, and about three times as many as in sub-Saharan Africa.[109]

Figure 3.8 Trends in the annual incidence of natural disasters



Source: Brueckner et. al (2023).

Asia and the Pacific also experiences more-severe disasters. Natural disasters that occur in the region cause more deaths than natural disasters in other developing regions.

Natural disasters in Asia and the Pacific are also associated with larger economic damage. Over the period 1990-2020, the total damage in a year due to natural disasters was about $1.3 billion. This is about five times as much as the total damage in developing Latin America and the Caribbean, and about 80 times as much as the total damage due to natural disasters in developing sub-Saharan Africa.[110]

With large and uneven consequences

A large part of the Asia-Pacific economy is dependent on its coastlines, with key industries such as tourism, fishing, and trade being concentrated in coastal areas. The region is home to 70 percent of the global population susceptible to sea-level rise, and about one-third of total employment is in natural resource-based sectors conditioned by climate, such as agriculture and fisheries. This economic dependence on coastal regions amplifies the potential impacts of coastal hazards on the region's economy and livelihoods. Coastal erosion and inundation not only result in the loss of land but also have severe implications for infrastructure, agriculture, and human settlements.

The climate crisis and natural hazards will continue to displace the most vulnerable and poor people, disrupting their livelihoods, endangering health, human development and well-being, and reducing job opportunities, social capital and mobility.[111] Climate migration is taking place at scale in the Asia-Pacific region, accounting for over half of the total number of new disaster-induced displacements, significantly greater than conflict-related displacements in other regions. In 2022, internal displacements due to disasters rose to 32.6 million, 41 percent higher than the annual average of the previous 10 years, and mostly due to weather-related hazards such as storms and floods.[112] The Asia-Pacific region accounted for nearly 70 percent of the global total. Climate change-induced disasters pose an increasingly serious threat.

Analysis shows that the increased disaster incidence is associated with increased poverty and a decline in human development. A recent study has found that the countries with a greater mean incidence of natural disasters have lower human development indices, less capital per worker, lower total factor productivity, and higher poverty rates.[113] The study finds that this negative relationship also holds true for Asia-Pacific countries (Figure 3.9). To further illustrate the quantitative implications of econometric model estimates, Indonesia's example is used in the study. Indonesia recorded 28 natural disasters in the year 2021, 29 natural disasters in 2020, 19 natural disasters in 2019, and 15 natural disasters in 2018. Given that in the year 2020 Indonesia's human development index was 0.71, the cost to human development of 100 natural disasters will be large: in the long-run, 100 natural disasters would set Indonesia's human development index back to a value of 0.60 – where it was in the year 2000.

A complex disaster riskscape

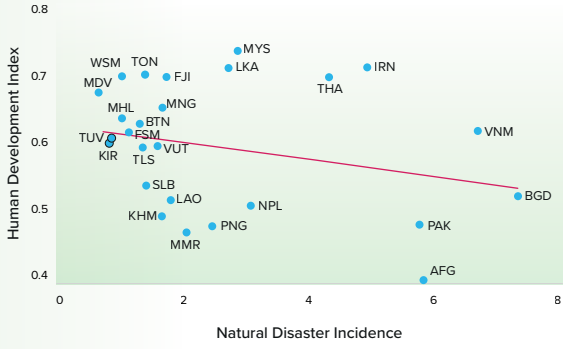
A riskscape of complex, compound and cascading disasters is emerging.[114] Areas already vulnerable to transboundary disasters are expected to experience intensifying hazards, such as floods, drought and heatwaves. The onset of a strong El Niño in 2023 coinciding with a warming ocean and unabated increase in greenhouse gases can outpace the region's resilience. With such an expanding and intensifying riskscape, continued investment is needed to strengthen disaster resilience locally and nationally, including to maintain effective early warning systems in existing hotspots. It is critical to respond to intensifying hotspots, strengthen regional and subregional cooperation mechanisms, and widely introduce nature-based solutions.

As a consequence of these characteristics, countries in the region are not achieving their goals agreed under the Sendai Framework for Disaster Risk Reduction.[115] Over two million people have lost their lives to disasters since 1970. In 2022, over 140 disasters struck the Asia-Pacific region, leading to over 7,500 deaths, affecting over 64 million people and causing economic damage estimated at $57 billion. The impact and magnitude of disasters over the past decade, indicate that climate change is making natural hazards even more frequent and intense, with floods, tropical cyclones, heatwaves, droughts and earthquakes resulting in tragic losses of life, displaced communities, damage to health and properties, and millions of people pushed into poverty.

Strengthening disaster risk reduction and recovery and risk-informed development are necessary to achieve the Sustainable Development Goals.[116] Large-scale shocks often result in medium-term losses across economic, social, and environmental development, calling for not only investments to prevent those already impoverished from falling into deeper distress but also forward-looking investments.

Historically, disasters have served as catalysts for change, and policy and institutional reforms – driving advances in disaster risk reduction, recovery, and social investments. Therefore, it is imperative to leverage the climate crisis as an opportunity to address emerging gaps and set the stage for the next round of transformation (see Box 3.5).

Figure 3.9 Incidence of natural disasters and human development in Asia and the Pacific



Source: Brueckner et. al (2023).
Note: The figure plots the country average human development index during 1990-2020 (y-axis) and the country average incidence of natural disasters during 1990-2020 (x-axis) for all low and middle income countries in Asia-Pacific excluding those with a mean annual natural disaster incidence of ten or more. The R-squared is 0.065: i.e. nearly 7 percent of the cross-country variation in the human development index is due to cross-country variation in the mean incidence of natural disasters. A linear fit yields a slope of -1.2. with a standard error of 0.9. Quantitatively, the least squares estimate of -1.2 means that for each one-unit increase in the mean incidence of natural disasters, a country is expected to have a lower human development index by 1.2 percentage points.

The following priorities emerge:

Invest in risk-informed development

Policy planning and development projects must be informed by a comprehensive understanding of the risks involved, including those associated with climate change, geological hazards, and socio-economic vulnerabilities. This includes protecting cities, particularly those that are historically exposed to multiple hazards, and those in climate hotspots, and addressing climate loss and damages through resilient recovery or the 'build back better' approach.

Ensuring that infrastructure, housing, and public services are built or retrofitted to withstand natural disasters and implementing nature-based solutions are crucial to safeguard human development. In Tonga, for example, the Government has integrated resilience into the Ministry of Finance's planning and budgeting systems. This includes formulating the new resilience-financing functions of the Resilient Development and Financing Division[117] to strengthen the Ministry's capacities to support the achievement of the national resilient development agenda and to enable risk-informed development at all levels of governance. This enables the country to address the core drivers of vulnerability to natural hazards and climate change impacts.

Build coastal and community resilience

As coastal areas in the region are so vulnerable, more investments are needed in the restoration and conservation of natural coastal defences, such as mangroves and coral reefs, as well as in the implementation of sustainable land-use practices. Enhancing human agency to make the right choices through community awareness, preparedness, and capacity to respond to geological hazards and climate-induced threats is also important. This includes developing early warning systems, conducting regular drills, and using community-based disaster risk management that promotes social cohesion and self-help actions during the immediate aftermath of disaster events, in response and recovery.

In Palau, for example, the President issued Presidential Proclamation No. 19-269,[118] declaring September as the National Preparedness Month, to support enhanced coastal and community resilience.

Cooperate regionally

Transboundary issues, such as shared water bodies and ecosystems, require collective action and cooperation among countries. Promoting dialogue and cooperation can help resolve disputes, facilitate the sharing of best practices and knowledge, and foster collective action to address shared challenges.

Regional cooperation can also facilitate the pooling of resources and expertise to develop and implement effective risk awareness, in regional early warning systems, preparedness, anticipatory actions and response strategies.

For example, ASEAN and the UN are working closely under the *ASEAN-UN Joint Strategic Plan of Action on Disaster Management IV 2021-2025*[119] and the *ASEAN Agreement on Disaster Management and Emergency Response Work Programme 2021-2025,*[120] to strengthen regional cooperation across five Priority Programmes: Risk assessment and Monitoring, Prevention and Mitigation, Preparedness and Response, Resilient Recovery, and Global Leadership.

Harness technology and innovation

Technology and innovation play a critical role in enhancing disaster preparedness and response. This includes leveraging advances in data collection and analysis, remote sensing, and communication technologies. This will improve risk assessment, early warning, emergency response and recovery. Governments can also promote the use of innovative and sustainable construction materials and techniques, along with nature-based solutions, to enhance the resilience of infrastructure and housing.

In the Philippines, for example, the Government developed a Data Governance Study[121] and a Digital Readiness Strategy[122] to supplement the National DRR and Management Plan 2020-2030. These initiatives aligned with the Government's focus on digital transformation and data governance for resilience through the country's Climate Change Adaptation – Disaster Risk Reduction data ecosystem.

Box 3.5 Building resilience against disaster risk in Bhutan

Bhutan is exposed to many types of natural disaster, and to the impact of climate change, but has opportunities to reduce the risks and boost the resilience of its people and its natural environment.

Recent calamities in Bhutan have included flash floods and rampant forest fires, and the enduring repercussions of the COVID-19 pandemic and the impacts of global warming. The country does not yet have the requisite physical, socio-economic, fiscal, and institutional frameworks to address these pressures.

Certain hazards like earthquakes, glacial lake outbursts, landslides, and fires are difficult to predict and prevent. And addressing climate change necessitates a united global effort. Nevertheless, the country can take steps to diminish the fallout, through further improvement of risk management and development strategies These measures can be harmoniously integrated with national and local adaptation initiatives.

Any resilience-building efforts must be coherent and aligned with Bhutan's ambitious climate policy and its development policy of Gross National Happiness, which asserts that economic growth must be equitable, inclusive, and, most importantly, coupled with environmental conservation.

Guarantee food security

Food security is a systemic issue that requires tackling multiple issues concomitantly. The COVID-19 pandemic put enormous pressures on the ability of people to secure their nutrition. Amartya Sen's famous statement, "*Starvation is the characteristic of some people not having enough food to eat. It is not the characteristic of there being not enough food to eat*," underscores a critical point: food security goes beyond mere food availability. It involves the capacity of people to command food through markets and the exercise of rights.[123]

Food security thus encompasses not only the quantity of food but also its accessibility, affordability, and quality. At the centre of the definition is the ability of individuals and communities to acquire and utilize nutritious food consistently. As such, food security is a systemic issue and involves addressing issues such as poverty, inequality, distribution, and access to resources, healthcare, and education.

The agriculture sector has historically been vulnerable to a multitude of external factors, including extreme weather events, disease outbreaks, and fluctuating commodity prices. These factors can lead to abrupt price spikes and food shortages, affecting vulnerable populations around the world. Even a modest reduction in the sector's output has the potential to trigger food-price inflation, significant welfare setbacks for poor populations, and possibly political unrest.[124] The COVID-19 pandemic further highlighted the fragility of global food supply chains, as disruptions cascaded from farm to fork.

Diversifying agriculture

Diversified investments in agriculture play a pivotal role in mitigating these risks by enhancing productivity and building resilience within the sector. These encompass a range of strategies and practices, which include the application of advanced technology. Two examples from the region include:

- *India* – Various new technologies have been integrated into agricultural production, including solar-assisted irrigation in off-grid rural areas and solar-powered multi-utility farming vehicles. Some farmers have adopted precision farming techniques, utilizing data and artificial intelligence to optimize the use of inputs like water and fertilizers that in turn led to higher yields and reduced environmental impacts.[125]
- *Singapore* – There has been intensive research and development into agri-tech and high-productivity innovation in the effort to produce locally 30 percent of the food supply by 2030. The Ministry of Trade and Industry's Enterprise Singapore initiative, through the Startup SG scheme, collaborates with partners to collectively invest over $65 million, aimed at stimulating agrifood technology startups by providing financial support and mentorship alongside organizing accelerator programmes and hackathons.[126]

Sustainable practices, such as no-till farming, organic farming, and integrated pest management, can simultaneously enhance the resilience of farming systems and soil health, conserve water resources, and reduce greenhouse gas emissions. The use of biofertilizers and green fertilizers is gaining momentum in the region.[127]

Supply chains and markets

Enhancing agriculture is only one piece of the puzzle. To ensure food security, resilient food supply chains are also essential. Investment in infrastructure such as transportation, storage, and processing infrastructure, helps reduce post-harvest losses, ensures food safety, and enhances the efficiency of food supply chains. Reducing food losses should also be a priority. Lost or wasted food represents wasted energy and other resources, emits methane, and results in lost income and missed opportunities to provide people with nutrition.

Facilitating access to markets for small-scale farmers, especially in remote areas, enables them to sell their produce at fair prices and contributes to food security by reducing wastage. Designing supply chains with climate resilience in mind involves climate-smart logistics, such as improved refrigeration and transportation systems to cope with extreme weather events.

Meanwhile, restrictions on trade in agricultural products, whether in the form of government policies, such as tariffs or bans, or due to inefficient customs systems and trade infrastructure, have numerous adverse effects on food security. Removing administrative and logistical barriers that impede international trade and strengthen multinational cooperation and transparency are essential steps to mitigate the necessity for governments to resort to such measures in future crises.

Protecting people

At the core of food security is safeguarding people's incomes. This was the premise of India's 1972 Maharashtra Employment Guarantee Scheme. It provided guaranteed employment to rural households during seasons of agricultural distress, creating labor-intensive work on public projects, generating income for communities, and providing food security for those in need. According to Amartya Sen and Jean Drèze, it averted famine by employing nearly five million people, generating nearly one billion person-days of work in just twelve months.[128]

In 2005, the Government of India passed the Mahatma Gandhi National Rural Employment Act (MGNREGA), a comparable demand-driven national wage employment programme, through parliamentary legislation. This initiative serves as a powerful tool for enhancing social protection and ensuring livelihood security. Following suit, the state of Rajasthan has implemented a new urban employment scheme modeled after MGNREGA, guaranteeing 100 days of employment per year to urban households. Several other states in the country are currently evaluating the viability of similar schemes, addressing the issue of substantial underemployment in their respective regions.[129]

As many countries in the region are experiencing constrained fiscal situations, strategic investment towards improvement of domestic agricultural production is vital to mitigate risks from global market fluctuations and supply disruptions, and ensure food security. Support to small-scale farmers through training, access to credit, and modern agricultural practices, and support to producer cooperatives and associations, can boost local production and reduce reliance on low-quality inputs, expensive credit, and inadequate prices for their agricultural output.

In Pakistan and Thailand, for example, fintech and agritech, which employ artificial intelligence and advanced data analytics, are gaining traction in supporting access to finance and productivity improvements for small-scale farmers.[130]

Agricultural research and extension services

It is recommended that agricultural research and extension services be prioritized to develop high-yielding crop varieties suited to local conditions, with localized irrigation systems and storage facilities. In India, for example, temperature-controlled storage and transport, without the need for grid power, enable farmers to better time the sale of their crops and consequently receive better prices. Meanwhile, to overcome lack of storage space, solar dehydrators help process food that would otherwise be lost after harvesting.[131]

In the face of climate change, volatile markets, and fiscal constraints, productivity-enhancing diversified investments in sustainable agriculture are essential for achieving food security. These investments not only increase agricultural resilience but also strengthen food supply chains, reducing the vulnerability of populations to food shortages and price spikes. Strategic domestic production enhancements further contribute to the overall resilience of countries, making food security a reality even in challenging times.

Obligations to future generations

Multiple responsibilities to future generations demand immediate and longer-term actions. First, fast-tracking a just energy transition towards net-zero emissions. Second, investing in climate-resilient development, with due focus on adaptation and risk reduction. Third, nature conservation. Last, managing public finances responsibly. Prudent financial strategies that support impactful investment will ensure a brighter, equitable future without burdening upcoming generations with unsustainable debt.

Accelerate a just energy transition and achieve net zero

A net-zero emissions future will require a major transformation of the economy – across all dimensions of societies, institutions, and environments. These transitions will be especially important in fast-growing developing countries where future industrialization and development will be concentrated. From a technological perspective, renewable and non-renewable (carbon-neutral) energy sources (e.g., solar, wind, geothermal, green hydrogen, etc.), technologies (e.g., renewable-based power generation, battery storage, carbon capture and storage, etc.) and digital transformation (smart grid, AI, smart energy solutions, etc.) will play a role in regional and national energy transitions.

Investing in battery storage and transmission lines

Inadequate grid infrastructures designed to accommodate large shares of variable renewable energy sources (e.g., solar and wind), result in high electricity losses and low supply quality, among other issues. Investments are needed in battery storage and in upgrades to transmission lines. Several countries still hesitate to halt their planned and future pipelines of fossil-fuel-based electricity generation, given the urgent population and economic development needs.[132] But costs continue to fall dramatically, making investment in renewables much more affordable and feasible.[133] There are numerous opportunities to link energy supply with income-generating activities and public services across sectors, such as health and agriculture, to maximize the benefits of access and improve the viability of decentralized solutions.

A systems approach

The inherent complexity and scale of the energy transition requires a systems approach that takes into consideration the nexus of different areas, such as climate, environment, gender, health, governance, economy, and finance.

The link between renewable energy and the extractive industries reflects these complex interactions. Renewable energy technologies and the electrification of sectors, such as transport, are becoming the fastest-growing segment of demand for critical minerals. This is expected to rise significantly in the next 20 years – by over 40 percent for copper and rare earths, 60 to 70 percent for nickel and cobalt, and almost 90 percent for lithium.[134] Currently, the production of these minerals is highly concentrated in a small number of countries,[135] and also poses social and environmental threats to people, their livelihoods, and natural resources. This may require, among others, stringent environmental regulations and monitoring alongside comprehensive community consultations that could promote conflict resolution mechanisms and ensure fair distribution of benefits.

Governments can work in partnership with the private sector on enhanced sustainable mining practices, considering new approaches to fair and inclusive profit and burden sharing, stakeholder involvement and adapted trade policies. The objective must be a sustainable supply chain of materials that allows the necessary scale up of renewable energy technologies, minimizes impacts on human rights and the environment, and maximises local benefit sharing.

Boosting renewable energy

Global scenarios that map pathways to net-zero project that achieving a 1.5 °C global warming scenario requires the share of primary energy from renewables (including bioenergy, hydro, wind, and solar) to increase substantially between 2020 and 2050, and that from fossil fuels to rapidly decline. [136]

To align with the temperature goal of the Paris Agreement, the share of renewables in total energy consumption in Asia needs to reach 35 percent by 2030.[137] Decisions on the portfolio of technologies to deploy on the ground will be linked to specific national and regional energy contexts, political will, financial capacity and development needs.

Overall, an effective transition will depend on a combination of one or more of the following actions: (1) deploying vast amounts of affordable, and reliable technologies, this largely means the deployment of renewable energy technologies such as solar and wind power, which are now cheaper to operate than coal plants;[138] (2) widespread electrification of end-uses (mobility, cooking, etc.); (3) digitalization of the energy sector; (4) improved energy efficiency; (5) deep reductions in agricultural emissions; (6) the use of alternative, carbon-neutral fuels and carriers (such as green hydrogen) in difficult-to-decarbonize sectors (such as long-distance transport, air travel, or steel and cement manufacturing); and (7) strengthening equity, governance and social justice to ensure that the transition is just.

Leaving no-one behind

The rapid transition to a net-zero economy must be achieved in a manner that is just, and that leaves no-one behind (Box 3.6). Experience shows that achieving a just transition while combatting climate change has far wider systematic implications for consumers, employers, and communities, and thus requires economic transformation across all sectors and industries. The benefits of just transition are many, from generating public support for a green jobs revolution to helping drive local solutions. Social protection is integral to meeting the objectives of just transitions and broader structural transformation by building the resilience and capabilities of vulnerable people to weather shocks and take advantage of the new opportunities. Importantly, a just transition also holds the potential for deeper social change, by reforming existing systems that undermine climate equity and social equality.

Managing trade-offs

A just transition is one where trade-offs are managed effectively. The transition is often discussed in the context of job security and livelihoods for those currently engaged in fossil fuel-based activities. Policy makers also need to recognize that the Asia-Pacific region is home to more than 350 million people with limited access to electricity and 150 million people with no access at all. Carefully targeted and proactive policies will be required to ensure a just transition for workers and communities and to manage trade-offs. This will also include investing in human capital, training, and education systems, and in social protection. For example, the closure of coal mines, coal power generation and coal-reliant heavy industries in the Ruhr region in western Germany, involved relocation of workers by employers to other functions, or transfer to other energy jobs with decent pay, re-skilling and up-skilling, including to support worker transition into the service sector, and temporary cash transfers.[139] The Ruhr has been transformed from a coal-driven industrial region to a knowledge- and tourism-based economy. By the mid-2000s, 100,000 workers were employed in research and development of environmental technologies.[140] These transitions require a long-term approach along with massive public investments towards diversifying the economy.

Social dialogue

Building a strong social consensus on the goal and pathways to sustainability through social dialogue is fundamental. When policies are underpinned by a consensus of all stakeholders, including governments, employers, and workers, they are more likely to reach their objectives. Social dialogue mechanisms need to be formalized and institutionalized to ensure their effectiveness.

For example, social dialogue involving local authorities, trade unions and workers in the palm oil sector in Malaysia was found to have a positive multiplier effect, including job creation, productivity and decent work standards.[141] This involves a shared vision for business sustainability, awareness of labour rights among the workers, reviewing wage and realignment of the workforce and preventing loss of working hours due to strikes. Efforts to achieve a just transition should be targeted towards achieving the objectives of the Paris Agreement and the Sustainable Development Goals. Given the urgency to achieve a just transition and the complementarity in policy objectives of the two global frameworks, countries should ensure that the objectives toward achieving a just transition are not pursued separately.

Box 3.6 Towards a green, and just transition in China

China, and other Asia-Pacific countries now have the opportunity to transform their economic structures, energy mixes, production methods and lifestyles towards low-carbon pathways. Certain sectors, regions and groups are affected more than others, and ensuring a just and inclusive transition will mean mitigating potential negative socio-economic impacts and risks.

The energy transition will have a significant impact on job creation and livelihoods in China.[142] Over the next ten years, coal power employment is expected to fall by 30 percent, and by 2050 by 95 percent. Over this period, the use of electricity, however, will continue to rise, with more power generated from renewable resources. Within 50 years, employment in wind generation is expected to double, and in solar power generation it is expected to quadruple.

A just and inclusive transition provides an opportunity to address some existing inequalities and disparities. The coal industry is traditionally dominated by men, and as the industry shrinks, women's share of employment has been decreasing – between 2003 and 2020 from 22 to 13 percent. Coal miners are also likely to be informal workers. A study in Tangshan in Hebei province, found that informal workers, mostly migrants from rural areas, dominated the front line – accounting for 40 to 90 percent of miners. There are also differences in the quality of jobs depending on the size of the enterprise – most of the well-educated professionals are found in the larger companies.

The energy transition will benefit from an overarching policy framework guided by social considerations. This can include a strong legal and regulatory framework with clear responsibility and accountability arrangements. And to achieve balanced progress in environmental protection, economic development and employment generation, policies must be implemented in a more synchronized manner with stronger inter-agency coordination and stakeholder engagement.

To ensure that workers get the necessary support in a fast-changing context, employment policies can be continuously evaluated and adapted. Indeed, all countries will need medium- and long-term national plans for green employment, with clear targets and priorities. And to keep pace with the rapidly evolving job market, standards and certification systems for jobs in green and new emerging sectors need to be regularly updated. This can guide the forms of vocational education and ensure that new positions are adequately staffed.

Employment policies should also be coordinated with those for social protection so that they are mutually reinforcing. This can include targeted measures based on employees' willingness to work, and their age, sex and skill level. To provide affected workers with suitable green-skills training there will also need to be investment in education and human capital.

Invest in climate-resilient development

Investing in climate-resilient development is of paramount importance due to the region's vulnerability to climate change impacts. By directing resources towards climate adaptation and disaster risk reduction measures, and climate risk projections, countries in Asia and the Pacific can enhance their resilience to a changing climate. These investments not only protect millions of people and vital ecosystems but also promote economic growth and regional stability in an era marked by climate uncertainty.

The imperative for adaptation

While countries in the region double down on the race to net zero, they should not ignore the need for adaptation. There is growing political momentum for adaptation globally. Established with support from both developed and developing countries, the Call for Action on Resilience and Adaptation (2019), the Global Commission for Adaptation (2018–2020), and the Adaptation Action Coalition (formed in January 2021) are some of the highest-level political coalitions elevating the importance of adaptation.

Currently, 33 countries in the Asia Pacific region have submitted their new or updated NDCs. For six of them this is their second update.[143] These outline their adaptation ambitions that focus on priority areas such as food, water, and nutrition security; the safeguarding of economic assets from extreme climate events and disasters; and/or the protection and regeneration of natural capital. Many of these countries are also working on developing and

implementing their National Adaptation Plans, with close linkages to their NDCs, in an effort to tackle the effects of climate change with a more resilient response mechanism.

Economic returns from climate investment

It is now widely accepted that investments in adaptation, disaster-risk reduction and resilience building provide significant returns. The Global Commission on Adaptation found that investing $1.8 trillion globally in early warning systems, climate-resilient infrastructure, improved dryland agriculture, mangrove protection, and resilient water resources, from 2020 to 2030, could generate $7.1 trillion in total net benefits.[144]

Furthermore, according to the UN Office for Disaster Risk Reduction, every $1 invested in risk reduction and prevention can save up to $15 in post-disaster recovery.[145] Every $1 invested in making infrastructure disaster-resilient saves $4 through fewer disruptions and reduced economic impacts.

In Pakistan, for example, the sudden rise in temperature in April 2022 resulted in rapid glacial melt and unprecedented monsoon rains through August, causing glacial lake outbursts and flash floods that claimed more than 1,700 lives and inflicted more than $14 billion of damage. Prior to this disaster, the Government of Pakistan had constructed flood mitigation infrastructure in one of the affected provinces, with support from UNDP and financing from the Green Climate Fund. Gabion walls newly put in place successfully diverted the floodwater to a nearby water channel, safeguarding communities, agricultural land, homes and local power stations downstream. UNDRR also notes that spending $800 million on early warning systems in developing countries would avoid losses of between $3 billion and $16 billion annually.

The adaptation financing gap

Despite the benefits, availability and access to financing on adaptation, both within the region and beyond, fall significantly lower than the demand. Although finance flows on adaptation measures gained some traction in 2019-2020, much of it from public sources, the level is still far short of needs.[146] It is estimated that less than $50 billion is spent worldwide on adaptation each year.[147] International adaptation finance flows to developing countries are 5-10 times below needs and the gap is widening.[148] Annual adaptation needs are expected to swell to $160 billion-$340 billion by 2030, and to $315 billion-$565 billion by 2050.[149]

Private-sector finance and engagement are critical to meet the significant gaps and achieve climate targets. Efforts are needed to foster innovation and investment in climate-resilient livelihoods and value chain development, mitigation, and adaptation. Regulatory and other policies addressing risk and opportunity and accurate pricing of carbon, can help shift investments from fossil fuels to green technologies by the private sector and investors. This can be enhanced by incentives and de-risking solutions that make the case for investment where needed.

Partnerships with the private sector are key. Climate risk financing and transfer, for example, is gaining traction in Asia, however, only a third of the estimated economic losses due to climate were insured. Scaling up risk transfer can significantly reduce and manage climate risks, particularly to agriculture and infrastructure.[150] By linking initiatives to start-up ecosystems, governments and partners could leverage technological solutions for adaptation. The role of governments remains critical in supporting the creation of an enabling environment for private financing to accelerate re-direction of funds. Strong signals, including promoting carbon pricing that effectively consider externalities of fossil-fuel based activities, would facilitate re-pricing in favour of green(er) and nature-positive investment opportunities.

The UN Secretary-General has repeatedly called for developed countries to deliver the promised $100 billion a year in climate finance for developing countries and for 50 percent of all climate finance to be allocated for adaptation. Initiatives such as the Systematic Observations Financing Facility (SOFF) – a UN multi-partner trust fund co-founded by WMO, UNDP and UN Environment in 2021 – are emerging as mechanisms in support of adaptation financing (in the case of SOFF, focused on closing the weather and climate-data gaps in countries with the most severe shortfalls).

Climate risk projections

Looking ahead, it is important to understand future climate trends and hazards at national, sub-national and local levels, and systematically improve climate risk projections such that they inform policymaking and possibly reduce investment risks. Science-based advances to understand the effectiveness of responses to climate risks, coupled with the availability of reliable data and information, will assist in better understanding the effects of adaptation policies. This in turn will render the development gains resilient to the impacts of climate change.

Protect nature

Nature underpins lives, societies, and economies, yet the world is facing a multi-dimensional planetary emergency of nature loss and climate change, exacerbated by widening inequality, conflict, insecurity, and the food, energy, and health crises. The biodiversity and ecosystems that sustain life-support systems, societies and economies are declining at an unprecedented rate, putting the lives of millions of people in jeopardy and those of future generations. Asia and the Pacific is at the heart of the biodiversity crisis, with 63 percent of the region's GDP at risk from nature loss.[151] The majority of the 169 SDG targets require nature-based solutions. Without bold action on nature, and profound changes in how the world values nature, efforts to realize human development and advance the SDGs will fail.

The current crisis of nature loss in the region demands bold shifts in policy and practice:

Put nature at the heart of development

Nature is not accounted for, nor sufficiently valued, in the understanding of development and economics. Therefore, it is critical for countries in the region to understand that economic development and environmental development are not mutually exclusive and that it is imperative to transition towards sustainable and nature-positive development models that recognize nature as the foundation of human well-being and prosperity, and as a powerful driver of poverty eradication and sustainable development.

In this endeavour, improving measures from GDP to natural capital accounting, and increasing financing to address the nature crises and for the protection of nature, would be essential. This will help to internalize the cost of nature degradation into the operations of responsible entities. The Government of Papua New Guinea, for example, undertook an assessment of the country's ecosystem services with UNDP support. The ecosystem services were estimated to generate up to $310 billion ($6,704 per hectare), around 13 times the country's annual GDP. This assessment demonstrated that investing in protecting nature could generate economic and health returns.[152]

Reform subsidies and incentives harmful to biodiversity

Nature-harmful subsidies need to be redirected, repurposed, and eliminated, including subsidies that promote unsustainable production patterns. It will also be important to reduce the use of chemical pesticides and fertilizers, over-harvesting of fish, timber and other resources, and the conversion of natural ecosystems to managed lands (see Box 3.7). However, the removal of subsidies requires careful planning to minimize negative socio-economic impacts on vulnerable populations.

Mainstream nature within national and regional development policies

Better coherence and alignment between Nationally Determined Contributions (NDCs) and National Biodiversity Strategies and Action Plans (NBSAPs) can help countries to be ambitious and meet the targets of the Global Biodiversity Framework and the Paris Agreement more effectively. This integration also offers opportunities to take a rights-based approach that captures perspectives of indigenous communities and maximizes the potential role of nature-based solutions.

In the Asia-Pacific region, governments of developing, middle-income, and small island developing states are leading national efforts to fast-track early actions to align their NBSAPs, including policy, monitoring and finance frameworks, with the Kunming-Montreal Global Biodiversity Framework and with relevant targets of the NDCs. UNDP is supporting 18 countries in the region by bringing together stakeholders from all sectors of society to draft roadmaps for aligning their NBSAPs.

Increase coverage of protected areas and other conserved areas

It is important to conserve land and sea areas that are vital for biodiversity and its contribution to development. This should be done through inclusive governance practices and policies that are based on a human rights approach – which recognizes local communities and indigenous peoples as stewards of natural resources and their dependence on ecosystems and biodiversity for their livelihoods and well-being.

Potential for job creation

Investing in protecting ecosystems and biodiversity in the Asia-Pacific region can deliver cross-sectoral benefits at scale. A 2022 Academy of Sciences Malaysia study estimated that investing in measures to conserve biodiversity and marine ecosystems in the ASEAN region could result in $2.19 trillion of economic benefits annually while also reducing the effects of climate change.[153]

Scaling green businesses, biodiversity-friendly enterprises and nature-based small businesses have the potential to generate a significant number of jobs. The region has more than two billion youth under the age of 30, which is 54 percent of the global youth population, with rapidly growing needs for more resilient livelihoods. The World Economic Forum's New Nature Economy Report highlights that investing in just 59 nature-positive business opportunities identified in the region could generate about $4.3 trillion and 232 million jobs per year by 2030.[154]

Increase finance for nature

There is a pressing demand to increase financing for nature, both public and private, and redirect flows of finance from nature-negative to nature-positive outcomes. This remains an underutilized pathway across much of Asia and the Pacific. One positive example in Malaysia is 'ecological fiscal transfers' (EFTs) which provide a way to lift the burden off the shoulders of local governments and to channel funds for conservation, such as intergovernmental fiscal transfer schemes, from the federal government to states. The growth of EFT has been rapid, rising from $300 million a year to $23 billion today.

Green, zero-carbon and resilient urban planning

Manufacturing-based, export-oriented growth is expected to spur urbanization in cities across the region. It is important to ensure that urban plans prioritize sustainability, environmental conservation, and social inclusivity to create cities that can thrive economically while safeguarding the well-being of their residents and the planet.

Box 3.7 Eliminating fossil-fuel subsidies in Sri Lanka

The Government of Sri Lanka, with UNDP support, undertook an assessment on subsidies harmful to biodiversity, and the options available for re-purposing.[155]

The assessment focused on five sectors, namely marine fisheries, power and energy, agriculture, aquaculture and transport (see table below). Specific to the fisheries sector, fisheries subsidies cost the government Sri Lankan Rupee (SLR) 4.7 billion, while the cost to the environment was estimated at 38.5 billion representing overfishing and pollution and its impact on the potential ecosystem services from fisheries.

Aside from a net loss of SLR 2 billion, the indiscriminate targeting of beneficiaries and the absence of a robust impact monitoring mechanism within the subsidy policy have led the Government to prioritize its removal. Considering all these factors, including the financial crisis of 2021, in August 2022, the Government of Sri Lanka eliminated all fossil fuel subsidies – petrol, diesel and kerosene – in the fisheries sector.

Sector	Costs (Rs Billion)		Benefits (Rs Billion)		Total Costs - Benefits (Rs billion)
	Subsidy	Environment	Beneficiaries	Country	
Marine Fisheries	4.7	38.5	41.2	37.5*	2.0
Energy	67.6	73.8	509.3	87.6	-455.5
Agriculture	50.7	83.6	216.0	329.0	-410.7
Coastal Aquaculture	0.25	22.6	6.3	5.4*	16.6
Transport	86.9	148.4	NA	1550**	235.3
Total	210.2	366.9	772.8	2009.5	253.9

* Country benefits are included in the beneficiary benefits.
** Due to data availability issues, benefits attributed to country has been calculated with less accuracy. Hence, it has been omitted from calculation of cost benefit analysis.

Manage public finances more responsibly

During the pandemic, the fiscal deficits of many low-income and emerging countries in the Asia-Pacific region widened, as they sought to protect their populations, and their economies shrank, despite implementing measures to buffer against the impacts.

Several years after the onset of the pandemic, public indebtedness remains high in several countries. This reflects significant headwinds from the global economy. The fast-paced monetary tightening in the United States and Europe has raised refinancing costs and weakened exchange rates. Countries have also had to cope with a global cost-of-living crisis. These external headwinds were furthermore amplified by pre-existing domestic macroeconomic vulnerabilities.

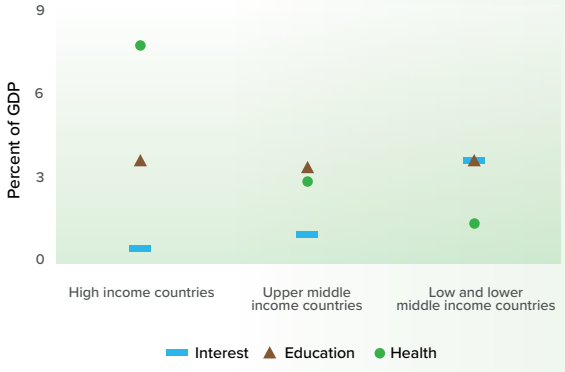
In 2022, the share of public debt to GDP in several Asia-Pacific developing countries such as Bhutan and Maldives exceeded 100 percent, while countries like Lao PDR, Pakistan and Sri Lanka saw severe debt stress. In 2022, Lao PDR went through a major economic crisis. The Lao kip depreciated by 50 to 60 percent against the US dollar, putting significant exchange rate pressure on foreign-denominated debt servicing. The foreign reserves were depleted and were available for less than two months of imports. As a result, imports were restricted and in May 2022 some parts of Lao PDR experienced fuel shortages, and the closure of petrol pumps. Countries burdened with significant external public debt, such as Mongolia, Samoa, and Vanuatu, also face heightened vulnerability to external shocks.[156]

Debt constrains human development investment

The surge in debt and interest payments constrained the ability of governments to allocate adequate funds to crucial human development priorities, imposing a burden on current and future generations. As interest payments rise, the available resources for health, education, and other priorities become increasingly limited. This situation has hampered progress in human development and poses long-term risks to social stability and economic growth.[157] For example, in Lao PDR the debt servicing obligations amounted to about $1.1 billion annually between 2021 and 2025, about the same as the country's annual total foreign exchange reserves. Debt servicing has crowded out social spending. In 2019, the Government of Lao PDR was already spending five times more on debt servicing than on public health.

Ballooning interest payments have put pressure on government revenues and spending. In 2022, 13 countries in the region spent more than 10 percent of their total government revenue just to pay the interest; in 2019 this number was only 8.[158] In the Asia-Pacific region, since the pandemic several countries have allocated more funds to interest payments than to health. Most notably, the low- and lower middle-income countries are spending more on interest payments than health and education expenditures (Figure 3.10).

Figure 3.10 Public expenditure on net interest, education, and health in Asia and the Pacific, percent of GDP, 2019–2021



Source: Based on UNCTAD 2023.[159]

Remarkably, some countries in the region managed to weather the pandemic's challenges without experiencing fiscal and debt stress. Countries that entered the pandemic with strong economic fundamentals (sufficient fiscal space and low debt pressures) or had access to the international system for liquidity and borrowing have been able to weather the shock better. Overall, countries in East Asia and South-East Asia (except Lao PDR) have maintained relatively stable levels of public debt. As a result, interest payments have not overshadowed public expenditures allocated to vital human development sectors like education and health. For example, Thailand entered the pandemic with relatively low debt to GDP ratio of 41 percent, which provided space for an unprecedented policy package to mitigate the impact of the shock.[160]

Towards a more equitable allocation of resources

Key strategies that can help ensure a more equitable allocation of resources include timely debt restructuring, proactive and efficient debt management, revenue

mobilization, targeted social spending, reforming public investment management, innovative financing instruments and promoting economic growth.

However, these domestic policies must be complemented by collective solutions beyond the realm of one country. The move by International Financial Institutions towards debt repayment 'pause clauses' in the context of disasters and pandemics, which allow for the suspension of a set of payments in the event of a pandemic/disaster, is a promising step. However, more decisive actions are urgently needed for reform and for the international financing architecture to unleash resources for countries to scale the implementation of equitable and sustainable policies.[161] Similarly, international experience shows that innovative instruments like debt-to-nature swaps can play a mitigating role in both environmental and debt stress.[162]

With the increasing frequency of climate shocks and disasters, there is an urgent need for reform of the global financial system and the development cooperation architecture. Neither climate nor development finance are fit for purpose for developing countries.[163] Based on a decade's worth of data analysis, the Climate Policy Initiative notes that the grant finance share in total climate finance remains low at less than 5 percent.[164] Concessional finance was only 16 percent of the total, while debt consistently remained the main instrument for climate finance.[165] Out of approximately $133 billion SDRs allocated to 48 Asia-Pacific countries that are members of the IMF, only $5.5 billion, or 4 percent of the total amount, was accessible by countries with special needs as a whole.[166]

Private finance

The role of private finance is becoming increasingly important given that the needs for meeting the SDGs are very high. Annual additional investments required for the SDGs are estimated at around $4 trillion globally and $1.7 trillion for the region.[167] While publicly mobilized finance constitutes the bedrock of SDG (including climate) finance, there are significant funding gaps, and domestic budgets have been significantly impacted in the wake of COVID-19 and other shocks.

Further, as the Asia-Pacific region encompasses some of the most climate-vulnerable countries, there is a need to scale up investments for greening and for just transitions; currently much of climate finance is largely in the form of loans, which has the potential to add to indebtedness.[168] Hence, SDG and sustainability-oriented investment by financial institutions and investors at country and regional levels, as well as financing mechanisms, risk-transfer and other measures, will be important.[169]

Overburdening future generations

Overburdening future generations with debt poses significant risks to human development, social stability, and economic growth. It is crucial that governments, international financial institutions, and private actors work together to implement effective policies and reforms to ensure a more equitable allocation of resources, and to unleash the potential for sustainable development in the Asia-Pacific region and beyond.

This includes not only domestic policies such as efficient debt management, debt restructuring and targeted social spending, but also collective solutions to reform the international financing architecture, exploring the potential gains from adopting SDG-informed debt sustainability frameworks,[170] and collective measures to facilitate timely, effective and fair sovereign debt restructuring. Together, these efforts can help ensure that we fulfil our obligations to future generations and create a more just, equitable, and sustainable world today.

* * *

The chapter has emphasized the urgency of mainstreaming human development progress. The list of priorities may seem extensive, but the shared challenges faced across Asia and the Pacific justify the proposed pathways: expanding choice, reducing insecurity, and catering to future generations.

While some strategies are not new and adopted already in several countries, the push for 'new directions' revolves around two themes. First, a greater emphasis on placing people at the heart of development strategy. Second, a better connection with growth and governance, as detailed in the next two chapters.

Chapter 4. Recalibrating Growth Strategy

To achieve sustainable growth and job creation in these turbulent times, Asia-Pacific nations must raise their games. They will need to re-evaluate and adjust their approaches – by recalibrating growth strategies, identifying new opportunities, and reinforcing these with consistent policy measures.

Economic growth remains vital for human development. While imperfect and insufficient, economic growth, in Asia and the Pacific as elsewhere, has been instrumental in drastically reducing poverty and improving human development indicators. For countries that have experienced minimal growth the opportunity cost in terms of human development, is large. Ideally, growth should neither deepen divides nor neglect human rights or workers' well-being. Equally important, growth should respect the environment and should not compromise obligations to future generations. But growth outcomes have often fallen short of expectations.

Looking ahead, countries in the Asia-Pacific region must cope with headwinds and do their utmost to realize their growth potential. Their efforts may be reinforced or undone by external developments, but to achieve economic betterment they would have to pursue all possibilities.

At the same time, it is important that growth translates into human development gains, and creates enough high-quality jobs. While growth has lifted hundreds of millions of people in the region out of poverty, the current pace of job creation has failed to deliver equitable outcomes. Were growth to falter and job opportunities to dwindle, the legitimacy of some governments may be imperilled potentially sparking social unrest.[1,2]

To realize sustained and equitable growth, this chapter explores the desirable adjustment of current strategies. It examines opportunities in manufacturing, a key driver of growth, as well as in services and agriculture. It also discusses opportunities in the green and blue economies, through harnessing land and marine resources to nurture prosperity, while safeguarding terrestrial and marine ecosystems. In addition, it examines the potential of new technologies to create job opportunities, and concludes by discussing the specific policy instruments required to catalyse change.

The importance of economic growth

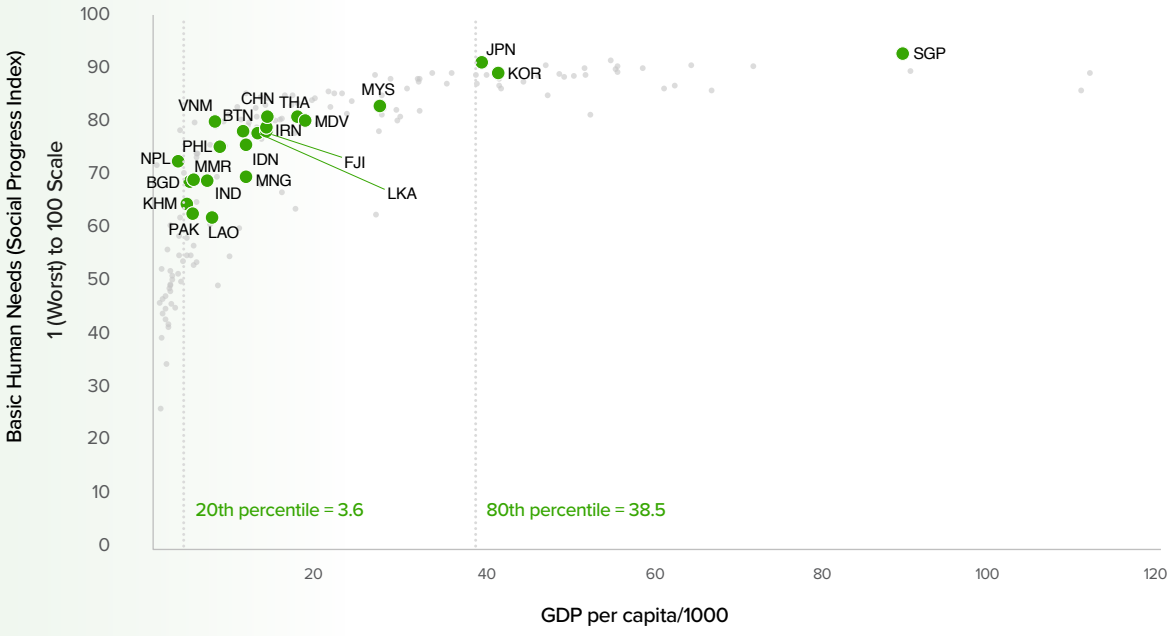
Economic growth should remain at the heart of any future development strategy. Growth is a potent tool for poverty alleviation and enhancing quality of life. It creates positive upward spirals of prosperity and opportunity, which ultimately advance human development and in turn feed back into propelling economic growth.

No growth, no human development

Robust growth generates employment, incentivizing families to prioritize education, and contributing to the rise of vibrant entrepreneurship. This in turn can induce states to strengthen market institutions and governance. Hence, robust economic growth stimulates human development, which reciprocally amplifies economic growth. Growth also correlates well with human development more broadly, especially with basic indicators of human material well-being and is a powerful driver of poverty reduction. In growing economies, businesses expand, more jobs are created, and rising productivity can lead to increased wages and improved living conditions. Moreover, as incomes rise so does the government revenue essential for funding public services and infrastructure. Rising incomes facilitate access to healthcare and education, fostering human development and alleviating poverty.[3]

This is born out in Figure 4.1, which correlates measures of per capita GDP and well-being and highlights countries in Asia and the Pacific. The measure of well-being is the basic human needs component of the social progress index, which focuses on nutrition and basic medical care, water and sanitation, shelter, and personal safety. This shows a tight and strongly nonlinear relationship. There are no countries with high per capita GDPs and low values for the index, and there are no countries with low levels of GDP per capita with high values for the index.

Figure 4.1 GDP per capita and basic human material well-being, 2018



Source: Based on Pritchett (2022)[4]; Social Progress Imperative 2022; Penn World Tables 10.0.
Note: Figure shows the strong and non-linear relationship between basic human material well-being (e.g., health, nutrition, safety, shelter, sanitation) and GDP per capita, based on Pritchett and Lewis 2022. At low levels of GDP per capita up to about $25,000, the rate at which basics are met increases very steeply and beyond which there is little gain. Sufficiency is shown by no country having high levels of GDP per capita and low levels of basics. Necessity is shown by no country having high levels of the basics at (very) low levels of GDP per capita. The horizontal axis shows GDP per capita divided by 1,000 from the Penn World Tables 10.0 for the year 2018. The vertical axis shows the 2018 basic human needs component of the Social Progress Index, which measures progress against nutrition and basic medical care, water and sanitation, shelter and personal safety.

Box 4.1 Growth and poverty reduction in China and India

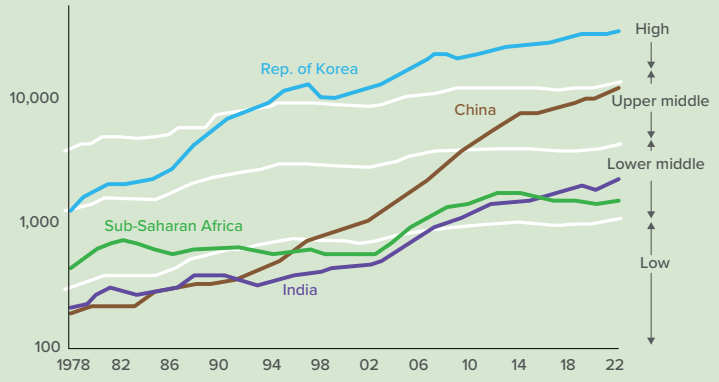
Data from the region's two most populous nations demonstrates that poverty responds to economic growth.

In 1978, China and India had comparable per capita incomes, but subsequently their economic paths diverged rapidly. Over a period of 40 years, China had annual growth of around 10 percent, propelling it to the status of upper middle-income country, and in 2022 it was on the threshold of the high-income category.

The data shows that India had slower and more uneven progress. Growth however accelerated in the 2000s, with rates exceeding those in many other regional economies, and this helped move the country to the lower middle-income bracket.

Different growth rates and other factors yielded different outcomes. In 1978, per capita incomes of China and India had been at similarly low levels – half that of sub-Saharan Africa and only one-sixth of that of the Republic of Korea. By 2022, however, China's per capita income had increased to nine times that of sub-Saharan Africa – though still only one-third that of the Republic of Korea. Per capita income in India also rose, but more slowly, reaching 1.5 times that of sub-Saharan Africa – and one-fifteenth of that the Republic of Korea. Latest trends exhibit an upward trajectory in India, revealing a significant progression toward catching up in recent years.

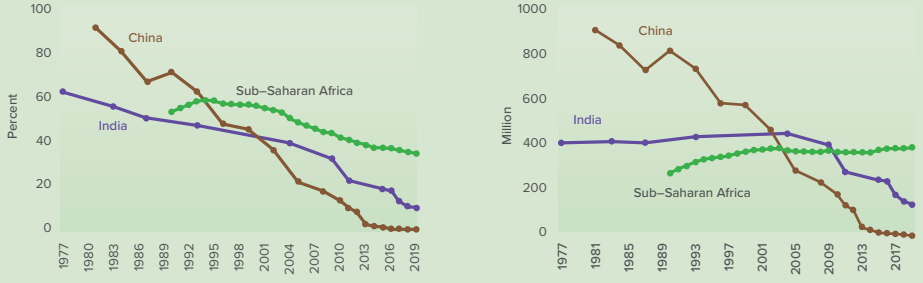
GNI per capita: Selected countries and sub-Saharan Africa 1978–2022



Source: World Bank WDI.
Note: GNI per capita uses the Atlas method. The income scale is logarithmic. Income classification is that of the World Bank.

The different growth trajectories had corresponding consequences for poverty. In China, rapid growth virtually eliminated extreme poverty – the largest poverty reduction in recorded history, while the population grew on average by 0.5 percent per year. India's recent growth spurt also successfully reduced the incidence of poverty, albeit more slowly. This was partly because the population increased more rapidly, at 1.1 percent a year. Even so, over the last decade, the country has made rapid strides in reducing income poverty, and done so faster than sub-Saharan Africa, where poverty is deeper and population growth faster.

Extreme poverty rate and number of poor people at $2.15 a day, 1977–2019, $PPP 2017



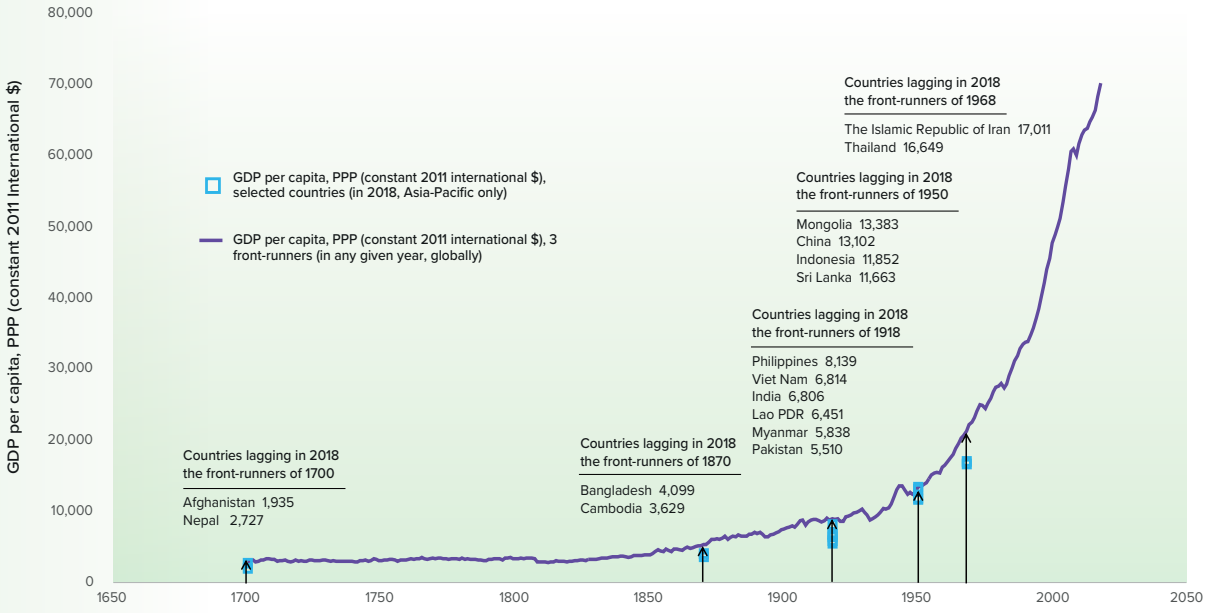
Source: Data from World Bank, World Development Indicators.
Note: Annual data are available only after 2010 and 2015 for China and India respectively. Data before that are connected linearly only for ease of reading.

Different countries, different priorities

The extent to which growth is a priority will depend on how much growth the country has already had. Debating the significance of economic growth may appear a luxury for countries with per capita income levels approaching those of high-income countries like Japan, Germany, or the United States, as opposed to those at the levels of Afghanistan or developing nations like Indonesia or Sri Lanka where the marginal benefits of growth may be far higher. For lower-income countries, economic growth is essential if it is for enhancing livng standards and meeting basic human needs.[5]

The relativity of priorities are illustrated in Figure 4.2, which compares global frontrunners with selected Asia-Pacific countries as of 2018.[6] This plots the GDP per capita estimates of the top three nations in the world for each year from 1700 and 2018. The individual observations overlaying the figure are the names of Asia-Pacific countries whose GDPs per capita in 2018 were closely exceeded by those of the top three global nations in the specified year.

Figure 4.2 GDP per capita of front-running economies globally (average in each year) compared with 2018 GDP per capita of selected countries in Asia and the Pacific



Source: Based on Pritchett (2022).[7] Historical GDP per capita, PPP (constant 2011 international $) are from Maddison Project Database, version 2020. Bolt, Jutta and Jan Luiten van Zanden (2020), "Maddison style estimates of the evolution of the world economy. A new 2020 update.
Note: Figure shows the average historical GDP per capita, $PPP (constant 2011 international $) of the top three global leaders (purple line), which represents income growth of advanced economies, and plots the 2018 GDP per capita, PPP (constant 2011 international $) of Asia-Pacific countries across five periods where they fall below the average for the advanced economies.

This figure highlights the vast potential that could be unlocked by incremental progress through steady and sustained growth. By the same token, it also illuminates the opportunity costs of missing out. The leading nations in 1700 (the three front-runners at that time) had higher GDPs per capita than Afghanistan and Nepal did in 2018 – the most recent year observed. The per capita GDPs of Bangladesh and Cambodia in 2018 were lower than those of the leading nations in 1870. A century ago, the global frontrunners better than the Philippines, Viet Nam, India, Lao PDR, Myanmar, and Pakistan did in 2018. Rewinding to 1950, the frontrunners of that era outperformed Mongolia, China, Indonesia, Sri Lanka. Finally, The Islamic Republic of Iran and Thailand and were surpassed by leading nations 50 years ago.

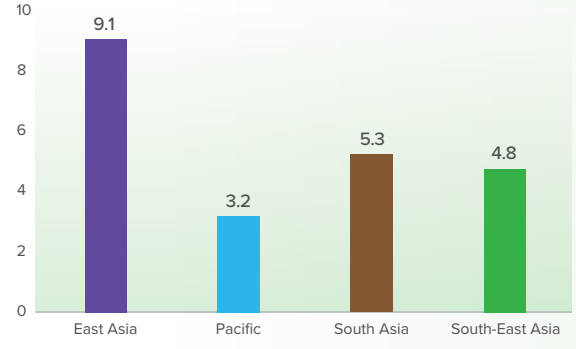
The need to recalibrate growth strategy

With external market conditions becoming more competitive, an export-led strategy will need to be recalibrated to increase productivity, promote the creation of better-paid jobs and connect export enclaves to domestic markets. What follows outlines the direction and content of policies that would be desirable.

The export-led growth model

The export-led growth model has long served as the region's workhorse. For many years, the East and South-East Asian countries especially hitched their growth to exports, aided by foreign direct investment (FDI), which also facilitated integration with global value chains (GVCs). China may hold the record. Over the period 2006-2008, it exported 57 per cent of its manufacturing output. Even as recently as 2022, the proportion was 47 per cent – in other words, almost the same as was used to meet domestic demand. Economies in South Asia were less outward-looking and did not prioritize a diversified manufacturing sector; on balance, their growth rates have been lower and more variable (See Figure 4.3).

Figure 4.3 Average GDP growth rates, Asia-Pacific sub-regions, 1990–2021, percentage change



Source: Data from WDI.
Note: Figure includes Asia-Pacific countries with available data from 1990-2021. Balanced panel, hence, countries excluded due to unavailable full data are: Afghanistan, Bhutan, Cambodia, DPRK, Maldives, Nauru, Palau, Timor-Leste, Tonga and Tuvalu. High-income economies are excluded.

The benefits will differ across countries, but export-led growth, connected to trade, FDI and technology transfer, will remain an important means of accelerating growth. Export-led growth helps bring in foreign currency, which is key for importing essential goods and services. It helps countries achieve economies of scale while accessing markets of larger sizes and higher levels of income – lowering average costs and increasing efficiency. Countries can specialize in segments of a cross-border production network in which they have an actual comparative advantage, again increasing efficiency in the allocation of global resources.

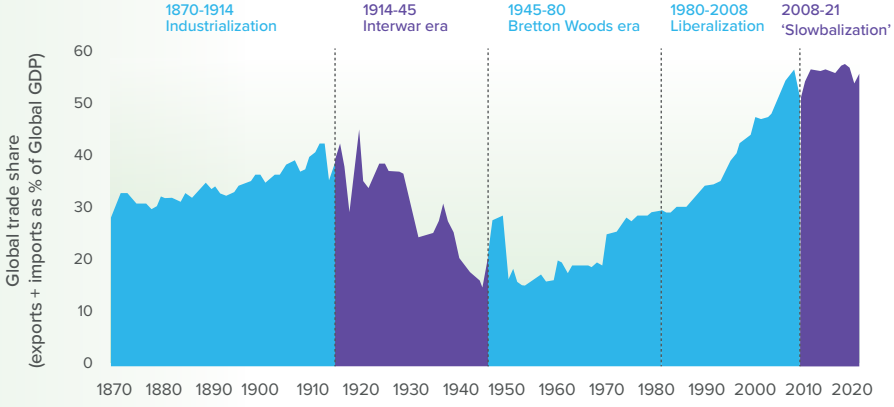
Export-led growth helps generate jobs, and supports technological advances and innovation, through greater competition with, and exposure to, foreign markets. Growth pulled by exports will be especially advantageous for the mid-sized and smaller economies, including the SIDS, Cambodia, and Lao PDR. For crisis-hit countries, and those shouldering large debt burdens, such as Pakistan and Sri Lanka, solid export gains can restore equilibrium and enable a fresh start.[8]

The future of export-led growth

The external environment has become significantly more competitive, hence export-led strategies must correspondingly evolve (Figure 4.4). The momentum of trade globalization and of FDI has waned – referred to as "slowbalization". This is evidenced by a stagnation in the share of trade in global GDP and a decline in cross-border investment. This deceleration might have been expected: following the hyper-globalization of the 1990s and 2000s, the law of diminishing returns would inevitably apply.

A considerable portion of trade is through global value chains, and there is a limit to the extent to which production can be optimized across international borders. The stagnation in the global trade share is also influenced by developments in China and in particular by the growth of China's domestic economy.[9] Since 2006, the country's trade-to-GDP ratio has receded; it is currently below both the global mean and its ratio at the time of accession to the WTO in 2001.

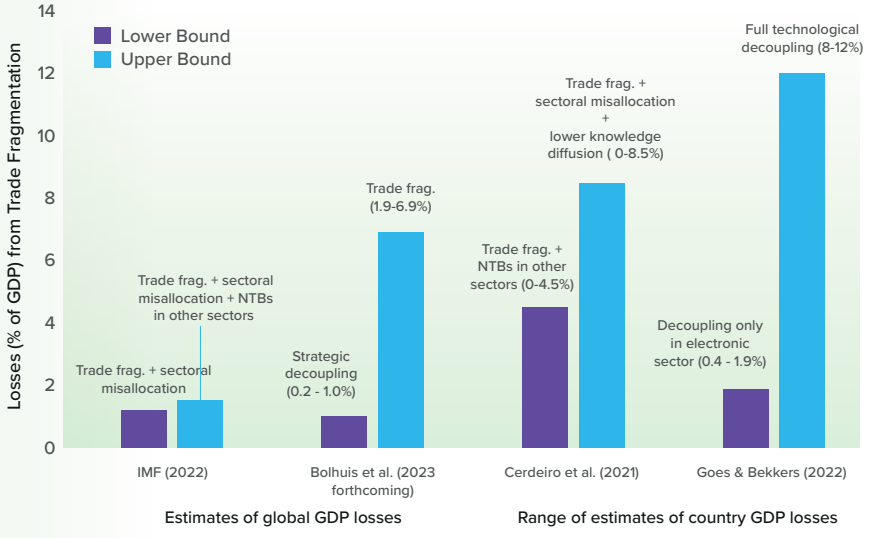
Figure 4.4 Evolution of trade globalization, exports and imports as a percentage of global GDP, 1870–2021



Source: Jorda-Schularick-Taylor Macrohistory Database; Penn World Data (10.0), Peterson Institute for International Economics, World Bank and IMF.

A slowing of globalization and of FDI together with an increase in geopolitical tensions are introducing new challenges**.** The IMF characterizes the policy-induced reversal of economic integration as geoeconomic fragmentation. The potential repercussions of such fragmentation could amount to a 7 percent loss of global GDP – equivalent to the combined economies of` France and Germany, or the entirety of sub-Saharan Africa. These costs of fragmentation are amplified by the impact of the dissemination of technology. When technological advances spread more slowly across nations, this reduces growth, as reflected in the upper-bound estimates shown in Figure 4.5.

Figure 4.5 Cost of geoeconomic fragmentation, Percent of GDP



Source: Aiyar and others 2023.[10]

However, these tensions also create new opportunities as countries look to promote diversification and resilience in global value chains. This was already emerging as a priority post-COVID-19.[11] The trends in globalization and geoeconomic fragmentation make it even more important that countries in Asia and the Pacific become more competitive and that companies increase their external market shares in manufactures, commodities, and services.

Reshoring and friend-shoring initiatives by leading high-income economies have introduced additional complications. As a result, global value chains are restructuring and a host of countries are bidding for FDI as multinational corporation (MNCs) attempt to diversify their sources of supply. To reap the rewards of export-led growth, will need to be greater emphasis on external competitiveness and diversification.

Domestic growth engines

The demand generated by exports is complemented by domestic demand, and the two together determine the pace of growth. This gives the region's largest economies extra degrees of freedom. With larger domestic markets their firms can achieve economies of scale without necessarily venturing overseas. They can also use their domestic market as a testing ground, allowing them to attract FDI and refine their products and services before venturing into foreign markets.

Nevertheless, it is important to embrace foreign competition as a spur to competitiveness and innovation. Engaging in international trade exposes firms to new ideas, technologies, and best practices, which can lead to better products, services, and processes. It also exposes firms to a wider range of competitors, which can drive them to become more efficient and innovative in order to survive and thrive. A balanced approach that leverages both domestic and international markets is therefore likely to yield the most sustainable and robust economic development.

Towards different kinds of growth

In all of the above, growth strategies could align better with human development more broadly. Although growth is indispensable and an export-oriented approach can

bolster economic prospects, it is evident that quality, not just quantity, of growth is paramount. In this regard, several potential pitfalls will require attention.[12]

First, it is important to make sure that growth is not associated with a dualistic economic structure where the export sector becomes an island of modernity and high productivity, while the rest of the economy remains mired in traditional and low-productivity activities. Economic enclaves, especially in industries like mining or certain types of agribusiness, may not have strong backward or forward linkages with the rest of the economy. This means that these sectors do not significantly stimulate other sectors by buying their products (backward linkage) or supplying them with materials (forward linkage).

To mitigate such tendencies to create economic enclaves, countries should pursue diversification strategies that stimulate linkages between the export sector and the domestic economy, promoting inclusive growth, and fostering skills transfer. This involves good basic development policies such as investing in education and training programmes, providing incentives for domestic value addition, and promoting the growth of ancillary industries around export hubs. For example, in China, the government pushed for diversification, moving away from being merely an exporter of raw materials, like rubber and tin, to becoming a major player in manufacturing, particularly electronics, and later services. This approach allowed the country to harness its export-led growth to build a more diverse and resilient economy, with benefits spread more broadly among its population.

Second, there is also a risk that growth, export-led or otherwise, is pursued in disregard of responsible business practices, denying human rights and exploiting workers with long hours and inadequate pay. Export-oriented industries such as mining and textiles have been more prone to child labour. Workers' rights may be suppressed, with unions being sidelined, and women often facing discrimination, earning less than their male counterparts and working in more challenging conditions. There may also be the threat of displacement of indigenous communities due to land grabs for export-oriented projects, potential cultural erosion due to global market influences, increased economic inequalities with a disproportionate benefit to a small elite, and neglect of worker health, leading to a rise in occupational diseases.[13] Additionally, there could be attacks against affected communities and human rights defenders in the context of business operations, including lawsuits against public participation.

To counter these outcomes, countries need robust legal and regulatory frameworks that prioritize human rights, labour rights, and environmental due diligence including in supply chains. They can also encourage equitable distribution of economic benefits, and promote social, environmental and cultural preservation. Further, they can ensure that standards are maintained, by actively engaging with civil society, workers' unions, national human rights institutions and international human rights organizations, addressing human rights violations and providing remedies.

Many Asian governments have initiated the processes for developing National Action Plans (NAPs) on business and human rights (BRH). Thailand, Japan, Pakistan, Mongolia, and Viet Nam adopted NAPs between 2019 and 2023, while India, Indonesia, Malaysia, and Nepal are currently in the process of developing or adopting their NAPs. In Viet Nam, the Chamber of Commerce and Industry has developed the Foreign Investment Screening Instrument to provide local governments with practical steps to screen and assess whether investments and projects integrate responsible business practices, and whether they meet human rights and fundamental labour rights, or meet health and safety standards, and afford social and environment protection.

Bangladesh has also embraced the BHR agenda more positively, particularly in the context of its upcoming least developed country (LDC) graduation and the impending mandatory EU Corporate Sustainability Due Diligence Directive, which is expected to impact around 80 percent of the country's garment exports. Also, after the tragic Rana Plaza collapse in 2013, national and international stakeholders took action. Various agreements, such as the Accord on Fire and Building Safety in Bangladesh, were signed, bringing together global brands, local manufacturers, trade unions, and non-governmental organizations. This initiative aimed at implementing rigorous factory inspections, improving working conditions, and enhancing workers' rights in the Bangladeshi garment sector.[14]

Third, growth can also cause environmental problems. The drive to produce for foreign markets often accelerates resource depletion, especially from industries like

mining and agriculture. This growth can amplify pollution, with manufacturing sectors discharging waste into the air and water, especially in regions with lenient regulations.

The push for more land, whether for infrastructure or agriculture, such as for palm-oil plantations, can cause habitat destruction and endanger local biodiversity. This is compounded by the adoption of monoculture farming practices and overfishing, which disrupt ecosystems and reduce biodiversity. In addition, there can be an increased carbon footprint from transportation and production, coupled with land degradation from unsustainable farming practices and water scarcity from over-extraction.

Addressing the environmental challenges requires a balanced approach, in which economic aspirations align with environmental stewardship. Governments should establish stringent environmental regulations for industries, incentivizing sustainable practices, such as resource-efficient manufacturing and sustainable agriculture. They can mitigate depletion and degradation through comprehensive monitoring and responsible resource management, including quotas for fishing and efforts for reforestation. Adopting cleaner technologies, encouraging circular economies, and transitioning to renewable energy sources can reduce the carbon footprint. Finally, there can be international cooperation, where export-driven nations adhere to globally accepted environmental standards and certifications, ensuring that growth does not come at the expense of the planet – allowing nations to benefit from exports without compromising environmental integrity.

Strategic opportunities for growth

There are a number of strategic opportunities that emerge onto which countries could latch their growth strategies. Some build on a reconsideration of past approaches; others emerge in response to new developments.

- *Manufacturing* – Except perhaps for the smallest Asian economies, countries can reiterate the importance of manufacturing whose contribution has been eroding over the past two decades. Where possible, both middle- and low-income countries could seek to reverse or stabilize deindustrialization. Premature deindustrialization should be deemed "premature". But manufacturing alone will not do the trick; other sectors must also pull their weight.
- *Services and agriculture* – Technological change has begun to blur the traditional distinction between manufacturing and services, and also between services and agriculture. Agriculture 3.0, like industry 4.0, makes greater use of digital, biochemical and GPS technologies to maximize factor productivity. It is increasingly reliant on inputs from the manufacturing sector and from providers of services. More opportunities are arising therefore at the intersection of all three sectors.
- *The green, blue and purple economies* – In the green economy, the need for decarbonization creates opportunities to innovate in value chains and infrastructure and adapt, for example, to the European Union Carbon Border Adjustment Mechanism. In the blue economy, the region's rich marine resources can be optimized and sustained through new technology and investment – which is especially important for Small Island Developing States as well as for countries with long coastlines. In the purple (care) economy, women and girls typically spend long hours on unpaid care and household work. But there should also be opportunities for less-gendered commercial or state provision that will free women for greater economic and political participation.
- *Frontier technologies* – Exploit opportunities presented by a variety of technologies which are both more feasible and urgent. Advances in knowledge since the turn of the century are transforming the industrial landscape and making it easier for some of the larger countries to manufacture more complex, higher-value products such as electric vehicles or storage batteries or smartphones – as China has done, initially through assembly and thereafter through the cultivation of backward linkages involving the localization of parts and components by reverse engineering, licensing, and own R&D.

Reinstate the role of manufacturing

Three decades back, it was assumed that no country could prosper without a strong and innovative industrial sector.[15] From soon after the turn of the century, however, industrialization began losing favour and there was talk of premature deindustrialization. [16] This soon morphed into a stylized fact – an immutable trend that countries could not counter. It was claimed that income and relative price effects were pushing industry into the margins of the economy in all countries, including developing ones, many of them in the early stages of industrialization.

Manufacturing was thought to be in retreat for three reasons. First, as incomes rise, the income elasticity of demand for goods lags the demand for services pushing down the share of manufactures in consumption.[17] Second, productivity gains in manufacturing outpace those of services, while wages in both sectors remain more or less in sync, so the relative prices of services rise, depressing the share of manufactures in GDP. Third, the growth and competitiveness of industry in East Asia have put manufacturing elsewhere under pressure. Matching the prices, quantities and delivery schedules of East Asian manufacturers has proven too much for late starters in Asia and for many industries in developed countries as well.

Although countries such as Bangladesh have leveraged low domestic wages, preferential trading arrangements and partially FDI to establish a commanding position in readymade garments, they have failed to diversify into more complex and higher-value products.[18] Several countries in the region are caught in a low-industrial equilibrium.

At the same time, South-East Asian economies that were aided by FDI and able to diversify into electronics, pharmaceuticals, and auto parts and assembly have found it difficult to ascend the value chain. One factor is competition from China and other high-income countries. Also important is the difficulty smaller countries face in internalizing significant elements of the supply chain for complex, high-value items. China can do so because of its size, industrial policies, volume of investment, supply of skilled workers, and technology transfer via FDI and other channels. The Republic of Korea also managed to build domestic supply chains for a few mid- and high-tech products in the less contested 1980s and 1990s. However, Malaysia, the Philippines, Viet Nam, and Thailand, while registering growth rates in the four to seven percent range, continue to specialize in processing, assembly, and testing activities, with relatively little backward integration into the more sophisticated segments of industrial supply chains.[19]

Moreover, in most countries, manufacturing is losing ground to services. The spread of digital technologies encouraged economists and policymakers to believe that development could be decoupled from industrialization, and thus countries could transfer resources from the primary sector straight to services without the detour via industrialization as taken by Europe, Japan and the Tiger economies.

It was assumed that digital technologies would increase the productivity of many formal services and multiply opportunities to export a mix of old and new services, bypassing the need to export manufactures. This belief still has adherents, but many are coming to the view that it would be a mistake to ignore the potential of manufacturing.[20] For Asia-Pacific countries it is too early to turn their backs on manufacturing. Except for the very smallest economies better suited to export services, manufacturing has much to offer by way of growth and employment. And backward integration into intermediates is feasible in selected products – Thailand's pick-up truck industry is an example.

Manufacturing remains central to development for at least four reasons:

- *Longer value chains* – Manufacturing is connected to a variety of activities both upstream and downstream and across sectors. In other words, manufacturing spawns longer value chains. For example, an internal combustion engine automobile has some 30,000 parts most of which auto-assemblers source from other suppliers – giving rise to a dense, and generally contiguous, job-generating ecosystem. Upstream activities whether for autos or electronics or pharmaceuticals also engage thousands of researchers, financiers, quality control specialists, logistics providers and many others. The downstream linkages are equally numerous. The auto industry multiplier effects cover marketing, for example, after-sales service, insurance, and the provision of supporting infrastructures. In other words, manufacturing can stimulate and catalyse a multitude of activities.[21]
- *Opportunities in global trade* – Merchandize trade in 2022 amounted to $25 trillion. It included agricultural, fuel and mining products, however, manufactured items together greatly exceeded other commodities. Trade in services totalled $6.8 trillion around a quarter of the total, a share that has held steady for some years.[22] Asian countries are slowly expanding their share of global services exports, but it is in the export of manufactures that they shine – as they did during the heyday of the Tiger economies. If countries are to wager on export-led growth, the trade in industrial products offers better prospects relative to services over the medium term.
- *Innovation and productivity.* Almost 70 percent of the R&D conducted in the United States by private busi-

nesses is by firms engaged in manufacturing. And the pattern of R&D spending is similar elsewhere. This is why manufacturing is responsible for one-third of the gains in productivity even though its share of GDP is only 11 percent.[23] Manufacturing also absorbs 20 percent of capital investment and this, plus the accumulating research capital, magnifies learning. This benefits industry in general, and the knowledge spillover effects nourish agriculture, mining, and services.[24] Just as important as the spillover for learning is that for employment. Neither of the other sectors benefit innovation, or productivity as much.

- *Urbanization* – The pace of urbanization is correlated with economic growth – per capita GDP tracks urbanization. But the characteristics of urbanization matter.[25] In the industrial cities of the Republic of Korea and China, for example, urbanization has offered benefits of clustering, networking, learning, and of realizing spillovers. On the other hand, experience suggests that 'consumption cities', in which the axes of economic activity, are mostly non-tradable formal and informal services, generate less productivity and growth.[26] At the same time, many Asian cities also need to cope with environmental stresses and pollution, and the high cost of living, and infrastructure deficits. COVID-19 provided a space for reconceptualizing some of the linkages between urbanization, connectivity, and productivity to inform the design of new cities and industrial patterns.[27]

Asia-Pacific countries need to resist and possibly reverse deindustrialization. They can overcome market failures by using WTO-compatible instruments such as subsidies and trade-related procurement, and can develop strategic infant industries in green manufacturing. At current stages of development, it is too early to deemphasize manufacturing. As yet, no other growth driver can deliver comparable gains in employment and human welfare. Furthermore, as discussed below, industrial dynamism will strongly affect development elsewhere in the economy, in the greening process, and in the assimilation of nascent technologies.

Identify new drivers in agriculture and services

Industrialization can be complemented by intersectoral synergies.[28] The cross-fertilization among economic sectors has been ongoing for decades and needs to be encouraged. Tractors displaced horses, cattle and human labour in ploughing and harvesting.[29] Chemical fertilizer has raised crop yields. In the services sector, computerization has both augmented and displaced labour while creating many more tasks than those lost to machines.

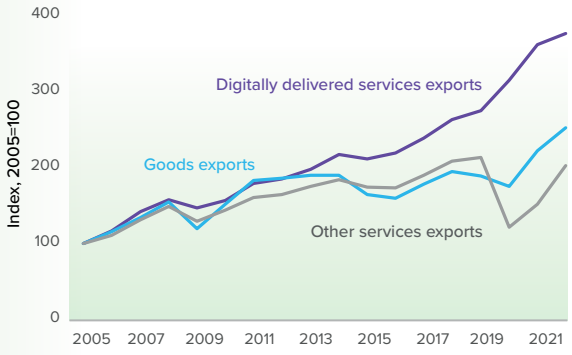
In turn, services have added value to manufactures. Asian success stories would never have happened absent the support of service providers. The exporters of manufactured products depended upon the construction sector to build their factories and supporting infrastructure. They also relied upon engineering, financial, insurance, and logistics services, for example, to produce and ship their goods to overseas buyers. Manufacturing may have initiated the virtuous spiral, but the growth process was sustained by the efficiency of supporting services.

Both manufacturing and agriculture have increasingly been penetrated by digital technologies. Electronics are now embedded in a vast range of manufactures, with a much greater contribution from software. Factory automation and industry 4.0 rely on computers, sensors, actuators and other devices, but at the heart of all these is software. IT services are completely intermeshed with manufacturing and in some industries such as autos, they account for as much as 40 percent of the total value. As the electrification of the economy proceeds, and intelligent devices proliferate, services of an increasingly sophisticated sort will figure even more prominently.

In the decades ahead, most of the new tasks that will provide employment will be in the services sector. According to one estimate, value added by services directly and indirectly accounts for close to 60 percent of global trade – even though the direct share of services trade is closer to one quarter.

Moreover, the trade in digital goods is expanding faster than exports of manufactures and other services (Figure 4.6). This could be a boon for Asian countries that develop the skill sets needed to engage in this trade. India, China, the Philippines and Pakistan are already taking advantage of this rapidly expanding medium for trade, which received a boost from the COVID-19 pandemic when physical travel was constrained, and much more business was transacted online.[30]

Figure 4.6 Growth of digitally delivered services exports, 2005–2022



Source: WTO 2023.[31]

The transformation of agriculture is approaching that of industry with agriculture 3.0 promising to conserve resources, sustain productivity and offset climate change. Until recently, agricultural yields were being buoyed by innovations that enhanced the scale, speed, and utility of farm machinery and by seed, irrigation, and fertilizer technologies. Knowledge of plant genetics and breeding contributed, as did advances in irrigation and drainage techniques.

Now agriculture is poised for a second great leap with the entry of smart agricultural equipment, AI, analytics and sensors embedded in farm machinery, and drones, which could stimulate agricultural productivity, conserve inputs, and make the cultivation of crops, and animal husbandry more resilient.[32] Breakthroughs in plant breeding will increase the nutritive value, disease and pest resistance of plants while making them more heat and salinity tolerant; and technological progress in storage, preserving and packaging food products will reduce waste.[33] The growth and complexity of the agri-food chain is adding non-agricultural jobs even as automation reduces the number of farm workers.[34]

The scope for catching up is vast, especially in South Asia, which needs to make haste to safeguard food security and increase the resilience of value chains.[35] In both South and South-East Asia, agricultural yields can be quite low, and are further threatened by climate change, making it urgent to capitalize on these opportunities. The desired outcome will require a combination of manufactures and services and, as the agri-industry supply chain evolves, the non-agricultural content will increase, as will employment in occupations involving research, for example, transport, and stocking.[36]

Tap into the green, blue and care economies

Greening or decarbonizing economic development has taken on greater urgency as average global temperatures inch upwards and extreme heat takes its toll on productivity – and as countries look to meet their Paris Agreement commitments. This presents an opportunity to augment the development model and to leverage a range of innovations in the green and digital spaces for value chains and broader infrastructure investments, and also to identify how to respond to developments such as the EU's Carbon Border Adjustment Mechanism (CBAM) which is expected to initially apply to imports of selected goods and precursors "whose production is carbon intensive and at most significant risk of carbon leakage: cement, iron and steel, aluminium, fertilizers, electricity and hydrogen".

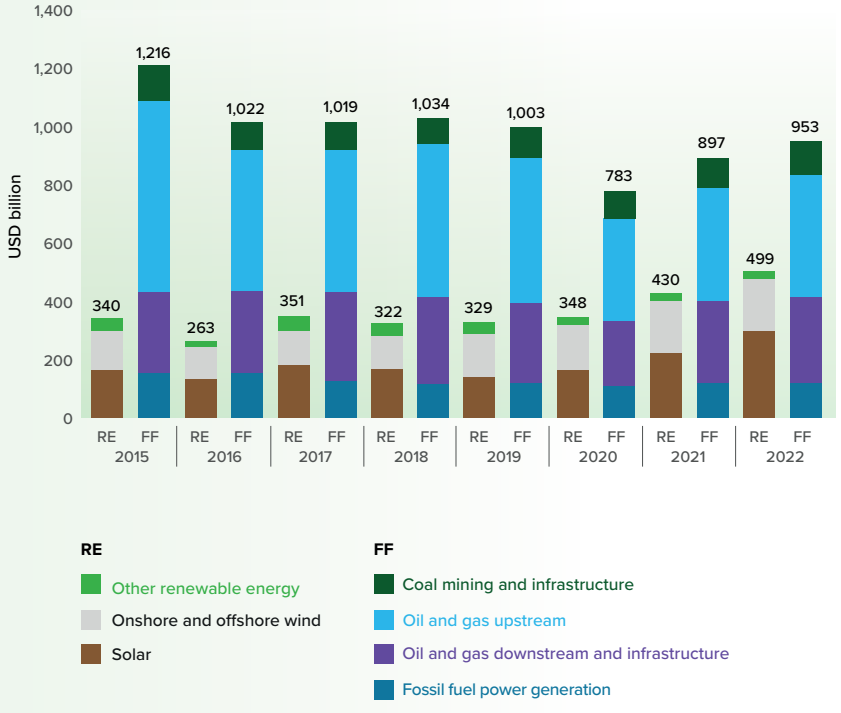
As awareness of the existential threat posed by climate change has mounted, the interest in green growth has moved into higher gear. The purpose of green growth is to promote low-carbon, resource-efficient, and socially inclusive development 'driven by public and private investments that reduce carbon emissions and pollution, and enhance energy and resource efficiency'.[37] In short, make growth sustainable.[38]

Asian economies could benefit from an early transition to a green growth path which would minimize the misallocation of resources, and in principle accelerate the adoption of technologies that will be the mainstay of development in the coming decades. Undoubtedly, the transition will be burdensome for some low- and lower-middle-income Asian economies with a high share of their GDP and employment in sectors that will be affected by climate change. But delay will only add to the cost. For the region as a whole, 37 percent of GDP will be affected, but the variance is large. Countries such as India, Pakistan, and Viet Nam are far more exposed than some others.[39] Delay would undoubtedly involve the eventual costly retrofitting of production and infrastructure assets – or their abandonment.

The pain inflicted by climate change could induce countries to assign green development the importance it deserves, but whether it can accelerate growth and multiply job opportunities will depend on four factors.

- *The scope of greening* – Rather than taking a piecemeal approach, it would be better to have an economy-wide approach that incentivizes the decarbonization or greening of key activities, even if this is harder to implement and could stretch the capacity of many countries. Firms will only engage in the needed investment and research – irrespective of subsidies – if there is a fair degree of certainty that government policies will be sustained.[40]
- *Technology choice* – This will depend on a country's capacity and the industry involved. For instance, energy sector technologies like solar and wind are more advanced than those for decarbonizing manufacturing, utilizing hydrogen, or making production circular. The transport sector is at an intermediate stage, impacted by technological change, electrification, and governance issues.[41] Available technology can reduce urban infrastructure energy consumption, and its rollout should be accelerated. With the region investing heavily in urbanization and infrastructure, adopting green technologies is crucial to limit fossil fuel use, conserve resources, and reduce greenhouse gas emissions. Despite including top CO_2 emitters, the region's ability to translate policies into actions has not been promising,[42] No regional G20 government has effectively advanced a green agenda using COVID-19 recovery packages.[43] Moreover, investments in fossil fuels still surpass those in renewables, hindering progress (Figure 4.7). The transition to a greener economy is also being slowed by direct and indirect subsidies for fossil fuels.

Figure 4.7 Investment favours power generation using fossil fuels



Source: IRENA 2023.
Note: RE = renewable energy; FF = fossil fuels.

- *The strength of linkages* – A greening strategy should take advantage of backward and forward linkages among sectors of the economy to generate multiplier effects.[44] When coordinated with industrial, technology and infrastructure development policies, the benefits would be magnified. In addition to meeting domestic demand, industries supplying inputs to the green economy could also compete in the global marketplace. Whether a green strategy will produce more growth than current strategies is open to debate, and empirical evidence is scarce.[45] The transition from brown to green growth is likely to be costly, as countries with limited R&D capabilities need to master different, less-tested technologies. In addition, some plant, equipment, structures and jobs would be rendered obsolete. Also, retrofitting infrastructures and facilities to increase energy efficiency will be expensive, and new, more efficient plant and infrastructure will require larger outlays. Non-trivially, countries also need to build the necessary base of skills.[46] There is no doubt, however, that greening is the future, along with elements of the 'orange', or creative, economy, and the 'purple', or caring, economy, especially as populations age. [47] An early start by phasing in technologies that have proven their worth, would be appropriate.
- *Labour intensity of technologies and activities* – If greening proves to be skill- and capital-intensive, and displaces many skilled or unskilled jobs, in 'brown' activities, then it will be harder to meet human development objectives unless accelerating growth gives rise to many more tasks. On this, as on linkage effects, there is plenty of speculation, but hard evidence is scarce because technologies are evolving, and it is difficult to identify the new tasks that green development would germinate. The ILO projects that limiting global warming to 2°C, will create 14.2 million jobs in the Asia-Pacific region by 2030.[48]

There are also emerging opportunities in the blue economy (Box 4.2). These relate to the sustainable use of ocean resources for economic growth, jobs and social inclusion, with a focus on preserving and restoring ocean ecosystems and the services they provide. Several studies have identified the potential of the blue economy for innovation, job creation and improved livelihoods.[49] The region has abundant marine resources. The Arabian Sea, the Bay of Bengal, the South China Sea and the Pacific Ocean are sources of livelihood for the millions who depend on fishing, and seafood exports are a major source of revenues for several Pacific Island economies. Technology can help intensify the use of this natural capital while at the same time proactively ensuring its sustainability.[50]

Continuing with the colour-coded theme, the purple (or care) economy presents another avenue of opportunity. To shape a bold future for the Asia-Pacific region, policies must forge new pathways to empower women and enhance their autonomy. This involves acknowledging the true economic value of both market and non-market care work, whether direct or indirect, while also energizing the care+ economy. This is a sector that can potentially bring 40 percent of future jobs globally.[51] But it faces a series of barriers, including cultural perceptions, high costs in certain areas, shortages of qualified personnel, uneven policy support, and social risks including fraud and exploitation.

The purple economy can be encouraged by leveraging private finance via public-private cooperation, SDG-aligned and climate-responsive investment, innovative financing options and technical assistance from development financial institutes. But the sector also has to adopt social safeguards, with investor stewardship, along with policies that internalize care costs and incentivize investments, especially in rural areas.[52]

Recognizing and investing in the care sector can unlock its potential to drive economic growth, gender equality, and social well-being, while also addressing the region's significant, growing demand for care services. In China, for example, the old-age dependency ratio is projected to double by 2050 from its 2010 level.[53] As the numbers of elderly and young people rise in Asia and the Pacific the demand for childcare and care for the elderly will necessarily increase. This means the care economy will grow. Yet it is well established that care work lacks many benefits and protections for workers, offers low wages and in many cases non-compensation, and can expose workers to physical and mental harm. There are also severe gender imbalances that increase inequality and disempower women.

The care economy can be a fundamental driver of inclusive growth and human development. First, improving the terms and conditions of care work will not only empower women by increasing their compensation and bene-

fits, it will also enhance decent work opportunities, and increase protections that expand human rights and security in incalculable ways. It is also likely to improve care outcomes, which have broader social benefits. Second, by changing the nature and provision of care policies and services, the care economy could increase female labour force participation, generally a precursor for any country that has achieved rapid progress in human development. Ultimately, by fully internalizing the costs associated with care, resources can be better allocated to achieve maximum human development.

Box 4.2 Unlocking the blue economy potential of Timor-Leste

For a Small Island Developing State, such as Timor-Leste, that relies on the surrounding oceans for livelihoods and for food security, human development will depend on sustainable use of this 'blue economy', making careful trade-offs between exploitation and conservation. exploitation and conservation.

Timor-Leste is a small South-East Asian nation with considerable economic potential. Oil and natural gas power the economy and have filled up the coffers of the Timor-Leste Petroleum Fund. However, the Government of Timor-Leste (GOTL) recognizes that it cannot rely on hydrocarbon-based exports forever. These are non-renewable resources which are bound to deplete. So, the key development imperative embodied in all its strategic plans is to diversify the economy away from extraction and hydrocarbon-based industry. The blue economy could be a natural starting point for this effort. In this very young nation, substantial potential exists for the sustainable exploitation of its marine resources. Ensuring responsible utilization is paramount to prevent resource depletion, especially in the face of heightened risks of coral reef bleaching caused by rising ocean temperatures.

Abundant marine resources

The nation's coastline stretches for over 700 kilometres, encompassing a rich variety of marine ecosystems, including coral reefs, seagrass beds, and mangroves. These ecosystems provide habitats for a wide range of marine species, making Timor-Leste a hotspot of biodiversity. In fact, Atauro Island, just 24 km north of Dili, according to an assessment conducted in 2016, has the most biodiverse waters globally, with over 643 species and an average of 253 reef species per site.[54] The Timor Sea is known for its productive waters, teeming with fish and other marine life. Abundant marine resources create the foundation for deriving use-value through the vast array of ecosystem services these natural assets can produce, as well as non-use value through the country's incredible beauty and other natural attributes.

Fisheries and aquaculture

The fisheries sector is key to unlocking the Timor-Leste blue economy potential. Timor-Leste's waters are home to valuable species such as tuna, mackerel, and snapper, which have significant commercial value in international markets.

The Government aims to implement strategies that expand fisheries in a sustainable way. Aquaculture currently accounts for 18 percent of total fish supply and the Government aims to significantly increase this. Fish licenses are available to offshore foreign operators for purpose of fish exports, but this is constrained by the presence of illegal unreported and unregulated fishing particularly in the Timor Sea. In addition, much of the fishing in Timor-Leste is individual and small-scale and utilizes traditional processes. By preserving and further developing sustainable fishing practices and strengthening its fisheries management, Timor-Leste can tap into this valuable resource while ensuring its long-term viability.

Tourism

Timor-Leste's marine beauty is not limited to its underwater ecosystems. Its pristine beaches, crystal-clear waters, and diverse marine life make it a prime destination for coastal and marine tourism. Marine tourism is estimated at 56 percent of total tourism and contributed about $19.6 million in gross value added in 2015 (or 0.6 percent of GDP).[55] Eco-friendly and sustainable tourism is a key blue economy subsector, and vital for any effort to diversify the economy and create jobs particularly, for youth, and at the same time protect the marine environment.

To fully unlock the potential of the Timor-Leste blue economy, several challenges must be addressed.

1. Legal and regulatory framework – The GOTL through its Maritime Boundary Office has successfully concluded boundary negotiations with Australia, and efforts continue apace to reach agreement with Indonesia, and to establish clear and effective regulations that promote fair and sustainable practices.

2. Sustainable management and technology – An important blue economy imperative is effective implementation of robust fisheries management and conservation measures to prevent overfishing and protect marine ecosystems. This will improve sustainable fishing practices. Traceability can also have important value-chain impacts.

3. Infrastructure – To leverage the country's vast marine resources and develop the foundational ability to scale up quickly, investments in infrastructure, such as ports and cold-storage facilities, will be important enabling factors for growth of the fisheries and aquaculture sectors.

4. Human resource capacity – Investing in the youth of Timor-Leste through training and education programmes will aid the skills and knowledge acquisition required for sustainable resource management and raise productivity across all blue economy sub-sectors.

Blue economy development can thus diversify and grow the Timor-Leste economy and restore and regenerate its rich marine ecosystems. Addressing key challenges will transform and position Timor-Leste as a regional leader in the blue economy, ultimately improving the well-being of Timorese and contributing to global efforts to protect the oceans.

Leverage technology for development

Something new is afoot in the sphere of technology. In November 2022, OpenAI released an AI-enabled large language model (LLM) ChatGPT. Two months later, it had been tried by 100 million users and the site was attracting 1.8 billion viewers each month. Its popularity has overshadowed all past consumer applications including TikTok and Instagram.[56] ChatGPT has aroused a storm of publicity (not all favourable) and drawn renewed attention to the benefits of digitalization (including the diffusion of AI-enabled software) and automation.

Both the advantages and the downsides are being rehearsed and, as the capabilities of artificial neural networks increase, there are profound implications for growth, jobs, and the arc of human development. Already fears are being expressed that ChatGPT and other LLMs are spawning virulent malware families and that societies will be deluged by fake news that will make the public even less trusting of governments, the media, the business community, and of institutions that are the bedrock of modern societies.

But technological change has always had a mixed reception. Any invention that threatened long-established occupations has been met with suspicion and resistance.[57] In the early 19th Century the Luddites made a short-lived, forlorn attempt to prevent the use of machinery in British cotton mills. Periodically ever since there has been anxiety every time a new production technology has rattled the established order. In the mid-1950s, factory robots aroused unease.[58] Computers brought a similar response. The internet, the smartphone, factory 4.0, agriculture 4.0 and digitalization have all been greeted with only guarded approval.

At the forefront of concerns has been labour displacement – along with worries about the implications of technological change for human welfare. At the time of the first Industrial Revolution critics noted the dehumanizing, alienating and deskilling effects of factory automation and similar concerns have surfaced with each new technological iteration.[59]

Thus far, most of the fears have been unfounded. Technologies have inflicted shocks and some job categories have disappeared. But when technologies have raised productivity, and with it the rate of growth, new tasks have materialized, usually after a lag, and absorbed most of those who were laid off, plus new entrants.[60] In 2018, an estimated 60 percent of United States employment was in job titles that did not exist in 1940.[61]

This is not a painless process. Those who lose their jobs – especially the middle aged and long-term employees nearing retirement – may have to undergo a long spell of unemployment during which skills can erode. The jobs that they eventually find may pay lower wages and provide less job security. Lack of mobility can mean that workers are stranded and become a group of the structurally unemployed. This can breed discontent that feeds political turbulence.

The latest round of technological change associated with digitalization and with the remarkable advances in artificial neural networks and machine learning, has unleashed a storm of speculation.[62] Will it be different this time around? Will technology that has been slowly chipping away at assembly-line jobs and routinized and easily codified activities blue- and white-collar tasks, begin to winnow the tasks of skilled and technical workers and people engaged in cognitively demanding occupations?[63] Moreover, what is the magnitude of the productivity benefits that Asian economies stand to realize from the spread of the new technological wave? Will it be a growth driver of the first order or mostly eat jobs?

Digitalization has been making inroads for a decade or more and while the pessimistic projections might still prove accurate, neither Asian nor advanced economies have experienced a significant loss of jobs in occupations exposed to digital technologies. The impact has been muted, with the uptake of digital technologies limited to the minority of larger firms. Furthermore, since the 2008 financial crisis, total factor productivity has stagnated at low levels throughout Asia and the Pacific and in all the industrialized economies.[64] To date, the onslaught of digital technology, which is seemingly ubiquitous, has barely registered on key growth and developmental variables.[65] The COVID-19 pandemic led to a faster uptake of digitalization, but now most Asia-Pacific countries have returned to trend growth rates, productivity is increasing at pre-COVID-19 rates, and the employment situation is neither better nor worse.[66]

As with electricity and the internal combustion engine, it is possible productivity will quicken with the passage of a couple of decades and begin lifting growth, employment, and human development[67]. That is the optimistic take. The worry is that the region will not benefit from a socially optimal automation and augmentation of tasks. For most business executives, the lure of automation overwhelms the desire to augment the capabilities of workers [68]. More likely the rewards will accrue disproportionately to capital and to investors, and those that filter down to workers will be captured largely by the more skilled, exacerbating problems of income inequality [69].

Another reason why putting AI in the growth driver seat could be a mixed blessing is that it could further concentrate market and political power in the hands of a few corporations, billionaires, and their political allies, as is already visible in Asian economies. [70] Over the past decade the wealth of crony capitalists as a percentage of GDP has risen from five to eight percent.[71] The entry of new firms could be inhibited by the market power of incumbent conglomerates.

There will also be socio-political costs. Companies are using the technologies for behavioural manipulation. And AI has been used to perpetuate racial or other forms of bias, derived from the biases of the training datasets or seemingly benign decisions made by algorithm designers. AI can also affect how societies communicate on issues fundamental to the functioning of democracies, as when social media echo chambers propagate false information that polarize societies.[72] Efforts to build state capability, trust in institutions, and the quality of governance will not make much headway unless these tendences can be reined in.

Implications for job creation

From the standpoint of human development, a primary objective is the creation of decent employment. When viewed through the human development lens, the growth drivers that pass muster are ones that promise an abundance of jobs. Do the ones identified above fulfil that exacting criterion?

Sectoral multipliers favour manufacturing

The evidence suggests that the rapid industrialization from the 1950s through the early years of the 21st Century directly absorbed many of the workers transferring from the rural sector, and that industrial multiplier effects gave rise to many other opportunities in affiliated areas. Several decades into the development process, with banks providing patient capital, light manufacturing and the more complex industries continued to absorb labour. It was only when industry had

matured and plateaued near the turn of the century in East Asia, and more recently in China, that services moved into the lead. However, given structural transformations taking place in the region, and globally, a key question is whether this pattern will prevail in other countries.[73]

Across South and South-East Asia, light manufacturing plus processing and assembly activities have been at the forefront of structural change and job creation, supported by services. In Bangladesh, Cambodia, Pakistan, Malaysia and Viet Nam, between a quarter and a third of the workforce is employed by industry. Industrial growth could benefit employment and facilitate structural change. But if these countries move up value chains to more complex products that are more skill- and capital-intensive, labour intensity will decline.[74] Automation will also cause some of the light manufacturing activities to shed jobs, a process that is ongoing.

For countries in the low- and middle-income categories, light manufacturing, agri-processing and medium- tech activities can drive growth and be a source of good jobs. As the skill intensity of industrial occupations rises, and the quality of the workforce improves, the jobs would become more remunerative. And as more robots are brought onto the factory floor, unskilled and semi-skilled labour will be displaced and more of the remaining jobs will be taken by more highly skilled workers. In the process, some will earn higher wages, but income inequality also widens.[75]

As in the past, manufacturing will be a pillar of human development. However, the composition of the workforce will need to change to take advantage of the jobs on offer, and of other new tasks or occupations spawned by technology.

Greening is vital but comes with significant upfront costs

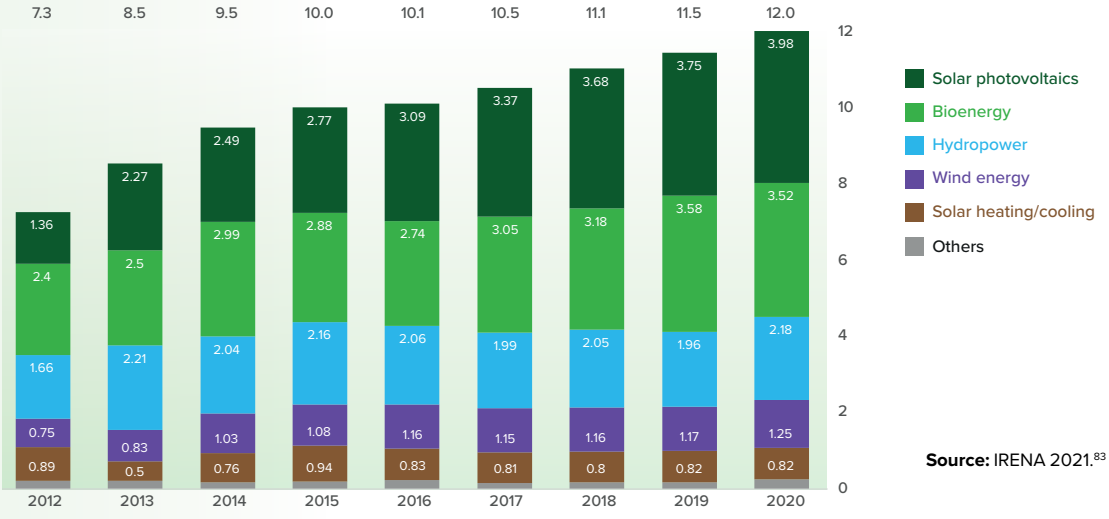
Another factor is the turn to green growth. A redoubling of effort by Asian countries to green or decarbonize the development process when allied with digital technologies could be productivity- and growth-augmenting – and job-creating. But decarbonization will be costly for developing countries unless they get transfers from richer economies. Investment could therefore hamper their growth and widen disparities between the industrialized countries and the rest.[76] If the Loss and Damage Fund negotiated at COP 27 materializes it will be a first step to compensate climate-vulnerable countries for the costs inflicted by, for instance, wildfires and rising sea levels. However, the scale of climate risks – financial (including fiscal), physical and transition spillovers – with risk premiums also increasingly being factored into country credit ratings, calls for a much more comprehensive response to financing.

The bedrock of climate finance will be countries' own financial resources, but they need to be more climate-responsive and facilitate affordable finance for developing countries to accelerate just transitions and adaptation at scale. Too much of climate finance at present is in the form of loans.[77]

It remains to be seen whether the various activities stimulated by greening will lead to industrial widening and a net addition of jobs. One estimate suggests that every dollar spent on carbon-neutral activities results in more than a dollar of output i.e., the multipliers are in the 1.1-1.5 range.[78] This is encouraging if it is validated by research on Asian countries. Further encouragement is forthcoming from research on Germany indicating that expenditure on renewable energy could lead to a net addition of as many as a quarter of a million jobs by 2030, depending on price trends and on how much of the demand created could be captured by German industry. Similar studies on Tunisia and the Czech Republic also hold out the promise of thousands of new jobs.[79] One estimate suggests that that a global commitment to net-zero carbon emissions by 2050 would involve a loss of 187 million jobs worldwide, offset by the addition of 202 million new ones.[80]

As of 2021, 12.7 million workers were employed by the renewable sector worldwide, up from 7.3 million in 2012 (Figure 4.8). Close to two-thirds of all jobs are in Asia and the Pacific; China alone accounts for 42 percent of the global total.[81] Other countries in the region supply only a small share of the inputs for solar PVs, onshore and offshore wind, batteries, heat pumps or electrolysers, and there is scope to expand their share. How many more workers are absorbed by this sector will depend on a variety of factors including policies, technological change, and the labour intensity of new technologies. Additionally, the impacts of the coal-phase out on jobs and livelihoods need to be planned for to facilitate just transitions.[82]

Figure 4.8 Employment in renewable energy activities worldwide, millions



Source: IRENA 2021.[83]

Five factors drive job creation

In light of the above, human development and the availability of 'decent' jobs will be a function of trends in five areas: (i) performance of tradable sectors; (ii) the composition of demand; (iii) the pace of technological change; (iv) workforce skills; and (v) worker exodus to other countries.

First is the growth performance of the tradable sectors and their ability to increase their global impact, in many cases through participation in GVCs. Many Asian countries are integrating with GVCs and a few have worked their way into higher-value activities. Such participation can enable countries to take advantage of global demand, and lead to technology transfer and productivity benefits that make firms more competitive, but it is unlikely to make production more labour intensive.[84] Nevertheless, higher productivity and output can crowd-in employment in non-tradable activities.

A second, related factor is the composition of demand, whether domestic or for exports. When demand expands for labour-intensive services or goods traded and non-traded, more jobs will be created. With rising incomes, labour-using services will be in greater demand depending on the country's stage of development. In low- and lower middle-income countries, services might account for a smaller share of household outlay than goods, but by the time countries reach the upper middle-income category, as with China, Malaysia, and Thailand, demand for services will be stronger and arguably more beneficial for human development.

The third area is technology. Over the longer term, this could decisively affect growth and human development. The current trend is labour-displacing and skill-intensive. This reflects the resource endowments of advanced countries where digital and AI technologies are brewed. Asian countries for the most part – China is a partial exception – are 'technology takers'. They can tweak the technological offerings at the edges, but they are not pushing the technology frontiers in directions that suit their own factor endowments. To compete and participate in GVCs, they must perforce adopt the techniques emanating from advanced economies, and if this means that labour must be shed to pare costs, then workers are laid off.

Given the pressure on Asian economies to be competitive, the direction of technological change is not necessarily conducive to human development. Technological change, crony capitalism, and GVC competition, all favour capital over labour and the concentration of wealth and power in a few hands.

A fourth area for Asia-Pacific countries to create decent jobs for the majority in this new era would be to augment workforce skills via quality education and vocational edu-

cation and training. Upskilling may be a partial solution but only if skills can keep pace with the machines. There is a danger that the machines are pulling ahead and the gap could continue widening. The leading corporations and many newer firms, are relying more on equipment and software rather than on workers. [85]

Some labour pressures will be eased by the export of workers. Lacking jobs in their own countries, both the unskilled and the skilled have migrated in search of better opportunities. Approximately 15 percent of global (international) migrants – some 281 million in total – are from South and South-East Asia.[86] Remittances from these migrants are an economic lifeline for their countries of origin, with shares of GDP ranging from 7 percent in Bangladesh to 24 percent in Nepal.[87] Remittances benefit families and communities in their home countries. And workers who return after a sojourn abroad can raise their welfare by putting their acquired skills and capital to use. The implications of migration for human development were examined by the 2009 *Human Development Repor*t and the international movement of people was also explored in depth by the *2023 World Development Report*.[88].

By all accounts, migration is set to continue, particularly from South Asia where, because of demographics, the imbalance between jobs and workers will persist. Also, the migration pressure will continue in smaller countries like Lao PDR which has an 'open' border with Thailand where minimum wage is twice that of Lao PDR.[89] Human development objectives are best served by ensuring that both sending and receiving countries coordinate their efforts so that the skills of migrants are closely aligned with available jobs. Governments in countries of origin should make labour migration an explicit part of their development strategies, while governments in destination countries can match the import of workers to their needs.

In the advanced countries the demographics point to a rising demand for skilled and unskilled workers but there is a lot of opposition to overcome.[90] Here, the need to absorb workers may be reduced by labour-displacing technology. Even so, there will remain a place for migrants at the lower end of the job spectrum in low-skill, low-paid jobs, many in the purple care economy.[91]

Policy levers

To deliver the desired developmental outcomes, countries across the Asia-Pacific region will need to adopt pro-growth policies. These are categorized below into distinct groups, along with the changes required to establish fertile conditions for growth.

Effective leadership and governance to effect change

Several countries in the region have demonstrated the advantages of leadership that is committed to longer-term development. However, the design and implementation of reforms requires creating or strengthening institutions of governance, and orchestrating the interaction of state and non-state actors subject to formal and informal rules.[92] These include the rule of law, and others that determine voice and accountability, transparency, effective government, and regulatory quality. The rule of law can protect property rights, contain violence, and help maintain political stability. But it relies on the mechanisms of adjudication and enforcement which in turn depend on the police, penal and judicial institutions, on the independence of the judiciary, and on checks on the power of the executive. By providing all households and market participants with clarity regarding the rules of the game, governance can promote development and enhance inclusivity.

However, the capacity for doing so in the Asia-Pacific region varies markedly between countries. According to one assessment, East and South-East Asia perform well on indicators pertaining to government effectiveness, regulatory quality, rule of law and control of corruption, but do less well on political stability, and poorly on voice and accountability. [93] South Asia is also low on voice and accountability, but it is rated lower on political stability, and falls well short of East Asia on the other indicators.

At lower levels of development, it has been argued that state capacity matters more than the rule of law or voice and democracy.[94] Neither the Republic of Korea in the 1960s and 1970s, nor China since the start of reform in the late-1970s, had strong rule of law. Property rights were partial, the legal infrastructures were weak, and citizens had limited opportunities to express voice or demand accountability. But capable developmental states in both countries were able to sustain growth, sharply reduce poverty, create jobs and rapidly increase material welfare.

The contribution of governance to development is discussed at length in Chapter 5, here it suffices to say that growth policies should go hand-in-hand with institution building, as one can reinforce the other. The elements of governance deserving most attention in many Asian countries are:

- State capacity to raise revenue and to discharge administrative and regulatory functions.
- Policy planning and coordination mechanisms.
- Processes for building policy consensus and legitimacy through involvement of subnational entities and civil society.
- Defining the role of the legal system and improving the legal infrastructure to enforce the rule of law.
- Raising the quality of the administrative and civil services.
- Strengthening mechanisms for international cooperation.

Macroeconomic policies to make markets work for development

Sustained and inclusive growth is inseparable from sound macroeconomic policies. Growth drivers require an enabling macro framework. That was true following the shocks experienced in the late-1980s and it is no less relevant now. The jolt administered by the COVID-19 pandemic, the ensuing inflation, and the slowing of growth have underlined the significance of macroeconomic fundamentals.

In the new and evolving development landscape, countries will need all the fiscal effort they can muster to avoid or reduce fiscal deficits. Government spending to ease the pain inflicted by the pandemic has widened budget deficits and added to already high debt burdens.[95] With interest rates rising and growth rates during the near term likely to slow, governments face increasing fiscal pressures, as revenues will be growing more slowly if at all and debt servicing costs will reduce the fiscal headroom.[96] Among the standard recommendations are simplifying and broadening the tax base to increase revenue elasticity, strengthening tax administration and collection infrastructure, and using digitalization.[97]

Responding to the disruptions underway in the global economy will require a more comprehensive policy toolkit**.** Despite significant and abrupt monetary tightening, inflation has not been controlled,[98] making for difficult policy choices and the need for additional tools.[99]

Key policy tenets would therefore include:

- *Monetary policy* – Together with exchange rate policy this should firmly anchor inflation expectations. This allows the authorities to respond more rapidly, and in a measured fashion, to shocks, thereby restoring equilibrium and avoiding a deflationary spell.
- *Tax reform* – This could include broadening the tax base (not limited to an equity-informed approach to VAT), increasing revenue from income or property taxes, simplifying the system and curbing exemptions, improving compliance via administrative reforms, using electronic filing, information management, the use of big data to facilitate collection and fight corruption, strengthening customs and border control to mitigate illicit, tax-evading trade, and considering windfall taxes and the cautious use of price measures, and the reform of subsidies.
- *Budgetary reform* – Better prioritize and allocate expenditures and budget tagging to track alignment with SDGs responsiveness; adopt a strategic longer-term focus, considering reforms to debt sustainability measures in line with the timeframe for the SDGs including climate action,[100] and that is also inclusive and participatory with regard to priority-setting; set targets for debt; strengthen enforcement mechanisms; budget offices should coordinate with other agencies; budget information should be comprehensive, transparent and accessible; budget execution should be monitored, and the performance evaluated by independent bodies.
- *Flexibility* – While fiscal and monetary discipline remain key, it may be time for some flexibility e.g., use of a mix of policy instruments to address inflation, rather than interest rates alone.[101]
- *Macroeconomic and financing policies* – Forward-looking macroeconomic and financing policies, combined with the use of regulatory policy tools geared to minimizing risks (e.g., making climate-related risk disclosures mandatory and redressing possible under-pricing of climate risks in financial markets) and promoting green investments in the monetary policy instruments, combined with the use of other policy tools geared to minimizing risks and promoting investments to address transformations in the energy market and respond to climate change imperatives; ensuring inclusivity in finance; issuing risk-linked sovereign instruments such as

catastrophe bonds or resilience bonds and embedding disaster and pandemic risk clauses in sovereign debt contracts, especially for governments in highly climate-vulnerable countries.[102]

- *Banking system* – Monitoring and supervision of the banking system to minimize excessive risk taking and ensure that tools are adequate to curb credit growth and asset price bubbles.
- *Policy coherence* – Coordination of monetary with fiscal policies, and industrial/structural transformation and equity-enhancing policies to help achieve the combined goals of maintaining macroeconomic stability as well as structural transformation, employment generation and social resilience.

The principal source of growth is capital accumulation.[103] The Tiger economies and others that sustained high rates of growth for extended periods all did this by dint of resource mobilization from domestic sources, supplemented by FDI and overseas borrowing. Tax and expenditure policies can enlarge public savings. Private savings can be encouraged through financial deepening and liberalization and interest rate policies that provide savers with a decent return and promote allocative efficiency.[104] Financial reforms along these lines, and governance measures that increase public confidence in the capabilities of the state, are the only levers available to governments.[105] Once growth accelerates, private savings generally trend upwards as consumption propensities tend to lag the increase in incomes. Asia and the Pacific has plenty of room for financial development.[106]

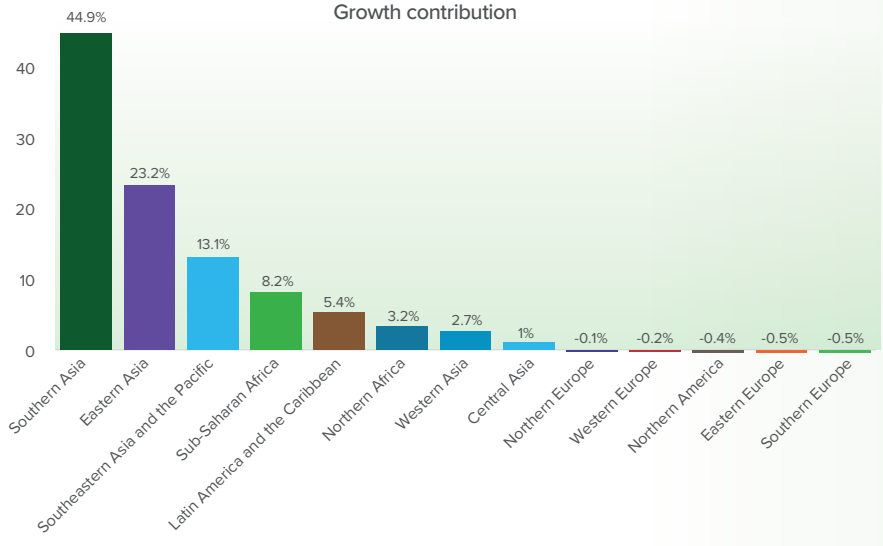
Policies could therefore centre on:

- Financial development and interest rate policies that raise private savings and help finance high rates of investment from domestic sources.
- Revenue mobilization and budgetary discipline to increase public savings.
- Attracting FDI and capital flows with the help of incentive policies, and macroeconomic and political development orientation.

Outward orientation to leverage and discipline

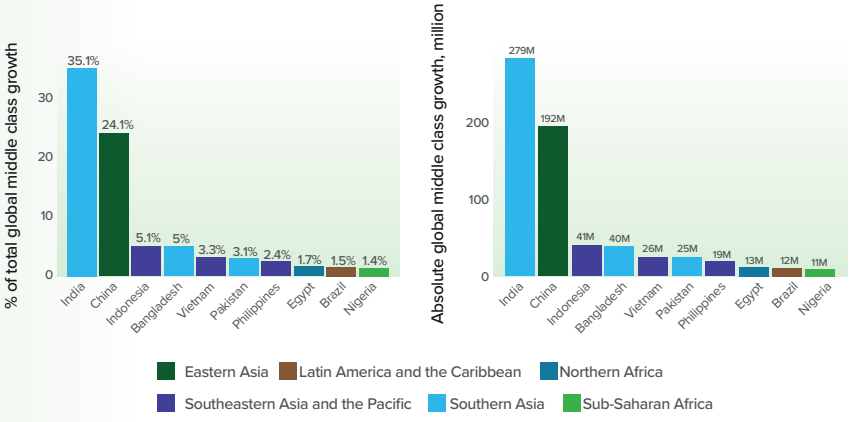
Over the next decade Asia and the Pacific is expected to account for nearly 80 percent of the growth in the global middle-class – encompassing those living on between $12 and $120 a day (Figure 4.9 and Figure 4.10). Countries in the region should leverage their geographical, economic, and cultural proximity to this burgeoning middle-class. [107] Southern Asia is expected to drive 45 percent of global middle-class growth through 2030, followed by Eastern Asia (23 percent) and Southeastern Asia and the Pacific (13 percent). India and China are dominating this growth, contributing, respectively, 35 and 24 percent to global middle-class growth or 279 and 192 million people that will enter the middle class.

Figure 4.9 Global middle class growth, 2012–2030, by subregion



Source: World Data Pro.
Note: Middle class $12-120 a day (2017 $PPP). Sub-regional country classification of World Data Pro.

Figure 4.10 Top 10 contributors to global middle-class growth, 2022–2030, percentage of total growth and absolute change



Source: World Data Pro.
Note: Middle class $12-120 a day (2017 PPP). Sub-regional country classification of World Data Pro.

To connect to rising middle-class growth, it is important for Asia-Pacific countries to adopt a strong outward orientation (which will itself also fuel the growth of the middle class). This will require nurturing and maintaining an outward focus to identify and pursue new external opportunities. Governments should put in place the enabling conditions to entice the private sector to look overseas and embrace the discipline provided by outward orientation.

It also calls for robust trade exchange rate policies and increased connectivity. Countries that are slow to do away with tariff and non-tariff restrictions will find it more difficult to integrate with the global economy, grow exports and raise productivity.[108] Each country can unilaterally decide to lower trade barriers based on an assessment of gains. This can be reinforced by trade agreements. Trade policies should be complemented by a competitive exchange rate.

Since the Doha Round collapsed in 2011, there has been a proliferation of free trade agreements (FTAs). These are, for example, cutting supply chain-related costs, offering tax holidays, easing custom clearance bottlenecks, and enabling closer integration with GVCs.[109] Some FTAs also facilitate trade in services and the growth of e-commerce. Fears of an FTA noodle bowl problem appear to have been exaggerated. FTAs have emerged more as a "building block than a stumbling block."[110]

A major milestone has been the Regional Comprehensive Economic Partnership (RCEP) that went into effect in 2022. The signatories account for 30 percent of the world's GDP and its population. The growth impetus imparted by RCEP builds upon the gains accruing from several other FTAs that countries in the region have entered. Others include the open access Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), consisting of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Viet Nam, and the UK. This eliminated duties on 98 percent of items and went into force in 2018. Then there are the Japan-EU, Japan-US, Japan-UK, China-Korea, Viet Nam-EU, Viet Nam-UK, and Singapore-EU FTAs. They will co-exist with existing Asia-Pacific FTAs such as Intra-ASEAN, ASEAN-China, ASEAN-Japan, ASEAN-Korea, ASEAN-Australia/New Zealand and ASEAN-India FTAs.[111]

Compared with East and South-East Asia, South Asia has made much less headway.[112] India is entering into trade agreements with Australia, the UK and ASEAN countries to grow its exports, but South Asian trade and connectivity has gone nowhere despite the signing of a few agreements.[113] [114] South Asia is one of the world's least economically integrated regions; intra-regional trade is only 5 percent of the region's global trade. In East Asia and the Pacific, on the other hand approximately 50 percent of total trade is intra-regional.

Policies that support export orientation include:

- Creation of agencies that provide direct support to exporting firms through subsidies, information on destination countries and export procedures, and support for participation in overseas missions and trade fairs.
- Assistance with participation in GVCs.
- Entering into FTAs and reducing behind-the-border transaction costs.
- Incentivizing export diversification including that of services.

FDI was instrumental in launching the East Asian miracle during the last quarter of the 20th Century and it initiated export-led growth in South-East Asian economies. FDI will also be critical for the next stage of development in much of Asia, especially for countries where industrial diversification is marking time.[115] Many Asian countries are looking to FDI to facilitate upgrading, diversification and participation in GVCs, not to only attract MNCs but also to ensure strengthened linkages and domestic capacities, and complement other growth drivers. Steps to attract FDI – can include infrastructure investment, and the creation of special economic zones (SEZs) and transport corridors that would advance their growth prospects. Asia-Pacific countries that took this recommendation on board in the 1980s and 1990s made rapid progress. The ones that were less welcoming lost ground.

For many Asian countries, FDI can stimulate industrialization, GVC linkages, diversification and technology transfer. The incentives that can lure FDI include:

- Time-bound and periodically reviewed tax holidays and low corporate taxes, accelerated depreciation allowances, import duty exemptions and export duty drawbacks.
- Financial assistance in the form of loans, grants and subsidized credit.
- Transparency of design and administration of incentives.
- Creation of SEZs, which provide access to land and utilities at low cost, which also strengthen linkages with domestic producers and focus on value added and do not serve as export enclaves.
- Light-touch labour regulations.
- Ease of repatriating profits.
- Quality of infrastructure.

Market orientation to guide structural change

A good business environment is a major determinant of productive investment. Growth and formalization will be hampered by excessive red tape, entry barriers that discourage start-ups, and barriers to exit that permit 'zombie firms' to survive and annex resources.[116] Hence institutions that protect property rights (including intellectual property) enforce contractual obligations and regulate market conduct are essential strands of a growth strategy.[117] Two other policies are complementary: competition policies, and systematic efforts to privatize those public enterprises that ought to be in the private domain. Competition, when not excessive, boosts productivity and innovation.[118] All Asian countries would benefit from more of both. And such policies, judiciously implemented, would also curb dysfunctional crony capitalism.

Many Asian countries are burdened with loss-making state-owned enterprises (SOEs) that need support with subsidies that eat into government budgets.[119] The ones that break even tend to be less productive and profitable than comparable private businesses. Given the fiscal pressures most governments are facing, they could be privatizing or corporatizing (as in Singapore) the viable SOEs and shuttering the ones that cannot be salvaged. Admittedly, for political and other reasons, privatization can be a thankless task for elected officials, but by not grasping the nettle, governments are merely storing problems for the future, by which time finding solutions may be even harder.

Policy suggestions in this area include:

- Reduce red tape and rent-seeking by regulators and tax collectors.
- Strengthening market institutions protecting property rights, and contract enforcement.
- Competition policies easing entry and exit, and pre-empting, preventing and correcting anti-competitive practices.
- Withdrawal of support for zombie firms.
- Privatization/corporatization/reform of SOEs.
- Venture capital policies to encourage start-ups.

Techno-industrial policies to tilt and push

Industrial policy refers to deliberate actions by a government to shape markets and capabilities, and selecting among various options at the industrial or firm levels – to

pick national champions or 'winners'.[120] Following the turn towards neo-liberalism in the 1980s, industrial policies were sidelined and market fundamentalism prevailed for more than three decades. These options are back on the policy radar because of geo-political tensions, a renewed belief in the gains from manufacturing and the importance of greening economic development and building infrastructure that survive the punishment sure to be inflicted by climate change.[121]

There are other reasons as well: growth remains high on the agenda for all Asia-Pacific nations and arresting deindustrialization is one way of achieving that objective.[122] After observing the share of industry slide since at least the turn of the century, countries such as India, Indonesia, Malaysia and Pakistan, would benefit from bending the curve upwards so industrial policy variants are back in fashion.[123]

The formal services sector has not effectively displaced manufacturing as an adequate growth driver and a source of good jobs.[124] Although some digitally augmented tradable services have shown productivity gains, overall productivity has stagnated or declined in the region.[125] With industry taking a back seat, countries are struggling to meet their economic objectives.

China has been pursuing industrial policies and so, to varying degrees, are countries in South-East Asia such as Viet Nam and Malaysia. But it is time to integrate industrial policy with other strands of an outward oriented and forward-looking strategy.

Conventional industrial policies include targeting industries and grooming national champions.[126] To this can be added the targeting of specific technologies deemed of strategic importance. Awareness of climate change has added the targeting of renewables and incentives to decarbonize industry and to encourage recycling. Lastly, the spatial dimension is acquiring salience because climate change will involve displacement, de-urbanization and re-urbanization, and much greater attention to the future location of economic activities and assets.[127]

A strategy that attempts to meld past initiatives can offer improvements in four areas.

First, by avoiding top-down industrial targeting and hewing more towards the "softer" approach. Making greater use of market signals and seeking a broader public-private consensus on the subsectors that deserve more state support to grow. There must be some selectivity, if countries are to depart from the realm of standard market-determined development and focus their energies and resources to achieve better outcomes.

Second, techno-industrial policy must supersede the conventional industrial policy. Technological change will strongly influence productivity, employment, and resilience in the face of climate change, and the material and carbon intensity of production. Therefore, science, technology and innovation policies could be beneficially integrated with sectoral policies. This is how China appears to be proceeding given its objective of indigenizing core technologies.[128]

Third, industrial policy should preserve market competition. In the Republic of Korea, this was achieved in the earlier stages of development by domestic oligopolistic competition and the competitive pressure exerted by foreign companies on Korean firms that were compelled to export to retain government incentives. However, in the absence of a competition policy this has not sufficed.

Fourth, an Asia-Pacific future-leaning strategy must take full cognizance of the spatial dimensions of development. Dispersing industry across regions to benefit all communities and to win political favour (e.g., by creating SEZs), will likely be counterproductive.[129] Place-based policies, which attempt to narrow inequality between locations, end up spreading investment thinly to all parts of the country, especially the lagging regions. Fragmenting investments is a high-cost endeavour with low returns in terms of growth and reduction of inequality across space.[130] Instead, a people-based approach, can improve the income-earnings capacity of individuals, and enable migration to urban locations with better employment options, thereby achieving greater efficiency, and more equity, and avoiding the risk of stranded communities, and of politically destabilizing populism.[131] For the Pacific Island economies, the range of choice is a good deal narrower. They lack the space to take advantage of dispersion or a shifting of assets to more secure areas. For them, the focus must be on building infrastructure and other assets that are shielded as much as possible from the elements and are built to the highest standards of resilience.

Industrial policies will face criticism from many in the research and policymaking communities, and encounter stumbling blocks. There will be failures, and the desired results will not materialize overnight. East Asians learned by doing, and incurred the costs of some poor decisions but persistence paid off. Each country moved forward through incremental policy adjustments, and by making mid-course corrections as the need arose – abandoning projects that were viewed as failures, but not losing focus on the longer-term goals. In large, decentralized countries such as India and China, implementation is usually conducted by subnational governments and coordination becomes all the more essential.

Insights from the industrial policy literature point to the importance of learning by the state – even in the absence of good governance. The Republic of Korea, for example, started doing industrial policy and then learned in the process and, more importantly, deliberately invested in building the necessary political and administrative capabilities.[132] Other countries may not have had governance structures to enable learning on that scale. Nevertheless, even relatively simple technologies like garments production required learning strategies to become competitive.[133] Also, rather than copy best practices from the developed world, it is possible to use existing norms and practices in developing societies to kick-start development.[134]"

Policy recommendations therefore include:

- Promote learning and allow for experimentation.
- Targeting of industrial policies should align where possible with market signals, focus on market shaping where relevant and possible, and avoid supporting sunset industries.
- Failing firms and firms that do not meet expectations should be allowed to exit. An evergreening of loans and other support should be avoided.
- Technology assimilation, development and innovation should be integral to industrial policy.
- Industrial policy should encourage churning, to avoid the concentration of market power in the hands of superstar firms, which can lead to a decline in innovation, productivity and competitiveness.
- Industrial policy should optimize location to maximize agglomeration economies and productivity, and take account of the long-term implications of climate change.

* * *

The Asia-Pacific region can adopt a development approach that is more aligned with current challenges and future uncertainties. Sustained growth that enables countries to achieve human development goals hinges on state implementation capacity and governance quality.[135] The global environment is now less conducive, albeit arguably more favourable for Asia and the Pacific than other developing regions. Digital transformation, despite its pros and cons, must be embraced. Asia-Pacific countries are investing in the physical infrastructure, increasing access, introducing regulations, and providing supporting services. Progress has been slow, but the pace is picking up.[136] The severity of climate change is a worrisome imponderable as is the likely incidence of other shocks. These could be factored into policy calculations.

As this chapter has indicated, what has not changed much are the tools governments can use. The effectiveness of these strategies will be determined by the careful selection and implementation of a mix of policies that maximize both growth and inclusivity.[137] This will require a wide range of tools and strategies and strategically deploying them to create a more robust and inclusive economy. The proof of the pudding is in the eating, and the true test of success will be in the outcomes achieved in promoting sustainable and inclusive growth and their overall contribution to human development.

Chapter 5. Making Change Happen

Sparking the spirit of change and turning new ideas into practice will need greater focus on the politics of reform and on the day-to-day practice of delivery.

Previous chapters have argued the case for reimagining human development. This involves scaling up a variety of investments to enlarge opportunity for all, reducing human insecurity, and meeting our obligations to future generations. It also means igniting growth, while ensuring that it is responsive to environmental and climate imperatives and uses next-generation manufacturing, and technologies that increase productivity and create jobs.

But how can nations change course in the face of uncertainty? How can their leaders make the optimal decisions? And, importantly, how can the interests of affected stakeholders and political leadership be aligned and mutually supportive? Answering these questions as clearly as possible will be crucial for making tangible change. This chapter explores how to make change happen, with recommendations in three areas:

Governance for the future – A central pillar for recharging human development is future-fit governance that can offer clear directions for change, along with the right incentives and opportunities, while having the courage to make the necessary course corrections.

A future-fit delivery system – This would have several desirable features. It would be anticipatory – able to foresee potential problems and opportunities and changes in the environment. It would be adaptable – modifying strategies and plans to evolve with changing conditions or shifting priorities. It would be agile – responding with speed and efficiency through effective systems or institutions.

Fostering the spirit of change – Sluggish reform is typically attributed to lack of political will. But political will can be stimulated and nurtured, for example, through 'strategic accompaniment'. And it can be harnessed, through collaborative leadership, and through insider mediation. Just as important in this era of democratic backsliding, it can be supported through active civic engagement.

Rome was not built in a day – and neither were Apia or Thimphu**.** And for countries as diverse as Samoa and Bhutan the systems and processes described above can provide a guiding star of sorts. Nevertheless, every country starts from a different position, with different capacities for action and its own available space for making change happen. Herein lies the conundrum: integrating new capabilities depends on current capabilities. But as this chapter will illustrate, the cycle can be broken – through extensive networking, learning-by-doing and persistent experimentation.

Governance for the future

The landscape for effective policy implementation is becoming increasingly complex, while the needs for the future are becoming considerably more demanding. This section briefly highlights the what and why of future-proofing governance, then asks how to rebuild this ship while sailing it – how to create new capabilities while the ability to implement such changes itself depends on existing capabilities.

Course corrections

One of the principal strategies for transformational reform is the capacity to make well-reasoned, timely and practical course corrections. Countries need to be able to make significant decisions to change key priorities, investments, and processes in order to achieve new goals. This *Report* has already identified numerous options and solutions for advancing inclusive growth, green development, and long-term resilience.

But translating these into action through strategic choices and course corrections requires leaders, communities, and institutions to make radical shifts in mindsets. Some of these fresh perspectives will be imposed by circumstances – bigger floods, longer droughts or heatwaves, severe economic pain, or more pandemics. Far better, however, to take preventive action through governance that is anticipatory, agile, and adaptive.

Planned versus unplanned course corrections

The region has experienced many course corrections**.** In 1978, China's 'Open Door' policy[1], for example, heralded a momentous shift from a closed, centrally planned economy to a more market-oriented one. Viet Nam's 'Doi Moi' reforms in 1986 offer another example,[2] as do India's 1991 economic reforms,[3] Nepal's post-democratic reforms in the 1990s,[4] and Indonesia's post-Asian financial crisis reforms. A more recent example from outside the region is the United States, which in 2023 – after years of scepticism at the national level – made a strategic move towards a green economy with the Inflation Reduction Act, instituting the largest-ever US investment in green technologies.[5]

Course corrections are most effective when made in a considered manner, after a comprehensive analysis of binding constraints. This involves systematically assessing the critical obstacles to progress and determining the most effective ways to overcome them. A well-considered correction is grounded in a solid understanding of the underlying issues and is aligned with the country's broader development objectives.

Otherwise, there is the risk of unplanned or idiosyncratic changes, swayed by short-term political considerations, for example, or carried out by overly centralized or unconstrained authorities.[6] Such erratic shifts can be harmful. They are likely to erode investor confidence, harm the business environment, and further exacerbate existing constraints. Investors and businesses value stability and predictability.

Breaking free from institutional inertia

The need for course corrections in many countries in the Asia-Pacific region does not come as a surprise. Considering that various parts of the region developed so much and so fast, it is not unexpected that these transformations have been accompanied by heightened inequalities, increased tensions, and environmental pressures. Development, as a dynamic process, inherently prompts the need for course corrections. As countries progress through different stages of development, maintaining momentum often necessitates a shift in approach.

The continual need for course correction finds a clear explanation in the concept of the 'middle-income trap.' Traditionally, the middle-income trap has been referred to as a slowdown in economic growth that tends to occur as countries reach higher levels of per capita income, particularly after entering the upper-middle-income category. This is the juncture where growth drivers must transition from the accumulation and reallocation of resources to an innovation-driven model.

This so-called trap, however, is somewhat misleading, as it is not exclusive to middle-income nations, nor is it an inescapable destiny. Instead, it pertains to a broader policy challenge applicable across income levels. In essence, the 'trap' represents merely a policy challenge, one that demands institutional adaptation as countries face changing circumstances along their development trajectories. It is a challenge to break free from institutional inertia.

In the face of this challenge, entrenched special interests and bureaucratic rigidities can serve as barriers that obstruct needed course corrections. These obstacles leave countries effectively 'trapped' in the transitional phase, unable to progress. To break free from this stagnant equilibrium, adaptation and flexibility are desirable, especially in light of the prospect of a potentially more turbulent future.[7]

Future-proofing governance

Effective governance

Governance stands at the forefront of executing strategic course corrections. It comprises a complex interaction of leaders, institutions, networks, communities, and constituencies. This encompasses not only ethics, risk management, compliance, and administration but also the systems that control and operate an organization, and the mechanisms that hold it accountable.

Politics and governance refer to the authoritative allocation of resources and values, as well as the various uses of power and authority to reach bargains, negotiations, and compromises.[8] Governance thus extends beyond government. It also encompasses bureaucracies and parliaments and others who wield influence or control. This multifaceted concept also covers relations between these actors and components.

To deliver change, countries need effective state institutions. These should have the capacity to analyse relevant factors, establish priorities, allow for contingencies, and translate options into programmes, policies, and legislation – which are agreements among governance actors

that have to be sustained by commitment to implementation, which in turn calls for coordination and cooperation. The choices made to advance human development depend on effective governance to ensure that progress is not derailed by chronic crises or turbulence and that legitimacy deficits are addressed through more inclusive processes and outcomes.

The 'Asian miracle' stands as a testament to the transformative power of governance.[9] It was driven by strong political will, complemented by dedicated and skilled civil servants. Policies were crafted with an eye to innovation and inclusion, exemplified in reforms such as land distribution, affordable housing, and education for all. The process fostered an ethos of civic participation and collective growth, ensuring transparent communication, and earning the trust of both citizens and business leaders. Reinforcing these efforts, politicians and civil servants collaborated to strengthen and innovate institutions, such as the Deliberation Councils in South-East Asia.[10] In short, development progress in several front-running countries was driven in large part by good governance.

The importance of effective governance has been highlighted once again as countries have struggled to bolster their economies and protect human development from an unprecedented succession of shocks and crises. There had been warnings from futurists, economists, and other experts, but the world remained largely unprepared. Nevertheless, there was decisive action. Not waiting for comprehensive research, pilots or randomized control trials, governments quickly responded with large-scale experiments.[11]

Development strategies could evolve to better meet future challenges and opportunities. In these turbulent times, many of these are fast approaching, so it will be important to move beyond theory and diagnostics, to progress quickly from 'what is to be done' to 'how it is to be done'.

All this must be achieved in an era of populism and political polarization, with the spread of misinformation and disinformation, and when citizens are losing faith not just in government but in the power and efficiency of public institutions. In such a disabling ecosystem, it is not easy to win citizens' trust and secure their support for, and participation in, new ideas, approaches, and policies.

Unpacking future-fit governance

Future-fit governance is an aspiration, but it is no utopia. It is a journey, a process of continuous learning, experimentation, and improvement. The need for agile and adaptive governance was clearly demonstrated during the pandemic, when traditional systems had to adjust rapidly to the needs of the moment.

A lot has been discussed and written about future-fit governance but too little is being done in practice. It is useful therefore to unpack the desirable attributes that future-fit governance might entail (Figure 5.1).

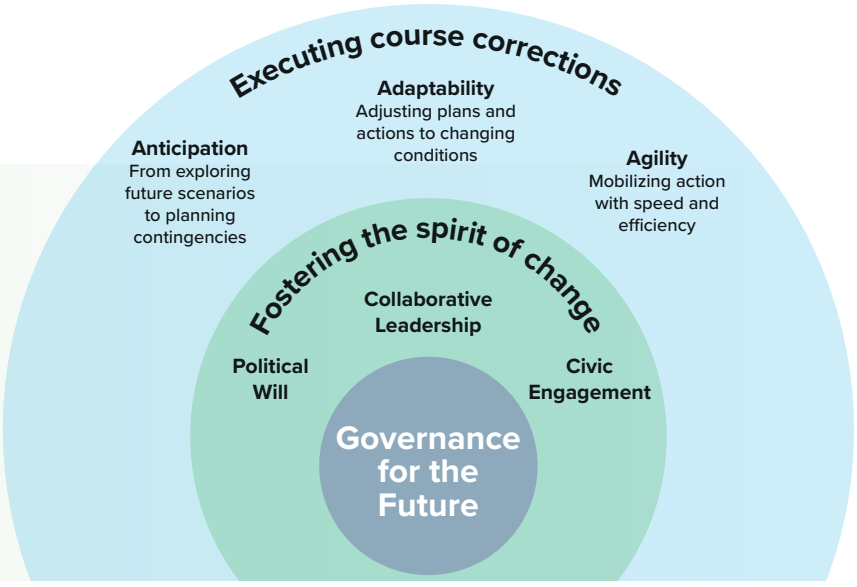
Making change happen begins by 'future proofing' the policy architecture.[12] This will mean raising an army of motivated and innovative civil servants who can serve as 'changemakers' capable of designing policies differently. It could be built on two critical tasks. First, building new staff capabilities. Second designing a future-proof policy infrastructure, based on a flow of relevant data and on digital services and platforms. At the same time, this architecture should be participatory by design and meaningfully engage civil society.

Future-fit governance does not stop at imagination, but navigates through a journey of continuous learning, experimenting, and executing course corrections. A future-fit system, will be a blend of new approaches applying the lens of systems thinking,[13] with new abilities to anticipate, to adapt and build agility. It can be seen as an opportunity to innovate and make change happen.

Transforming the traditional governance systems and models into springboards of policy innovation cannot take the form of standalone tasks or pilot programmes. The development sector is a graveyard of pilots. Rather what are needed are whole-of-government and whole-of-society efforts, with long-term vision.

This entails sparking the spirit of change within the government, and creating an enabling environment by nurturing political will, embedding collaborative leadership, and ensuring strong civil society engagement. All stakeholders should become de facto co-designers of the future-fit governance system.

Figure 5.1 Governance for the future



Source: Authors' illustration.

Building the ship while sailing it

Marrying political will with bureaucratic will is an organic process. There will never be an 'ideal' scenario or starting point. This will mean building capabilities on-the-go while innovating and navigating the journey from imagination to action. In other words, building the ship while sailing it.

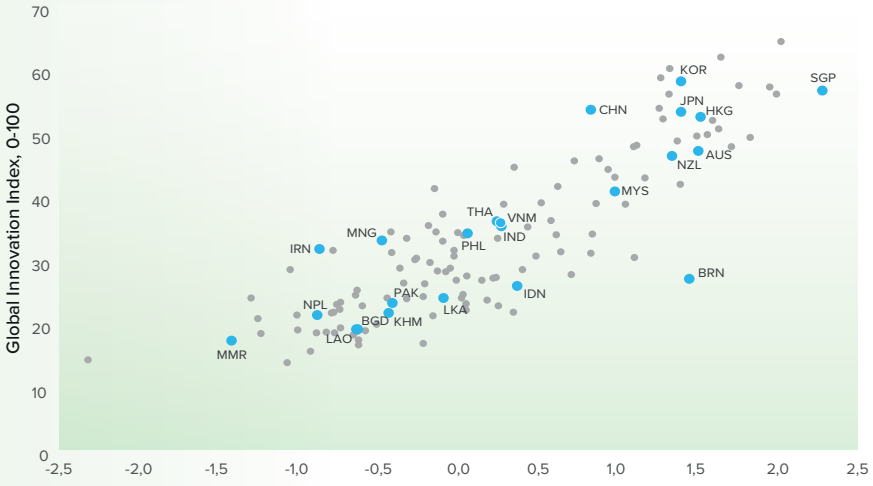
Setting expectations right

First, it is important to set the expectations right. Changes to governance systems do not typically produce immediately visible results. On the contrary, the wider-scale impacts of significant changes often remain latent for some time. For example, Nepal's metamorphosis into a federal republic following a decade-long civil war may not instantly produce substantial economic benefits. But in making this consequential choice, the country mitigated some of the major factors behind community vulnerability, paving the way to heightened resilience, and this is eventually expected to translate into considerable development benefits.

As some of the region's major economies have experienced, each action need not produce significant growth. Indeed, growth should not be the sole benchmark. While some reforms might yield modest growth, they also promise greater well-being – friendlier cities, greener economies, and better preparedness for climate change.

Governance quality is crucial in this context, as innovation thrives where governance excels (Figure 5.2). Consider the Indian state of Kerala: its annual growth rate of 5 to 6 percent may lag behind economic powerhouses like Gujarat, Maharashtra, Punjab, and Karnataka. Yet, its HDI rating, at 0.75, tops the nation. Kerala's progress in reducing poverty and addressing nutritional deprivation stands out across the country.[14]

Figure 5.2 Strong correlation between government effectiveness and innovation



Source: Authors illustration based on WGI and WIPO.

Building capability by networking

- *Go local* – Not all anticipation and change need to come from the centre. Often it is better to tap and collate local knowledge and experience. Bangladesh, Indonesia, India, and more recently Nepal, have benefited from decentralizing some contingency planning to state and local governments.
- *Go broad* – Governments can conduct stakeholder consultations with civil society, and tap into collaborative research from think-tanks and institutes, especially when networked and as part of platforms – as has happened in Bangladesh, India, Indonesia, Philippines and Singapore. Academic and civic institutions and networks have relied on a number of areas for further action, including South-South cooperation, e-governance, addressing violent extremism, managing pandemic response, and intellectual property frameworks.
- *Go entrepreneurial* – Such partnerships are a form of networking, where both the public and private sectors leverage each other's strengths to achieve common goals. Through public-private-partnerships, supply chains and market access can be rapidly restored or enhanced. There are classical examples of policymakers in India, the Republic of Korea, Malaysia and Singapore using the resources and functions of the private sector and for public good at times of crisis.

Learning by doing and experimenting

Governments develop capabilities through experimentation and learning-by-doing. By responding promptly to crises, and learning from the experience, they also lay the groundwork for more resilient systems in the future. This cyclical process of trial, adaptation, and improvement fosters a culture of continuous learning and evolution, ensuring that policymakers and institutions strengthen their capacities in new areas and remain agile and adaptive in the face of unforeseen events. The experience from Asia and the Pacific and elsewhere attest to the usefulness of such proactive and dynamic approaches to governance and policy formulation.[15]

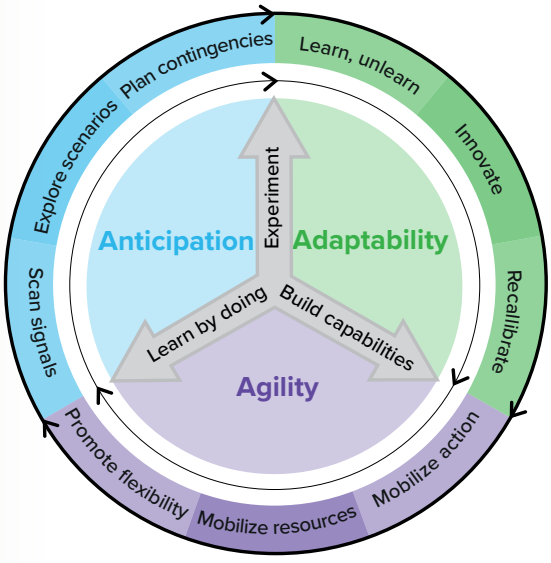
Executing course corrections

To make course corrections well, governance systems should be more anticipatory, more adaptable, and more agile. The region boasts a wide spectrum of governance structures, from full or hybrid democracies to one-party systems, to traditional polities, and both constitutional and absolute monarchies. [16] Yet, regardless of their systems, all nations would benefit from blending these characteristics into the practice of governing:

- *Anticipation* – the ability to foresee potential challenges, opportunities, and changes in the environment.
- *Adaptability* – the ability to adapt to new information, changing conditions or shifting priorities by adjusting strategies and plans.
- *Agility* – the speed and efficiency with which systems or institutions can respond to new information, unexpected events or shifting priorities, without major disruption.

Anticipation is the foresight, adaptability is the mechanism for change, and agility determines the speed with which that change starts (Figure 5.3 and Table 5.1). In the broader landscape of future-focused governance, the three are interlinked but serve distinct purposes. Table 5.1 summarizes their key attributes. It lays out the approaches and the requisite capabilities to executive course corrections better.

Figure 5.3 Anticipation, adaptability, and agility



Source: Authors' illustration.

Table 5.1 Elements of a future-fit delivery system: anticipation, adaptability, and agility

Main pillars	Key components	Supportive actions
Anticipation in governance refers to the ability to foresee potential challenges, opportunities, and changes in the environment.	**Detect signals of emerging trends**, potential disruptions, or shifts in societal needs, through collective intelligence and participatory approaches **Imagine future scenarios** grounded in reality, reflect the multidimensionality of risks, and reduce blind spots	**Promote critical future-oriented thinking:** training and workshops, promote diversity, foster open debate to challenge dated assumptions, peer reviews, case studies, scenario planning, establish a foresight unit, prioritize and incentivize digital transformation, systems thinking, foster a data-driven culture, use predictive analytics and AI, engage with citizens (especially youth), introduce the culture of continuous learning. **Conduct scenario planning:** integrate this into policy development process, refine scenarios based on continuous feedback loops, provide technological support on modelling software and data, engage inclusively with multiple stakeholders and engaging with citizens, and collaborate externally
Adaptability in governance refers to the system's ability to adapt to changing conditions or shifting priorities by adjusting strategies and plans	**Act upon the need for change** by adjusting strategies, action, and contingency plans, and executing them **Recalibrate** when further adjustments are needed along the implementation path	**Promote learning and unlearning:** learn by digesting new information, including from foresight, learning-by-doing and experimentation through pilot programmes and policy sandbox initiatives. Unlearn and shift mindsets to evolve approaches **Embrace iterative approaches,** where policies are seen as evolving tools that can be refined over time rather than static decisions, including by instituting feedback mechanisms like citizen portals.
Agility in governance refers to the speed and efficiency with which systems or institutions can respond to new information, unexpected events or shifting priorities without major disruption	**Recognize the need for change** based on the available information **Promote flexibility** of structures, processes, and mindsets to ready them for rapid adjustment **Rapidly deploy human and financial resources** as needed to address challenges before they escalate or opportunities or before they evaporate **Establish communications systems** for quick, coordinated action across institutional lines and socio-political divides	**Ensure resources can be easily reallocated in response to changes**: adopt dynamic budgeting systems, by relying on rolling instead of annual budgets and setting funds aside for contingencies **Promote inter-agency collaboration:** train employees in multiple skills or areas, implement rotational assignments, develop dedicated rapid response teams with experts from diverse fields **Promote participatory budgeting**: engage citizens in budgetary decisions and enabling a clearer understanding of trade-offs hence fostering agility in resource allocation in response to their feedback

Anticipation: envisaging future scenarios and planning for contingencies

Anticipation in governance refers to the ability to foresee potential challenges, opportunities, and changes in the environment. This involves mechanisms that allow governments to detect early signals of emerging trends, of potential disruptions, or of shifts in societal needs. Tools like foresight exercises, horizon scanning, and predictive analytics will help in this domain, as will the promotion of critical, future-oriented thinking (Table 5.1).[17]

Anticipation involves both exploring future scenarios and planning for contingencies. Tapping into collective intelligence and inclusive engagement, requires consistently revisiting and addressing previous assumptions about the future, and forming fresh hypotheses about what might be on the horizon.

Anticipation requires systems that are equipped with foresight and are prepared to discern future risks and potential innovations. It is important therefore that policy makers acquire anticipatory capabilities, so they can understand the dynamics of change, and the impact that future developments may have on their countries or institutions. They will thus be better prepared to face risks – or turn them into opportunities.

This is becoming more critical than ever given the increasingly complex and multi-dimensional risks in the future development landscape. Recent crises from within the region illustrate the potential benefits of anticipation.[18] Going forward, and having learned from hard recent experience, Pakistan should be able to better anticipate the multiple impacts of the climate crisis on issues ranging from health to social cohesion. Sri Lanka would have benefitted from shoring up revenues in anticipation of emergencies and upcoming bond payments, rather than offering significant tax breaks, so that the resulting foreign-exchange shortage led to a larger social, economic, and political crisis.

Many countries in the region do have plans and programmes for addressing contingencies, including pandemics and the impacts of climate change. Larger economies such as China, India, Japan, Indonesia, and Republic of Korea, along with some SIDS such as Fiji, Maldives, and Vanuatu, spend significant resources on planning, in some cases setting aside contingency funds. Less-developed countries from the region, such as Bangladesh, Nepal, Solomon Islands and Timor-Leste also anticipate a multiplicity of pressures, ranging from demographic shifts, climate change and rapid social and technological change to economic volatility. In Bangladesh, a well-planned and nation-wide approach to e-governance has improved service delivery and emergency planning and helped prevent social discontent.[19]

Countries are also being more proactive, aiming to understand multiple risks and have a better understanding of the impact of policies on their citizens. India, Indonesia, Fiji, Philippines and Viet Nam, for example, all now conduct analyses of the prospective impact of policies and programmes on key groups such as women and youth. China has analysed the impact of inequality and the lower spending power that could increase social tensions.[20] And before embarking on key plans and programmes almost all countries in the region with the necessary resources conduct environmental-impact and conflict- or context-sensitivity assessments. Such exercises help break down silos, and allow for unanticipated consequences.

Countries across the region could however, embrace anticipatory approaches more comprehensively (Table 5.1). For this they can utilize for example, training and workshops, to foster diversity, and encourage open debates that challenge long-standing assumptions about the future. And they can further institutionalize forward-thinking methods through the establishment of dedicated futures units, and through peer reviews, case studies, and scenario planning, taking into account advances in AI and predictive analytics. [21] They can also encourage broad-based participation, engaging especially with the younger generation while also collaborating with external entities.

In all of this, continuous learning ensures that anticipation is dynamic and deeply ingrained. And by continuously refining potential scenarios, countries can ensure that anticipatory governance is thorough, inclusive, and effective.

Adaptability: adjusting plans and actions to changing conditions

Adaptability in governance refers to a system's ability to adapt to changing conditions or shifting priorities by adjusting strategies and plans. Governments can recognize the need for change, informed by the latest data and insights. Once they identify the need, adaptability requires

that they quickly realign and implement strategies, actions, and contingency plans. Also, along the implementation path they may have to recalibrate governance, and make further refinements whenever the situation demands, ensuring that governance remains fully responsive.

To foster this adaptability, it is important to promote both learning and unlearning. This encompasses actively absorbing new insights, be they from foresight exercises, hands-on experiences, or experimental pilot programmes or policy sandboxes.[22] At the same time, people and institutions can unlearn outdated practices and instead pivot mindsets to accommodate novel methodologies. This can take place within iterative policy frameworks, viewing policies not as static decisions, but as evolving tools subject to refinement. Feedback channels, such as citizen portals, can further ensure that these policies evolve in tandem with people's real-time needs and aspirations.

During the unprecedented challenges posed by the COVID-19 pandemic, the global development ecosystem underwent an unexpected transformation. Hindered by travel and funding restrictions, there was nevertheless a huge wave of learning, sharing, and cross-fertilizaton of ideas and actions between policymakers worldwide. Several countries in the Asia-Pacific region stood out as beacons, with governments adapting in remarkable ways to unprecedented challenges. In the Philippines, for example, Pintig Lab, anchored by the Department of Health, adeptly harnessed data and field intelligence to anticipate and address the issue of vaccine hesitancy.[23] In Pakistan, in just 10 days during the height of COVID-19, the nation built upon its existing structures to create the Ehsaas programme – one of the region's largest emergency cash-based social safety nets.

The Asia-Pacific region provides several examples of adaptability and of governments adjusting their strategies to achieve higher and inclusive growth, or to better engage with crises and turbulence. Several countries have, for example, created spaces for innovation and empowerment, which in turn have enabled better capacities to achieve higher growth, and also to deal with turbulence. Here are some examples:

Bangladesh – The Government has invested in economic empowerment and strengthened social safety nets, aiming to ensure that turbulence does not enhance inequality. Between 2004 and 2009, in response to the growing impact of climate change it upgraded the Standing Orders on Disaster Management (SOD).[24] All ministries, departments and agencies are expected to develop their own action plans, using local funds, and training at all levels of government for each phase of a disaster. To ensure a whole-of-society engagement the SOD also covers partnerships with civil society, police and armed forces, and religious and educational institutions, and extends to the local impacts of horizontal violence and violent extremism. An important part of the country's resilience is its capacity to quickly revive essential services and supply chains. Impressive economic growth has been backed by decades of systematic investment in climate resilience and disaster preparedness. The country has dramatically reduced cyclone-related deaths and is a global leader in climate change adaptation and disaster preparedness.[25]

Bhutan – A key change in 2013 was Bhutan's Transport 2040 Integrated Strategic Vision which aimed, among other things, to improve the country's roads, especially rural roads vulnerable to extreme weather.[26] This allows for inclusive development as well as greater resilience to natural disasters, enabling a rapid resumption in economic activity. Bhutan's pursuit of sustainable forest management has also enabled it to be the first country in the world to become carbon negative.[27]

Republic of Korea – In 2020, the Government announced a Korean New Deal, to respond to climate change, anticipate digital transformation, and provide for human needs through stronger social safety nets. To strengthen climate resilience, this policy promotes innovation and the transition to green infrastructure through a green new deal. The policy also includes a digital new deal, aiming to accelerate innovation and transition to digital infrastructure. Furthermore, the Government is expanding rural internet access, and investing in a greener and digital workforce with greater employment security. In 2022, the Government initiated a fund to capitalize this strategy, with an initial investment of $14.3 billion, and is now developing partnerships with the private sector.[28] The Republic of Korea plans to invest $144 billion in creating around two million jobs by 2025.

Singapore – In 2021, the Government released a Strategy 2030 plan for leveraging growth by strengthening protection for intellectual property. [29] The new strategy

has already seen the installation of an online system for registering trademarks and patents, and the legal framework is considered the most robust in the ASEAN region. The country is now well poised to take advantage of new developments in software, AI, and information technology.

Thailand – In 2020, the Kingdom of Thailand was the first country in the Asia-Pacific region to issue sovereign sustainability bonds – 15-year bonds for funding green infrastructure and social impact projects. The Ministry of Finance oversees the issue of the bonds under the Thai Sustainability Financing Framework and has reported strong investor demand.[30] The bonds have been used to finance the development of a new Orange Line for mass transit in Bangkok and social impact projects supporting Thailand's recovery from the COVID-19 pandemic.

Smart cities – These cities address urban challenges with technological and digital innovations, and have been piloted in countries like Indonesia, Malaysia, Singapore, Thailand, and Viet Nam.[31] In 2018, ASEAN adopted a Smart Cities Framework. In Jakarta, for example, between 2014 and 2017, the new governor immediately focused on transparency, accumulating political capital that helped him to adopt new policies such as cleaning up the city's rivers.[32] The city embarked on successful private-sector practices, choosing to invest in long-term solutions rather than short-term fixes. Jakarta's rivers became cleaner, and the plan cost the city tens of millions of dollars less than the alternatives.

Small Island Developing States – Many of these countries are on the front line of climate change and have been taking major steps for adaptation. With support from development partners, Palau, for example, is using LIDAR technology for detailed topographical mapping that forms the cornerstone of effective disaster risk reduction.[33] Fiji, Samoa, Tuvalu and Vanuatu have established a joint platform for innovation in contingency planning and disaster management.[34] In 2022, Niue became the first country in the region to institute a Strategic Roadmap for Emergency Management that takes an integrated approach towards multiple contingencies.[35] With the support of development partners, this is now being translated into programmes. These innovations are expected to save these countries significant amounts in disaster loss and damage, and free up funds for investments in development.

Agility: mobilizing action with speed and efficiency

Agility in governance refers to the speed and efficiency with which systems or institutions can respond to new information, unexpected events or shifting priorities without major disruption. At its core, agility calls for flexible governmental structures, processes, and mindsets, enabling rapid adjustments as situations evolve. This nimbleness extends to rapidly mobilizing both human and financial resources to address problems before they intensify, or seize opportunities before they dissipate. Agility also underscores the importance of seamless coordination across institutional lines and socio-political divides.

Agility requires that resources can be easily reallocated. Moving away from rigid annual budgets to more flexible rolling dynamic budgeting enables governments to pivot as needs change. Governments can also establish contingency funds, ensuring a reservoir of resources for unexpected developments. Agility is also helped by fostering inter-agency collaboration and by training employees in multiple skills or areas, and implementing rotational assignments. Dedicated rapid response teams, comprising experts from a multitude of fields, can ensure swift and informed action in the face of challenges. Agility also benefits from public participatory budgeting. By engaging citizens in budget decisions to foster understanding of trade-offs, the trade-offs may actually become less sharp, creating new options for government action.

The Asia-Pacific region offers numerous examples where countries have showcased agility in governance:[36]

India – A primary example of agile, crisis-based correction was the series of economic reforms of 1991 which enabled the country to evolve as a market economy – with reforms for liberalization, privatization, and globalization.[37] These reforms were adopted despite significant, and potentially destabilizing, differences among key sectors such as labour and industry. They were based on informal, research-based dialogues and consultations that enabled different sectors to work towards common objectives at times of stress.[38]

Philippines – As the COVID 19 pandemic broke out, the country navigated a course correction to data-based planning. It established a new analytical instrument – the Pintig Lab – to bring together analysts, academics, and public officials to generate up-to-date data, establish

patterns, and provide recommendations to the National Task Force on COVID-19. Though the country was initially overwhelmed, it was eventually able to use this tool for effective social protection and vaccination programmes.[39]

Sri Lanka – The 2022 crisis provided an opportunity for a national change in direction. The unprecedented economic crisis later evolved into a political crisis that resulted in widespread civic unrest. Nevertheless, this created an enabling environment for different actors to come together and lobby for change, regardless of their social class, religion, or political affiliations. The ouster of the president and the prime minister exposed structural weaknesses in governance and could have led to an anarchic situation. But the collective action of organized protesters and civil society, alongside different segments of the political spectrum, helped uphold democratic values and enabled a peaceful transition to a new government. This has brought hope for a country emerging from many previous cycles of violent unrest, with the prospect of engaging multiple stakeholders and actors in a process of crisis mitigation and recovery.

Fostering the spirit of change

Any serious effort at reform has to consider who is going to make change happen and what are their motivations and what incentives they need. Transforming stakeholders into changemakers will thus mean delving more deeply into the politics of reform, into issues of 'political economy.' The term political economy encompasses the constraints, beliefs, relationships, and narratives that shape the policies of key decision-makers. Stimulating change thus involves understanding their motivations and providing them with the information and incentives to take positive action.

The political economy of reform, and therefore the course corrections that can be achieved, is impacted by variables related to the legitimacy of the governments concerned, as well as the extent of their power in relation to other actors. State structures in the Asia-Pacific region span varying degrees of legitimacy with their constituencies, but across the wide spectrum the roles of well-placed intermediaries, many carried out informally, are central to effecting change.

For many who would wish to bring about course corrections, the asymmetry of power between non-governmental stakeholders and the organized strength of the modern state (often backed by "historical elites") does pose a challenge. However, states are not monolithic in nature and well organised coalitions and networks can still advocate for and even help implement new policies and reforms, as illustrated in this section. This is true for both pluralist and one-party systems. At the same time, there have been instances where new ideas did not reach the top of over-centralized structures on time, leading to highly adverse consequences. Leaders who favour over-centralization may wish to draw a cautionary note from recent examples. Conversely, countries that have managed to balance strong decision-making with the provision of spaces for innovation and inclusion have done better.

It is also worth pointing out that minorities in several countries have cited asymmetric power relations as they have sought to influence the state in favour of their empowerment. They have seen a further abridgement of their rights, voices, and spaces. While in the short term, this may not affect the state's ability to deliver, the historical record is clearer, in that regimes that have sought to target minorities for political gain have not achieved sustainable economies or governance.

The following section considers three major means of doing so: nurturing political will, collaborative leadership and civic engagement.

Nurturing political will

Some leaders are hampered by long-held prejudices or suffer from 'constituency imprisonment' – constrained by the expectations of their most extreme followers. In addition, facing critiques of existing policies, or the exhortations of external partners, political leaders may be forced into defensive behaviour. A major change could entail a public admission that the previous policies were incorrect – which would be tantamount to a reduction in status. They may also be forced into short-term bargains that obstruct essential long-term reforms or innovation.

In some instances, however, while maintaining a public show of current policies they can be starting reforms behind the scenes. One way of encouraging this is through 'strategic accompaniment' This refers to the provision of quiet advice and support by trusted intermediaries and peers, including counterparts and leaders from countries with similar governance systems. This may be especially

useful for centralized systems, where leaders may be less prone to taking inputs from domestic think tanks and civil society. It may also depend on the extent to which the system values meritocracy.

Such accompaniment is by definition under the radar and thus difficult to profile. But in some cases it does subsequently surface. In the Philippines, for example, leaders of the Moro Islamic Liberation Front were partially guided through the tough political choices necessary for implementing a peace agreement through a twinning agreement with a fellow armed group, the GAM in Aceh, which was able to advise them on the necessary steps.

In Sri Lanka in the crisis of 2022, both demonstrators and law enforcement pulled back from the brink on several occasions as a consequence of strategic accompaniment and advice. In Thailand, during multiple political crises (2008, 2013-14) opposing sides pulled back from more extreme actions when friendly advice spelled out the economic consequences of such action.

Overall, strategic accompaniment works best when it is not visibly linked to external actors. And if their support is deliberately sought it should be provided discreetly. If the links are too visible, local peers and intermediaries may appear to be compromised. Another source of mediation is through credible institutes and think tanks in the concerned country, or in the region, which can develop ideas on what needs to be done differently, and how best to work together, informally or otherwise, to advise and influence top leaders. Singapore's leaders, for example, pay attention to its best institutes.

Some of the means by which strategic accompaniment work are:

- *Compelling evidence* – The impetus for reforms in many countries is prompted by the supportive analytical work of think tanks. Evidence-based policy making is key, where countries do well to leverage data and technical expertise in producing tailored insights suited to the context of the reforms intended.
- *Compelling circumstances* – Leaders and policy makers may not always be aware of the full extent of the risks facing their countries and communities. And they might be creating these risks themselves. Leaders in several Asian countries have moved toward less centralized and more pluralistic structures rather than run the risk of violent extremism.
- *Perceived challenges to legitimacy* – Failure to deliver on the demands of key constituencies, or fulfil the social contract, can undermine legitimacy, encouraging leaders to make efforts to include youth, for example, women, and faith-based communities
- *Enlightened self-interest* – Elites in countries as diverse as India, Republic of Korea, Malaysia and Thailand, have supported policies that have befitted the broader population, but also elites. Reforms may cost elites in the short term, but they could lead to longer-term benefits for all.
- *Peer-to-peer consultations among leaders* – These can take place nationally, or in regional forums such as ASEAN, APEC, and the Pacific Islands Forum. Again, it is difficult to link specific policy choices to informal exchanges. Nevertheless, following regional consultations, ASEAN members developed detailed plans on preventing violent extremism, and also on advancing the roles of women and youth in ensuring resilience and stability. Another process is now underway on the issue of climate security.
- *Bilateral consultations* – In 2018, Thailand's National Security Council visited the Philippines to review the Bangsamoro peace process. This may have added momentum to the talks to solve the conflict in Pattani in southern Thailand.[40] Also in 2018, the hitherto delayed process to develop a National Action Plan on Preventing and Countering Violent Extremism in the Philippines received added momentum when key policymakers met in Bangkok, dispassionately examined different options, and arrived at a common way forward.[41]

Course corrections can also be based on informal networks spanning governments and businesses.[42] Such networks could also hinder progress, especially when they have been centred on select families. Nevertheless, they have helped drive significant growth and development in countries like India, Japan, Republic of Korea, Indonesia, the Philippines and Thailand. Critically, they have access to top leaders and provide entry points for playing accompaniment roles in advancing correct choices and critical reforms. In India,[43] Republic of Korea, and Thailand, the private sector has played an important role in advising top leaders on appropriate policies to advance economic growth. In future, these networks could yield more systematic approaches to "strategic accompaniment."

The propensity of leaders to take sage advice depends on the quality of the leadership itself. In some of Asia's most advanced economies, critical moments of reform and growth have been associated with specific leaders. Manmohan Singh, Deng Xiaopeng,[44] Mahathir Mohammad,[45] Lew Kuan Yew, and Park Chung Hee all shepherded significant growth and economic transformation in their countries. They operated in widely divergent political and economic systems, but made similar choices, often involving the release of market forces but with the judicious guidance of the state, and with an eye to maintaining social and economic cohesion. Such leaders may not, however, emerge at the right historical moment. Nevertheless, significant innovation and course corrections can also be achieved through various other levels of leadership of the private and public sectors. As the more monolithic forms of classic leadership give way in a back-and-forth manner to more pluralistic approaches, many Asian countries are now investing in secondary leadership – as recently in Malaysia, Fiji, and Indonesia.

However, good leaders can also be nurtured. Very few countries offer training or curricula for leaders and managers for dealing with multi-dimensional challenges, whether for reform or to mitigate crises. The Asian Institute for Management has developed a curriculum for leaders on "collaborative leadership" in the public interest.[46] This could be developed and used more widely. In addition, the importance of engaging with youth, and cultivating youth leadership for social good and enabling young people's access to political and administrative decision-making at all levels cannot be overstated.

Finally, there are options from social media. Some social media influencers have provoked division and polarization. On the other hand, others have brought together civic groups and the private sector to advocate for accountable governance and for innovation and inclusion. Good examples of the positive roles of social media in advancing cohesion, pushing back on violent radicalization, generating spaces for innovation, and promoting reconciliation can now be found in Bangladesh, Indonesia, Maldives, Philippines and Sri Lanka. Systematic assessment of these initiatives could provide a wider basis for similar activities elsewhere.[47] Either way, social media will be a major battleground for advancing inclusive and accountable governance and will need to be at the centre of planning and forecasting by public and civic leaders.

Collaborative leadership

Bridging differences and resolving conflicts often depends on forming timely coalitions to carry reform forward and build longer-term partnerships or 'collaborative leadership'. In 2011, the World Bank's *World Development Report* argued that institutional and political momentum for reforms had been achieved through "inclusive-enough coalitions" spanning relevant sectors. UNDP then delved further into this issue by releasing in 2016 its first guidance note on supporting insider mediation, subsequently updated in 2020.[48] [49]

Inclusive growth can also be furthered by 'elite bargains' – which are discrete agreements, or series of agreements, that re-negotiate the distribution of power and allocation of resources between elites.[50] Through such bargains, elites can arrive at mutual collective pacts to foster growth and development. These have, for example, from the early 1990s sustained economic growth in Bangladesh and Viet Nam, and part of the reforms in Indonesia.[51] In the age of social media, however, contemporary bargains would also have to be less elite-based – featuring integration, innovation, and inclusion, and involving specific steps towards green growth and resilient communities.

Other countries around the world have organized exercises such as national dialogues or constitutional conferences – as in Argentina, Bolivia, Chile, Cote d'Ivoire, Haiti, Libya, and many others. While consultations do take place on formative governance issues in many Asian countries, firm and final bargains are often reached in informal settings, and with the help of trusted intermediaries.

In May 2023, in Chiang Mai, Thailand, for example, key intermediaries from Asia-Pacific countries engaged in a regional conversation and shared their experiences. Their actions included:[52]

- *Providing a second and third track* – for formal peace processes so that blockages and deadlocks could be resolved away from the primary negotiating table.
- *Building coalitions* – for easing tensions during major transitions, and for developing new growth trajectories.
- *Establishing consensus* – around crucial reforms.
- *Reducing local and horizontal violence* – to support job creation and investment.
- *Orienting public forums towards reconciliation and innovation* – including social media, college campuses and faith-based congregations

However, other countries in the Asia-Pacific region have developed more systematic approaches. In Fiji from 2010-2013, an insider mediation effort, the Roundtable on Peace and Development, provided a pathway for a transition from military rule and the establishment of a post-military constitution. In Nepal, the Ministry for Peace and Reconstruction[53] assisted local insider mediators at critical points in their peacebuilding efforts. In Timor-Leste a similar function is provided by the Ministry of Social Solidarity and Inclusion.[54] In the Philippines, the Office of the Presidential Advisor on Peace, Reconciliation, and Unity is an essential Cabinet-level component of the national government.

Insider mediation efforts are most successful when they are nationally owned, low-key and informal, and based less on structure and hierarchy and more on flexibility and innovation. Support from development partners should be discreet and respect the national context. Countries in the Asia-Pacific region, and development partners more widely, would do well to provide spaces for these initiatives.

Civic engagement

A successful democracy is one that places its citizens at the heart of the entire journey of making change happen. The pandemic demonstrated the power of civic engagement, and participatory governance, and of inclusive innovation that helped win the trust of citizens, building resilience, and steering collective change for deeper and more sustainable impact. The pandemic also triggered more extensive use of digital technologies and platforms as tools to break cross-ministerial silos and enable all stakeholders to contribute to policies and reforms. Bangladesh India, Indonesia, Philippines and Singapore have demonstrated successful approaches towards civic engagement.

Innovation and inclusion can also be encouraged through social enterprises. A social enterprise seeks to maximize profits as well as the benefits to society and the environment; the enterprise's profits are then principally used to fund social programmes. A social enterprise might, say, support SMEs in fragile areas by providing essential supplies along with equipment, and credit – then provide wholesale and retail services for the goods produced. In the Philippines, for example, Kennemer Foods supports cacao growers in the poorer areas of Mindanao, and the Hinelaban Foundation assists poorer communities in conflict-affected areas of Lanao del Sur province. Another social enterprise, Coffee for Peace, links proceeds from sales of novelty coffees from the poorer parts of Mindanao to peacebuilding in these same areas.

The core idea behind a social enterprise is not philanthropy, but guidance for small-scale entrepreneurs towards profitability and economic viability, while still generating profits for the sponsoring enterprises. Several rural micro-finance enterprises in Asia and the Pacific have gone on to achieve global fame, and stimulated other similar enterprises.[55] To date, many social enterprises have invested in specialty products such as boutique coffees, artisanal crafts, and tools for micro-credit. Now, the advent of green technologies offers an opportunity for taking such enterprises to scale, with community investments in wind and solar power.

Inclusive innovation can further be fostered through Social Innovation Platforms (SIPs)[56] – as in Indonesia,[57] Pakistan,[58] and Thailand.[59] Such platforms enable government, the private sector, and civil society to collectively brainstorm strategies for achieving SDGs and addressing the new challenges posed by turbulence, while focusing particularly on youth and women. The participants examine traditional variables related to the local economy and infrastructure, but also look at issues such as social cohesion, emerging risks, and consider the implications of complex crises. Participants receive digital support, and training in out-of-the-box thinking, partnerships, and cross-sector collaboration. SIPs can help by uncovering hidden narratives through meticulous engagement with a wide array of local stakeholders and involving them in co-creation of locally grown development plans and initiatives.

A critical component of innovation and inclusion is digital transformation and e-governance (Box 5.1). Online platforms connect citizens and institutions directly for development and implementation of collaborative policies and programmes, providing essential services, and also linking institutions with each other for sharing best practices. Officials can respond directly to citizens' demands and innovate without impediments and can also take credit for innovations. Trust between citizens and government is further fostered by readily available information on public policies and programmes delivery, on contracts, procurement, and land tenure. Initial investment in infrastructure for e-governance may be less than for traditional services that require physical buildings and facilities. Instead of tired citizens lining up outside the office of a harried bureaucrat, they can communicate with an official via a smart phone.

Table 5.2: Fostering the spirit of change: nurturing political will, collaborative leadership, and civic engagement

Main pillars	Key components	Supportive actions
Nurturing political will, or enabling political leaders or decision-makers to overcome constraints of knowledge and capacity; create new narratives for action; and redirect public and constituencies' opinion towards necessary course corrections.	**Sharing experiences and options** • Enabling decision-makers, leaders, and public officials to share best practices through national and regional forums. • Enabling decision-makers to conduct crucial conversations in "safe spaces" or in contexts where multiple options can be discussed. **Strategic accompaniment** • Accessing peer, professional and political networks, including across the Asia-Pacific region, to provide trusted and confidential support to leaders on the best options, or "strategic accompaniment;" • Enabling key leaders in the private and civic sectors to play roles as mentors and influencers for counterparts in the public sector. **Social media** Use of social media to build real-time coalitions around key policies or to create unifying and positive narratives during periods of crisis or transition.	• Make strategic investments in potential change-makers, incentivize them; • Support networking, high-level forums, and "safe spaces" where strategic accompaniment can take place; • Build real-time coalitions around critical policies between leaders of the public and private sectors, and other key sectors such as academia, unions, and mass-membership organizations. • Engage influencers in social media to develop unifying, positive narratives in times of crisis • Create demand and appetite for 'learning by doing' within political leadership by conducting horizon scanning exercises and organizing cross-learning and sharing sessions with countries that are making strategic investments and experimenting on new models and structures of governance. • Foster demand for change through raising awareness, using compelling evidence and insights (for example, about the current state of human development and the potential challenges looming ahead)
Collaborative leadership, or leadership that brings together healthy competition with collaboration in the public interest when needed and allows for the bridging of gaps and building of consensus around crucial policies.	**Insider mediation** • Allowing platforms of credible intermediaries and 'insider mediators' to convene and facilitate conversations to bridge policy gaps and resolve conflicts. • Ensuring that key public and civic sector leaders and officials have the capacity to play insider mediator roles as needed. **Public-private collaboration** Ensuring that public and private sector leaders possess the capability to "compete and collaborate" at the same time; competition for power or profit co-exists with collaboration in the public interest.	• Create and foster secure spaces to discuss differences, bridge disagreements and help resolve conflicts; • Capacitate informal groups and intermediaries to help mediate interests and build common understanding; • Leverage coalitions soon after they are established to initiate forward-looking, transformational reforms; • Facilitate inclusive national dialogues on constitutional and governance frameworks and renewal of social contracts
Civic engagement, or participation of citizens in making change happen through innovation platforms, e-governance, and multi-stakeholder partnerships.	**Platforms** Establishing multi-stakeholder and participatory platforms for innovation and problem solving in both the public and private sectors. **Participation and innovation** Supporting participation in governance and innovation in analysis, planning and policy making through contributions from citizens via e-governance platforms.	• Make optimal use of digital technologies, civic-tech and social innovation platforms to engage citizens in policymaking; • Make use of social innovation to co-create locally grown development plans and initiatives with local stakeholders and strengthen social cohesion; • Promote use of tools and techniques of participatory futures, viz. collective intelligence, wstorytelling, gamification, design, art and deliberation, etc. • Support and leverage social enterprises; • Ensure public access to information on public policies and programme delivery

Box 5.1 Lessons from India's digital success story

India has been a forerunning in the use of digital systems and platforms to provide government services and respond rapidly during emergencies.[60]

India's robust digital public infrastructure (DPI), collectively known as India Stack, played a vital role during the pandemic by enabling direct benefit transfers and by enhancing access to essential services like education, healthcare, and public-sector payments. It comprises three key layers: unique identity (Aadhaar), complementary payment systems (Unified Payments Interface, Aadhaar Payments Bridge, Aadhaar Enabled Payment Service), and data exchange (DigiLocker and Account Aggregator). Two examples of success include:

COVID-19 Vaccine Intelligence Network (CoWIN) – CoWIN became the digital backbone of one of the world's largest COVID-19 vaccination programmes, enabling efficient vaccine distribution and addressing challenges like internal migration. More than 950 million citizens registered on the CoWIN portal through online and on-site modes, with more than 1.6 billion doses of the vaccine administered.

Unified Payment Interface (UPI) – UPI, one of the widely used DPI, has 260 million users, and facilitated over 2,000 transactions per second in 2022. UPI has connected 414 banks and handles 9 million monthly transactions, playing a pivotal role in reducing financial inequalities and bringing the unbanked population, particularly women, into the formal financial system. DPI systems have become critical for enabling meaningful delivery of public and private services and underpinning the achievement of a range of Sustainable Development Goals. The country's experience with DPI offers valuable insights for other nations undergoing digital transformations.

* * *

Chapter 1 of this *Report* highlighted the achievements and shortcomings of the region's prevalent development models. Chapter 2 detailed the factors that may make the development environment even more turbulent. It also established the need for change, which included the centrality of issues related to governance and the political economy of reform. Chapters 3 and 4 then highlighted specific strategies for mainstreaming human development and sustaining jobs-rich growth. Building on these steps, Chapter 5 has emphasized methods for achieving these changes by engaging with governance and the political economy of leadership and development.

This chapter has also shown that major corrections require without changes in political decision-making, choices and behaviours. Vital tools include: incentives for the right political and institutional choices, decisions and innovations; the generation of political will through strategic accompaniment and peer-to-peer dialogue, and the application of collaborative capacity to create new consensus, coalitions and partnerships that can be employed by governments, the private sector, and civil society.

It is important to emphasize that strategic changes happen based primarily on the internal capabilities of key actors to build coalitions, partnerships, and platforms for innovation. Insider mediators and intermediaries that play bridging roles also do so based on their own capabilities and positions.

Development partners can facilitate the sharing of knowledge and experiences, assist with the development of multi-dimensional risk analysis and data, provide informal accompaniment to their peers and counterparts, and ensure that tested and practical solutions to the more complex challenges are readily available, with the proviso that these will be adapted to specific country contexts. Overall, they can assist national efforts to build capacities for the necessary course corrections.

Governance can be made more future-ready by being anticipatory, adaptive and agile. Efforts to develop forward-looking governance capabilities of policymakers and civil servants also strengthen inclusion, and broaden public participation, collaboration and partnerships.

The recommendations and suggestions in this chapter are directed not only at governments and political leaders but also at other potential changemakers from the wider system of governance: leaders of the public and private sectors, media, civil society, faith-based organizations; and others with the ability to lead, influence, bridge or mediate.

Conclusion

Asia-Pacific's journey in human development has been one of long-term progress, but also stark disparities and disruptions. Alarmingly, the region is not on-track for achieving any of the SDGs and human insecurity is high in many countries.

Looming on the horizon are an intertwined clusters of threats: the wrath of climate change and pandemics, shifts in globalization's dynamics amidst intense demographic and technological change, and the undercurrents of democratic backsliding, rising populism, polarization and the growing influence of social media platforms.

Drawing from its legacy as the birthplace of the export-led growth model and the human development approach, Asia and the Pacific can find a blueprint for future resilience. The essence lies in revitalizing these models to align with present realities, ensuring they allow for the aspirations of both current and forthcoming generations.

Growth, while essential, should not overshadow human development. The region's future hinges on harmonizing economic betterment with holistic development. Rather than sidelining one over the other, it is better to understand their interdependence and potential for mutual reinforcement.

Translating this vision into tangible change, however, will need renewed emphasis on effective governance and the politics of reform. Key requirements for delivering change will be anticipation, adaptability and agility. But if countries are to achieve sufficient velocity to escape the gravity of the status quo, they will require greater attention to sparking the spirit of change and to tackling power asymmetries in societies to help mobilize societal consensus for the required transformational changes.

This *Report* has laid out a big-picture view of the region's accomplishments and gaps, established the pressing need for transformative changes, and delved into some of the detail of what the helpful course corrections could consist of, and how they can be brought about.

Naturally, the broad directions and redirections spelled out in this *Report* will need to be tailored to the specific circumstances and priorities of each country. It is clear, however, that the strategies that stand the greatest chance of furthering human development will be those that focus on people, growth and governance, and that through this combination the region can shine brightly as it navigates through a potentially more turbulent future.

Annex

Regions and subregions used in the RHDR unless stated otherwise

Asia and the Pacific

East Asia: China; China, Hong Kong Special Administrative Region; Japan; Democratic People's Republic of Korea; Republic of Korea; Mongolia; China, Macao Special Administrative Region

Pacific*: Cook Islands; Fiji; Kiribati; Marshall Islands; Micronesia (Federated States of); Nauru; Niue; Palau; Papua New Guinea; Samoa; Solomon Islands; Tokelau; Tonga; Tuvalu; Vanuatu

South-East Asia: Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Myanmar; Philippines; Singapore; Thailand; Timor-Leste; Viet Nam

South Asia: Afghanistan; Bangladesh; Bhutan; India; Iran (Islamic Republic of); Maldives; Nepal; Pakistan; Sri Lanka

Arab States

Algeria; Bahrain; Djibouti; Egypt; Iraq; Jordan; Kuwait; Lebanon; Libya; Morocco; Oman; Qatar; Saudi Arabia; Somalia; Sudan; Syrian Arab Republic; Tunisia; United Arab Emirates; West Bank and Gaza; Yemen

Europe and Central Asia

Albania; Armenia; Azerbaijan; Belarus; Bosnia and Herzegovina; Georgia; Kazakhstan; Kosovo; Kyrgyzstan; Montenegro; North Macedonia; Republic of Moldova; Serbia; Tajikistan; Türkiye; Turkmenistan; Ukraine; Uzbekistan

Latin America and the Caribbean

Antigua and Barbuda; Argentina; Aruba; Bahamas; Barbados; Belize; Bolivia (Plurinational State of); Brazil; Chile; Colombia; Costa Rica; Cuba; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti

Sub-Saharan Africa

Angola; Benin; Botswana; Burkina Faso; Burundi; Cabo Verde; Cameroon; Central African Republic; Chad; Comoros; Congo; Côte d'Ivoire; Democratic Republic of the Congo; Equatorial Guinea; Eritrea; Eswatini; Ethiopia; Gabon; Gambia; Ghana

Further to the data and statistical information provided in this report, the full statistical annexes are accessible on UNDP Asia and the Pacific dedicated site. Readers are kindly invited to access these for more detailed insights: https://www.undp.org/asia-pacific/rhdr2024

* Australia and New Zealand excluded unless otherwise indicated.

Notes

Overview

1. Smitham and Glassman 2021

Chapter 1

1. IMF 2023a

2. The HDI is the geometric mean of normalized indices for each of the three dimensions. The health dimension is assessed by life expectancy at birth, the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. The standard of living dimension is measured by the gross national income per capita (in a logarithmic way to reflect the diminishing importance of income with increasing GNI). Region and subregion aggregates are obtained from the country-level indicators using the appropriate weights: total population for GNI per capita and life expectancy, population between age 5-24 for expected year of schooling, and population age 25 + for mean years of schooling.

3. Smyth 2005

4. Including technical degrees, tertiary careers, and advanced vocational training programs that typically lasts for a shorter duration compared to traditional bachelor's degree programs.

5. Total population for GNI per capita and life expectancy, population between age 5-24 for expected year of schooling, and population age 25 + for mean years of schooling.

6. Gini index using WDI, World Bank.

7. This section uses averages calculated and used by WIL and its sub-regional definition. WIL includes averages of Asia (excluding the Middle East), but it does not include Pacific Island countries due to the unavailability of data. The increase in economic inequality has been largely driven by a rise in income and wealth accruing to the top of the distribution. See more on the WID methodology at https://wid.world/methodology/.

8. Atkinson, Piketty and Saez 2011

9. As there is no global survey of incomes, researchers have to rely on available national surveys. The World Bank takes steps to harmonize it where possible, and while comparability issues may remain, pooling the data available from different kinds of survey data is unavoidable if we want to get a global or regional picture of poverty or inequality. For further details see World Bank's PIP methodology https://datanalytics.worldbank.org/PIP-Methodology/ and World in Data explanation on the topic: https://ourworldindata.org/grapher/economic-inequality-gini-index#faqs

10. Ravallion 2021

11. Ravallion 2021 and World Inequality Lab n.d.

12. Only PNG data is available in the WIL database.

13. ILO Stat Explorer

14. Calculated using the geometric mean of the adjusted dimensional indices,

15. Poverty and Inequality Platform, World Bank.

16. The Societal Poverty Line blends absolute and relative definitions of poverty and is defined as max ($2.15, $1.15 + 0.5*Median consumption in the country) in 2017 $PPP terms.

17. The number of people living in multidimensional poverty in 2023 MPI report is computed using the United Nations Department of Economic and Social Affairs/Population Division's total population data for the year 2021 for all countries. This approach assumes a constant headcount ratio (obtained by applying the MPI methodology to the survey) which implies an assumption of no change in multidimensional poverty rates between the year of the survey and 2021. In Asia and the Pacific region, the earliest survey included is 2014 for China and the latest survey is 2021/22 for Cambodia. The 2023 MPI report covers 16 countries in East Asia and the Pacific (out of 26) and 7 countries (out of 9) in South Asia. More on the methodology see the 2023 MPI Main report and Statistical tables.

18. UN Women 2023

19. The composite index aims to evaluate countries' performances regarding the progress they made in closing the gender gap in the fields of health, socio-economic resources, politics and household since 1950 (Dilli, Carmichael, and Rijpma 2019)

20. The indicators used in GII are as follows: maternal mortality ratio, adolescent birth rate, share of parliamentary seats held by women, secondary education by gender, labor force participation rates by gender. The regional and sub-regional aggregates are obtained from the country-level indicators using the appropriate weights.

21. The share of the informal workforce ranges from 20 percent in Japan and 30 percent in the Republic of Korea to 80 percent in Myanmar and Cambodia (Dabla-Norris 2020).

22. The Asia-Pacific region for the ILO accounts includes Australia and New Zealand (ILO 2023a).

23. The data between ILOSTAT and ILO (2018a) may not be directly comparable, but still helpful to include it in the graph for illustrative purposes.

24. ADB 2021

25. Jeong 2022

26. ADB 2023

27. OECD 2018a

28. ITU 2023

29. International Energy Agency 2023

30. WWF 2022

31. Laumonier and others 2022

32. IPBES 2018

33. UNDP 2020

34. Material footprint is a consumption-based indicator of resource use. It reports the amount of primary materials required to serve the final demand of a country.

35. UNICEF 2023

36. World Bank 2023a

37. UNDP 2023. Most of the DHS data on which India's MPI is estimated pre-dates the pandemic; MPI data may therefore not be fully reflective of the shocks caused by COVID-19.

38. Heller 2005

39. Parkin and Cornish 2022

40. "Should downside risks materialize, fiscal revenues would fall, while spending pressures would increase leading to potentially wider fiscal deficits, and debt sustainability challenges. Given that most PICs are at a high risk of debt distress or face elevated debt burdens, there is limited ability for PICs to increase fiscal deficits." (World Bank 2023b, p. 24)

41. Poverty rate is based on the $3.65 per capita (2017 $PPP) measure.

42. WFP 2023

43. World Bank 2023c

44. UNDP Afghanistan 2021

45. The Climate Action Tracker 2023

46. UNESCAP, UNEP, and UNICEF 2022

47. IRENA and ACE 2022

48. Croissant 2022 and Croissant and Haynes 2021

49. Warburton and Aspinall 2019 and Asia Centre 2020

50. Boese and others 2022; EIU 2023

51. Kurlantzick 2022

Chapter 2

1. Two South Asian economists, Amartya Sen and Mahbub ul Haq, previously a finance minister in Pakistan, initiated the Human Development Approach. Both did so in the USA with the institutional backing of UNDP, but the approach was inspired their own experience in South Asia and has attracted worldwide interest. In India, for example, the ideas underpinning human development are reflected in the National Rural Employment Guarantee Act (2005), the Right of Children to Free and Compulsory Education Act (2009) and the National Food Security Act (2013).

2. UN 2023

3. The index combines 17 sub-dimensions of insecurity under three major dimensions i) violent conflict, ii) socioeconomic insecurities and ii) insecurities at the personal and community levels. The threshold for the index is categorized as follows: relatively secure <0.2; moderately insecure 0.2-0.5, very insecure >0.5

4. While the term was popularized by Adam Tooze in 2022, its roots trace back to French philosopher and sociologist Edgar Morin and co-author Anne Kerne in 1999.

5. The term goes back at least to the 1970s where it has been used in academic contexts but saw a resurgence in 2022 due to the coinciding risks of that period.

6. Smitham and Glassman 2021

7. WHO 2021

8. Eggleston, Park, and Shin 2021; UNESCAP 2023a; Park and others 2021

9. UNFPA, 2023

10. ILO 2018a

11. Baldwin 2022

12. Acemoglu and Johnson 2023; Acemoglu and others 2012

13. Shaikh 2004

14. Khan 2009

15. For opportunities, see Balasubramanian and others 2022

16. Competition between Asian and Chinese firms is on the rise. See (Marukawa 2021).

17. Baldwin and Forslid, Globotics and Development: When Manufacturing Is Jobless and Services Are Tradeable 2023

18. Reallocating resources efficiently has a payoff whether done by companies or governments (Atsmon 2016).

19. Caridà, Colurcio, and Melia 2022 and Katsamakas, Miliaresis, and Pavlov 2022

20. Osborne 2023

21. "Government organizational silos have been blamed for a multitude of sins. Yet they have proved to be resilient, principally because they provide opportunities for centralized government, political control over the bureaucracy, and the prospect of rapid decision-making, effective implementation, and support for economic development. But silos often also suffer from serious dysfunctions that impede smooth progress from decision to action. Their relationships with other government, private, and third-sector organizations frequently reflect inadequate horizontal coordination, a failure to communicate and to share information, and disputes over funding and jurisdictional responsibilities." (Scott, 2020, p. 1) This is a long standing concern but silos have been hard to dismantle (Roy and Giguère 2010).

22. For example, see Perkins (2021) for the case of Southeast Asia.

23. Mistree 2013 and Amsden, DiCaprio, and Robinson 2009

Chapter 3

1. Ranis and Stewart (2005) found significant interlinkages but UNDP (2010) cited a range of studies that pointed to much weaker interactions and other factors in play.

2. Stiglitz 2020

3. UNDP 1996

4. UNDP 2016

5. UNDP 2022a

6. UNDP 2020b

7. UNDP 2022e

8. OECD 2016a

9. OECD 2022c

10. Fukuda-Parr 2003

11. IPU n.d.

12. MoGFSS (Ministry of Gender, Family and Social Services 2022

13. MNPHI, Republic of Maldives 2023

14. MNPHI, Republic of Maldives 2023

15. Woetzel and others 2018

16. Of the total $4.5 trillion GDP opportunity, 58 percent would emerge from raising the female-to-male labor force participation ratio, a further 17 percent from increasing the number of paid hours women work, and the remaining 25 percent from more women working in higher-productivity sectors (Woetzel and others 2018).

17. UNESCAP 2019

18. MoGFSS 2022

19. UN Women 2017

20. ILO 2018a

21. ADB and UN Women 2018

22. ILO 2018a

23. UNESCAP 2019

24. See example of recent progressive legislation for gig-worker specific social protection law in Rajasthan India which is likely the first such law in the world (Dey and Roy 2023).

25. ILO 2019a; ILO 2019b

26. Dey and Roy 2023; Bhatia 2023

27. ILO 2021a; ILO 2021b

28. ILO 2021a; ILO 2021b

29. Senate of the Philippines

30. JobStart Philippines Program n.d.

31. SDGS Secretariat-National Economic and Development Authority 2022

32. Presidential Secretariat-Government of Sri Lanka 2023

33. UNESCAP 2022a

34. UNESCAP 2017

35. UNESCAP 2021a

36. UNESCAP 2021a

37. UNESCAP 2021a

38. UNESCAP 2021a

39. UNESCAP 2022h

40. International Commission on the Futures of Education 2020

41. UNESCO, UNICEF, and World Bank 2020

42. WEF 2023

43. See WEF 2021. The accelerated scenario assumes skills gaps are closed by 2028. The core scenario assumes the skills gaps are closed by 2030.

44. Ra, Chin and Liu 2015

45. Ra, Chin and Liu 2015

46. ILO 2019c

47. Aspire to Innovate (a2i) n.d.

48. Alliance for Affordable Internet 2021

49. UNDP 2021a

50. Outlook Money 2023

51. Gruber, Lin, and Yi 2023

52. ILO 2021d

53. Linhart and others 2022

54. ILO 2021a; ILO 2021d

ILO 2021a; ILO 2021d

55. OECD and WHO 2022

56. Government of the Philippines 2018

57. UNDP 1994

58. Gentilini, Almenfi, and Dale 2020

59. Gentilini and Grosh 2020

60. Based on the ILO Social protection database but using country coverage in Annex 1 of this Report.

61. UNESCAP and ILO 2020

62. Gentilini 2022

63. Lone, Shakeel, and Bischler 2020

64. UNDP 2023a

65. ILO 2021a; ILO 2021d

66. UNESCAP 2021b; UNESCAP 2021c

67. Devereux and Sabates-Wheler 2007

68. UNDP 2023a

69. UNESCAP 2021c

70. UNESCAP 2021c

71. UNESCAP 2021c

72. UNESCAP 2022d

73. UNESCAP 2021f

74. ADB and UNDP 2023

75. UNDP 2023a

76. Labonté and Gagnon 2010 as quoted in Agyepong and others 2023

77. WHO (World Health Organisation) 2021b

78. Ministry of Foreign Affairs of Japan 2015

79. OECD 2022c

80. OECD 2022c

81. United Nations General Assembly 2012

82. Allen and others 2017

83. See for example Kruk and others 2015

84. Ministry of Public Health of Thailand, WHO, UNDP and UNIATF on the Prevention and Control of NCDs 2021

85. Limwattananon, Tangcharoensathien and Prakongsai 2007; Evans, et al. 2012; Yiengprugsawan, et al. 2010 Dec; Paek, Meemon and Wan 2016

86. Lindmeier 2019

87. Heuveline 2022

88. WHO 2021b

89. World Bank 2023a

90. WHO (World Health Organization n.d.) World Bank 2023a

91. Maulana, et al. 2022

92. Diosana 2020

93. UNDP 2015

94. Mora and others 2022

95. Marani 2021

96. Government of Nepal 2018

97. Barber, Lorenzoni and Ong 2019; ILO 2021c

98. ILO 2021c

99. OECD 2022b

100. UNESCAP 2022g

101. UNESCAP 2022c

102. Root 2023; Migration Observatory and ReWAGE 2023

103. World Bank and FAO 2022a; World Bank and FAO 2022b

104. World Bank and FAO 2022a; World Bank and FAO 2022b

105. EPIC 2023

106. World Bank 2021

107. Openaq 2022

108. Yadav, Tripathi and Kumar 2013

109. Brueckner and others 2023 *(forthcoming)*

110. Brueckner and others 2023 *(forthcoming)*

111. ASEAN and UN 2021

112. IDMC 2023

113. Brueckner and others 2023 *(forthcoming)*

114. UNDRR 2023

115. UNDP 2022f

116. UNESCAP 2023b

117. UNDP 2021c

118. Republic of Palau n.d.

119. ASEAN Secretariat 2021

120. ASEAN Secretariat 2020

121. UNDP 2022c

122. UNDP 2022d

123. Sen 1981

124. Basu 2019

125. UNESCAP, ADB, and UNDP 2023

126. Kok 2020

127. UNESCAP, ADB, and UNDP 2023

128. Drèze and Sen 1989

129. Iqbal 2022

130. UNESCAP, ADB, and UNDP 2023 (UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific), ADB (Asian Development Bank), and UNDP (United Nations Development Programme) 2023)

131. (UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific), ADB (Asian Development Bank), and UNDP (United Nations Development Programme) 2023) UNESCAP, ADB, and UNDP 2023

132. Africa Union 2022

133. See Motyka and others (2021). Renewable transition Separating perception from reality. It cites evidence pointing to the cost of electricity from wind and solar generation declining in the past decade, by about 55 percent for onshore wind and 85 percent for utility-scale solar photovoltaics (PV) in the United States and globally. IRENA (2017) points to cost reductions of up to 75 percent for NaS battery installation costs by 2030. Dempsey and White (2023) point to significant overcapacity (set to surge to nearly four times what the country needs by 2027) in battery production with likelihood of even more significant falling prices.

134. IEA 2021b

135. IEA 2022

136. IEA 2021a

137. IPCC 2022

138. IRENA 2022

139. World Resources Institute 2021

140. ILO 2014

141. ILO 2023b

142. UNDP 2023c

143. Climate Watch n.d.

144. Global Commission on Adaptation 2019

145. UNDRR 2021

146. GCA 2021; UNEP 2022

147. Climate Policy Initiative 2021

148. UNEP 2022

149. UNEP 2022

150. IPCC 2023

151. Temasek and WEF 2021

152. Chaiechi, et al. 2022

153. Academy of Sciences Malaysia 2022

154. WEF 2020

155. UNDP 2022b

156. UNESCAP 2023c

157. IMF 2023b

158. UNCTAD 2023

159. UNCTAD 2023

160. IMF 2022b

161. Jones 2022; World Bank 2023d

162. UNDP 2023b

163. Montes 2022

164. UNESCAP 2022f

165. See Naran and others 2022

166. See UNESCAP 2022e and UNESCAP 2022f

167. See UNCTAD 2023b and UNESCAP 2021e for estimates of the financing required and insights coming out of the crisis.

168. See Montes 2022 for reflections on nature of climate finance; OECD 2022a

169. UNESCAP (2023f) for call for rethinking the timeframe and approach to debt sustainability in line with the SDGs and climate action. On risk premium, Volz and others (2020) find that there are substantial risks for the majority of Southeast Asia from a macro-financial stability perspective, with vulnerability to climate change in the ASEAN economies being associated with sovereign bond yield premia of around 155 basis points on average. Countries with higher exposure to climate risks are shown to incur even higher premia on their sovereign borrowing costs.

170 See UNESCAP 2023e.

Chapter 4

1. "Successful growth and development rests on the striking of a development bargain—that is, an underlying commitment to growth and development by members of a country's elite (the people within the fabric of society, the economy, and politics who make decisions or can disproportionately influence them). Three conditions need to be satisfied: durable political and economic deals among the elite; a mature and sensible state; and the ability to learn from mistakes and correct course." (Dercon 2022). The implementation of policies in developing countries is hobbled in part by the perverse incentives and low motivation of government personnel, which is linked to the nature of politics (Khemani 2019).

2. Bednar 2023

3. Dollar, Kleineberg and Kraay 2016; Kenny and Gehan 2023; Cerra, Lama and Loayza 2021

4. Pritchett 2022

5. Pritchett 2022.

6. Pritchett 2022, Bolt and Zanden 2020

7. Pritchett 2022

8. Giles and Williams 2000; Razmi and Hernandez 2011; Shepherd and Haddad 2011

9. Garcia-Herrero 2019

10. Aiyar and others 2023

11. Meyer and others 2021; Edgecliffe-Johnson and Masters 2021

12. Nicita 2006

13. UN OHCHR 2020

14. Bergand others 2021

15. The banner of industrialization has been raised by China with its "Made in China 2025" policy and by India with the "Make in India" initiative (Smil 2015).

16. This surfaced in 2007 in an article by Dasgupta and Singh. It was subsequently given greater currency by Dani Rodrik in articles published in 2013 and 2016.

17. Rowthorn and Ramaswamy 1997

18. The Textile and Clothing quotas under the MFA ended in 2005 (Mlachila and Yang 2004). The special and differential trading arrangements afforded to Bangladesh have also expired (Mavis 2022).

19. Aided by FDI from Japan, Thailand has built a thriving export oriented light truck industry and localized much of the supply chain. The Malaysian auto industry has been less successful and remains focused on the domestic market.

20. Mercer-Blackman and others 2021; Nayyar, Hallward-Driemeier and Davies 2021

21. US Bureau of Economic Analysis calculated that a dollar's worth of final demand for manufactures gives rise to $1.48 in other services and production. By comparison, retail and wholesale trade sectors generated 54 cents and 58 cents respectively in other additional inputs for every dollar of economic activity they create. A more recent study finds that the manufacturing multiplier is $1.92 almost double the value of manufacturing output (Gold 2014).

22. WTO 2023; Francois and Hoekman 2010

23. Carr and others 2022

24. Aghion, Antonin and Bunel 2021

25. Henderson 2005

26. Jedwab, Ianchovichina and Haslop 2022

27. Graduate School of Design Harvard 2022

28. Juhász, Lane and Rodrik 2023

29. Olmstead and Rhode 2001; Steckel and White (2012) estimate, "Using the year 1954 as a base, we estimate a direct social savings of $29.2 billion, equivalent to 8.0 percent of GNP, when compared to a hypothetical economy at the same date using farm power technology available in 1910."

30. UNCTAD 2022

31. WTO 2023

32. "Advances in digital and analytics technologies offer a way to optimize the agriculture supply chain. The agriculture industry is capturing more data than ever, on everything from agronomy to the weather to logistics to market price volatility. Data storage capacity has increased, storage cost has plummeted, and computational power has grown. Meanwhile, both predictive data science and prescriptive optimization techniques have matured and gained visibility." (Denis and others 2020).

33. LCDM 2020; Singh and Fielke 2017

34. In advanced countries, about 10 percent of the workforce is involved with agri-food activities. In low-income countries, as many as 80 percent of labour force works in agri-food production (Christiaensen, Rutledge and Taylor 2020).

35. Kumar 2022; IFPRI 2022

36. Marcroft 2020

37. UNEP and International Resource Panel 2011

38. Herman 2023

39. Gupta and Woetzel 2022

40. Wang, Wurgler and Zhang 2023

41. Rapson and Muehlegger 2023

42. Rapson and Muehlegger 2023

43. Vivid Economics 2021

44. For example, the linkages from renewable energy encompass mineral extraction refining, processing, fabrication, assembly, transportation, installation maintenance, and decommissioning. China has internalized most if not all these linkages from the solar and wind power industries (IRENA 2016).

45. Batini and others 2021

46. Howitt and Mayer-Foulkes (2005) state, "A country's ability to acquire the skills used intensively in technology investment depends on its level of development, relative to the global technological frontier from which it draws new ideas... As the world's technological frontier advances, a country that does not keep pace will [have difficulty] absorbing foreign knowledge, because its skill levels will not be keeping up with the frontier. As a result, its technology investments will become increasingly ineffective. This erosion of absorptive capacity that takes place when a country falls behind is a central part of our explanation of long-term divergence [in development]."

47. Carpenter, Staab and Bidegain 2023

48. ILO (International Labour Organization) 2019a; ILO 2019c; Another report estimates that a net zero strategy would create 18 million jobs worldwide (ILO 2018b).

49. See Bhattacharya and Dash 2020.

50. Cooley and others 2022; Bhattacharya and Dash 2020

51. WEF 2021

52. UNDP China and Impact Intelligence *(forthcoming)*

53. UNDESA 2017

54. Slezak 2016

55. PEMSEA and Ministry of Agriculture and Fisheries (Timor-Leste) 2019

56. Hu 2023; Berg, Raj and Seamans 2023

57. Anslow 2023

58. Mokyr, Vickers and Ziebarth 2015; Association for Advancing Automation 2018; NHSO 2022; Fleming 2020; "Apparently in 1871 the art of letter-writing was dying. It was the art of conversation itself that was threatened in 1890. "We live at too fast a rate," it was lamented in 1892 and in 1894 our fast and superficial reading threatened our ability to think deeply and create great works." (Higgitt 2013).

59. Weil 2017; Atack, Margo and Rhode 2023; Mokyr, Vickers and Ziebarth 2015

60. Autor and others 2022

61. Autor and others 2022

62. Andreessen 2023

63. Abeliansky and others (2023) argue that "Automation, digitalization, and artificial intelligence (AI) are progressing rapidly worldwide: robots increasingly substitute for humans in many assembly line tasks (industrial robot density rose steeply after 2009; 3D printers are used in the production of customized parts and medical implants; and AI-based models and devices are used to quickly diagnose disease, develop medical remedies, write reports, code, and generate inspiring ideas." (Altenburg and Haraguchi 2022).

64. de Vries 2023

65. The Solow conundrum – computers everywhere except in the productivity statistics. Brynjolfsson, Li and Raymond (2023) offer hope. "Suggestive evidence that the AI model disseminates the potentially tacit knowledge of more able workers and helps newer workers move down the experience curve. In addition, we show that AI assistance improves customer sentiment, reduces requests for managerial intervention, and improves employee retention." (Brynjolfsson, Li and Raymond 2023).; Baily, Brynjolfsson and Korinek (2023) review research on how AI is affecting productivity of economists call center operators and others and after weighing the pros and cons, end on a positive note.

66. Altenburg and Haraguchi 2022

67. Brynjolfsson, Rock and Syverson 2017

68. Brynjolfsson 2022

69. ILO 2023b; Kogan and others (2022) modelling exercises suggests that labour-saving innovations could automate away the jobs of low skilled workers and slow the earnings growth of the highly skilled some of whose skills could be rendered obsolete.

70. "Asian development is built on pervasive and enduring networks of connections that tie together businesses and politicians." (Commander and Estrin 2022). At the apex of the system sit politicians and their parties along with these largely family-owned – and often dynastic – business groups. Business groups look to politicians to protect them from competitors as well as provide them with cheap loans, subsidies, and public sector contracts. Politicians look to these groups to support state-led initiatives and provide jobs, especially in politically sensitive regions, as well as for themselves and their families." (Redding 1995; Redding, Bond and Witt 2014). The *Connections World* is akin to crony capitalism, which has flourished throughout Asia. A few large corporations are already accumulating the bulk of digital capital. And through network effects, own R&D and with the capture of new entrants, this capital, and the power it confers could increase (Tambe and others 2020). Philippon (2019) has flagged the problems associated with market concentration in the US. It has led to a weakening of investment and productivity growth; firms in industries that are becoming more concentrated engage in more M&A and spend increasing amounts on lobbying to win rent augmenting regulatory support or tax benefits; and because entry and competition has declined, excess profits are not competed away.

71. The Economist 2023

72. Center of Economic Advisers (US) 2022; Marche (2023) remarks, "The political space is already saturated with fraud and it's hard to see how AI could make it much worse. In the first quarter of 2019, Facebook had to remove 2.2bn fake profiles; AI had nothing to do with it. Technology is associated with higher levels of depression, anxiety and self-harm among children. The response to the degradation of our information networks – from government and from the social media industry – has been a massive shrug…."; However, Guess and others (2023) shows that even with "substantial changes in viewers on-platform experience the chronological feed did not significantly alter levels of issue polarization, affective polarization, political knowledge, or other key attitudes during the three-month study period." This and other research suggests that changing the information diet did not affect "the polarization of individuals on issues like immigration, Covid 19 restrictions, the legitimacy of election results, and trust in the media and political institutions". (Kupferschmidt 2023).

73. See Debanes, Castellvi and Dwiyanti 2021

74. Phuyal et al 2020

75. Alonso and others 2020

76. "Growth is the best way to lift people out of poverty and improve average living standards. But in the developing world, more growth still leads to more emissions." (The Economist 2023).

77. See Montes, M.

78. Batini and others 2021

79. Pestel 2019

80. Gupta and Woetzel 2022

81. IRENA 2022

82. ILO 2022

83. IRENA and ILO 2021

84. Participation in GVCs is a mixed blessing. GVCs integration enhances the productivity of workers especially in manufacturing, but employment in manufacturing is largely unaffected. In African countries, agricultural GVCs generate more employment through backward linkages (Pahl and others 2019; Pahl and others 2022; Pahl 2020).

85. Brynjolfsson and McAfee 2011

86. About 58 percent of migrants are men and the balance 42 percent, are women. "Europe was the region with the largest number of international migrants in 2020: 87 million. Northern America hosted the second largest number of migrants, nearly 59 million; followed by Northern Africa and Western Asia, with a total of nearly 50 million." (UNDRR 2021).

87. IOM 2021a

88. Kandemir 2012; World Bank 2023d; Yang 2009

89. Migration pressures in Lao PDR are expected to continue growing due to the depreciation of the Lao Kip and the higher wage rates in neighbouring countries. The minimum wage in Thailand, at the rate of 300 baht per day or $250 per month, is about triple the rate in Laos (1.3 million kip in May 2023 or about $74) as per World Bank 2023c). The latest household phone survey by the World Bank indicated that in June 2023, 5.3 percent of Lao households reported having at least one member migrate to another country during the past 12 months, the majority stating that they were seeking higher wages and better employment.

90. In 2022, there were 1.82 million foreign workers in Japan more than double the number a decade back. Now Japan is welcoming more foreigners as the shortage of workers becomes more acute (IOM 2021b; Inada 2023).

91. The BLS is projecting that between 2022 and 2031, the US will create 8.3 million jobs of which 924,000 will be as home health and personal care aids. The next highest category is restaurant cooks, with jobs for over 400,000.

92. World Bank 2017

93. Kaufmann 2021

94. Fukuyama 2008

95. Household indebtedness is also higher.

96. World Bank 2023a

97. The VAT and property taxes are regularly touted, the latter can be a good source of revenue but governments face strong political and taxpayer resistance (Akitoby 2018; Chongvilaivan and Chooi 2021).

98. IMF 2023a; Hole 2023

99. Chowdhury and Sundaram 2022; Weber 2023; van 't Klooster 2023

100. UNESCAP 2023c

101. See Epstein (2009) on the potential for central banks to adopt approaches other than inflation targeting such as real targeting approach.

102. Dikau, Robins and Volz 2020 ; Dercon 2022

103. China has probably extracted much of the mileage it can from capital investment and is encountering diminishing returns, which explains the focus on innovation and productivity (García-Herrero 2023; World Bank and the Development Research Center of the State Council, P. China 2019; Weinstein 2022)

104. Effective regulation and supervision of banks can build confidence and avert crises. Estrada, Park and Ramayandi 2015, survey the literature and extend the findings.

105. Greater financial literacy and awareness of the need to save for old age can also motivate higher saving. Others include saving to purchase a home, children's education, and dowries.

106. World Bank 2019; Farrell and others 2006

107. Fize, Martin and Delpeuch 2021; Dadush 2022; Albertoni and Wise 2021

108. Narain and Varela 2017; World Bank and FAO 2022b

109. Baccini 2019; The explosion of PTAs (preferential trade agreements) and their implications in a world where the writ of the WTO is fading are discussed by (Dadush and Prost 2023).

110. The RCEP should help to undo some of the issues created by the noodle bowl effect (Kang 2015) "RCEP will come from mitigating what is called the Asian "noodle bowl effect". The deal will harmonize what have to date been separate rules of origin across the region into several cumulative schemes, with the changes allowing advanced manufacturing supply chains." (Intan 2020).

111. Asia was a latecomer to FTAs but with 61 concluded, it had already moved to the forefront. Since then, Asia has cemented its lead (Kawai and Wignaraja 2010).

112. Choudhury 2022

113. These include "The SAARC Preferential Trading Arrangement (SAPTA) signed in 1994, followed by the South Asian Free Trade Area (SAFTA) agreement a decade later in 2004 (which came into force in 2006). India's bilateral trade with Myanmar is conducted under the 1994 Indo-Myanmar Border Trade Agreement as well as the 2009 ASEAN–India Trade in Goods Agreement (AITGA). Additionally, India and Sri Lanka signed the Indo-Sri Lanka Free Trade Agreement (ISFTA) in 1998. The agreement came into force in 2000." (Sinha and Sareen 2020)

114. Sinha and Sareen 2020

115. With foreign pharmaceutical and textile manufacturers pulling out of Pakistan, its economic predicament has become more precarious, and its growth prospects have worsened. Meanwhile Sri Lanka is attempting to woo foreign investors to revive its crisis-hit economy (Jayasinghe 2023; The Times of India 2023).

116. OECD 2018b

117. Countries can reach middle income levels with mediocre institutions but to rise beyond requires better institutions and the provision of public goods (Dixit 2015).

118. Aghion, Antonin and Bunel 2021

119. The problem of SOE inefficiency and indebtedness is especially acute in South Asia (Marani and others 2021; Kiani 2023; Rafi 2022).

120. "While for some people the critical question is ownership, for others, the critical question is market coordination versus public coordination. It is whether the government consciously shifts production in specific ways, or whether [it sets] broad priorities and lets prices and the profit motive determine what specific form they will take." (Mason 2023).

121. "Many advanced and developing countries are worried about the erosion of manufacturing in the face of Chinese competition, many middle-income countries are worried about being stuck in the middle income trap, many lower-income countries are worried about being stuck as commodity exporters, running faster to stand still, while many governments – developed and developing – are trying to target investment in "green" industries. These trends have helped to rekindle a broad interest in industrial policy, and national strategy more generally, in developing countries." (Wade 2015).

122. "The hump-shaped relationship between industrialization (measured by employment or output shares) and incomes has shifted downwards and moved closer to the origin. This means countries are running out of industrialization opportunities sooner and at much lower levels of income compared to the experience of early industrializers." (Rodrik 2016).

123. Aiginger and Rodrik 2020; Cherif and others 2022; O'Sullivan and others 2013; Wade 2015; Moran 2015; Warwick and Nolan 2014

124. Newfarmer, Page and Tarp 2018. "While services are indeed increasingly becoming a major source of income, trade, employment and even productivity growth this is not necessarily so in developing countries, where a process of 'tertiarization' is still occurring in low- wage/low-productive non-tradable activities with a consequent stall of economy-wide growth in presence of a weak domestic demand. Conversely, manufacturing production could be expanded through exports despite the presence of small domestic markets... Manufacturing could also help to reduce the technological gap promoting the adoption of new technology and the development of high-productivity jobs....Most of new technological developments related to automation (e.g. Industry 4.0) are built upon old technologies and manufacturing knowledge, suggesting that building a manufacturing base is still a necessary condition to catching-up." (Haraguchi, Martorano and Sanfilippo 2019)

125. Nayyar, Hallward-Driemeier and Davies 2021; The Conference Board 2023

126. Rodríguez-Clare and Harrison 2010

127. Bittle 2023

128. He 2020; Kennedy 2015

129. Place based policies generally target underperforming areas and seek to create jobs closer to where people reside. People based policies attempt to help the disadvantaged irrespective of where they live or how concentrated they might be (Neumark and Simpson 2015).

130. Grover, Lall and Maloney 2022

131. Berman 2021

132. Green 2016

133. Khan 2012; M. H. Khan 2009

134. Ang 2017; Pritchett 2017

135. Attempts made to measure state capacity notwithstanding, it is a difficult 'quantity' to encapsulate. In a comment on recent research Tyler Cowen has this to say. "Instead of painting countries with a broad brush of 'high' or 'low' state capacity, we should recognize multi-dimensionality and divergence. How do political will, resources, institutional robustness, culture, and history explain capacity divergence? If we understood the reasons for capacity divergence, we might be able to improve state capacity more generally. Or we might better be able to assign tasks to state or market with perhaps very different assignments depending on the country." Tabarrok 2023).

136. Lee 2023; Jongwanich 2023; Chuc and Anh 2023

137. Duttagupta, et al. 2017

Chapter 5

1. Kobayashi, Baobo and Sano 1999

2. The politics and economics of transition to an open market economy in Viet Nam (OECD)- (James Riedel and William S. Turley)

3. Panagariya 2001a

4. Cosic, Dahal and Kitzmuller 2017

5. Internal Revenue Service (US) n.d.

6. For more on "binding constraints," see (DFID (Department for International Development) 2008)

7. Hirschman 1958

8. Encyclopedia Britannica n.d.

9. World Bank 1993; Ang 2016; Campos and Root 1996

10. Natsuda 2008

11. Lodge and Boin 2020

12. Fernandes and Heflich 2021

13. UNDP 2022f

14. OPHI (Oxford Poverty and Human Development Initiative) and UNDP (United Nations Development Programme) 2023

15. Also see Victor and Sabel 2020; Mazzucato 2022; Nemet 2021.

16. Barrington Moore's classic treatise, (Moore Jr. 1966), argues, based on study of Western democracies plus India, that pluralism is more likely to happen in the context of industrialized, urban economies. However, industrial economies in Asia-Pacific are just as likely to be command systems as pluralist. A more likely analog for the region is likely to be found in Samuel Huntington's equally renowned (Huntington 1968), which argues that in some instances, command or semi-command systems with strong institutions can better provide a basis for stability and hence development than a classically pluralist one. At various stages in their modern histories, Indonesia, Korea, Singapore and Malaysia would appear to bear this out, and other countries in the region still continue to do so.

17. Tõnurist and others 2020

18. For a scholarly take on evidence-based policymaking, see (Eden, Hermann and Miller 2021).

19. UNDESA 2022. According to the latest UN DESA report on e-governance, Bangladesh ranks 111th in the E-Government Index. It ranked 148th in 2014. It now has 9000 centres providing access to e-governance, including in remote areas. In terms of e-participation, Bangladesh has jumped from 95th to 75th in four years. Over the same period, a joint EU-UNDP initiative has helped minimize radicalizing rhetoric on social media and helped significantly increase the presence of positive influencers.

20. Some useful perspectives on this issue can be found at (Z. Li 2021)

21. For an overview- Predictive Analytics and AI in Governance 2019- Basanta E. P. Thapa

22. Sandboxing and experimenting digital technologies for sustainable development.

23. UNDP Philippines 2021

24. The full framework can be found at Ministry of Disaster Management and Relief Bangladesh 2020

25. World Bank 2022

26. The Asian Development Bank provides some details on (ADB (Asian Development Bank) 2013).

27. WEF (World Economic Forum) 2017

28. Some details can be found at (Ministry of Science and ICT-Government of South Korea n.d.)

29. For the steps taken by Singapore, see (Lee Kuan Yew School of Public Policy - Microsoft 2014)

30. See (Public Debt Management Office 2020) for additional details.

31. ASEAN (Association of Southeast Asian Nations) 2020

32. On the impact of Ahok's policies, see (Andapita 2019). Although the governor was later imprisoned on blasphemy charges and then released, Qlue—the e-governance platform that he established—plays a significant role in Jakarta's daily life.

33. UNDP 2021b

34. GFDRR 2020

35. Pacific Community 2015

36. The country examples provided in the next two segments have been researched and drafted by Lauren Stricker of Columbia University's School for International and Public Affairs.

37. Credible research that this was a deliberate political pivot, and not the result of external technocratic influences, can be found at Sengupta 2008.

38. For profile of the foundation, which was originally formed to bring stakeholders together around the 1990 crisis, see Devex n.d.

39. On the Pintig Lab and the role of data in COVID-19 management, see Lacsamana 2022

40. Details are available with UNDP, which facilitated the Thailand-Philippines exchange.

41. A conversation with Maj-Gen (retd) Melquiades Feliciano, Armed Forces of the Philippines, who anchored this UNDP-facilitated process, can be arranged on request.

42. Commander and Estrin 2022

43. The Federation of Indian Chambers of Commerce and Industry (FICCI) is a key provider of advice and support to both national and state-level governments in India.

44. Gewirtz 2017 provides an account of the external and internal influencers that provided "strategic accompaniment" for Deng and senior Chinese officials as they developed their package of reforms.

45. For implementing his New Economic Policy that created the modern Malaysian economy, Mahathir Mohamad built strong links with the country's private sector leadership, including Chinese and Indian business owners, even as he championed affirmative action for the Malay. This ensured the deal that guaranteed social peace and economic development in Malaysia, i.e., strong economic opportunities for all ethnicities, in return for special political and institutional protections for the Malay. See Ahsan 2020. In particular, private sector leaders ensured support for Mahathir's UNMO, even as they provided him with "strategic accompaniment" in developing a market-friendly economy.

46. See Gerzon 2006

47. UNDP has partnered with YouTube's Creators for Change initiative in all six countries in collaboration with the European Union. (YouTube Creators for Change). UNDP-supported Extreme Lives also provides a similar and powerful forum for the Asia-Pacific region. UNDP and EU.

48. UNDP and UNDPA.

49. UNDP 2020a

50. IBRD and World Bank 2017

51. Dercon 2022.

52. This regional exchange was supported by UNDP, and notes from the meeting can be made available on request.

53. See more details at (DBpedia).

54. More on the Ministry's website: MSSI -Timor Leste

55. Pallathadka and others 2022

56. UNDP n.d. (d)

57. Shimomura and Salem 2023

58. UNDP n.d. (c)

59. UNDP n.d. (b)

60. Alonso and others 2023

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Making Our Future
New Directions for Human Development in Asia and the Pacific

2024 Regional Human Development Report

Asia and the Pacific has been a strong performer in human development. Yet, hidden beneath the surface are stark disparities, and in recent years, along with the rest of the world, the region has been subjected to significant disruptions.

Now Asia and the Pacific faces three major clusters of risk. First, the existential threats from climate change and pandemics. Second, new trends in globalization and in demographic and technological change that are reshaping economic growth and job creation. Third, the threats from democratic backsliding, rising populism and polarization.

Making our Future considers how the region can address these risks and make further advances in human development. For this, it can build on two proven paradigms – those of human development and export-led growth. Both originated in Asia and the Pacific, and they remain rich sources of ideas and inspiration.

But they need to be adapted for a new era. The *Report* shows how countries in the region can revitalize their development strategies to close existing gaps and boost human security, with an unrelenting focus on governance and the politics of reform.

As the world's most populous region, and an economic powerhouse, Asia and the Pacific has significant weight in global development. So new ideas for reigniting human development in this region will also have major implications for the world as a whole.

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