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**Defining Asia-Pacific sustainable development challenges and opportunities — Strengthening integration, implementation and review for sustainable development in Asia and the Pacific**

### **Balancing the three dimensions of sustainable development: from integration to implementation**

Note by the secretariat\*\*

#### *Summary*

The present note summarizes Part II of the *Economic and Social Survey of Asia and the Pacific 2015 — Balancing the Three Dimensions of Sustainable Development: From Integration to Implementation*.

The theme study outlines a conceptual framework for the integration of the economic, social and environmental dimensions of sustainable development. Based on this conceptual framework, four normative shifts in policy are proposed to overcome trade-offs and foster synergies among the three dimensions of sustainable development. The theme study underscores that high-level political commitment to inclusive and integrated aspirations are essential. It proposes recasting institutional frameworks and investing in capacities to support the implementation of an integrated approach. The study concludes by recommending four areas for action at the regional level to provide normative support for the transition towards sustainable development.

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\*\* The late submission of the present document is due to the need to incorporate additional inputs from various contributors.

## **I. Introduction**

### **A. Background**

1. Through General Assembly resolution 66/288, which contains the outcome document from the United Nations Conference on Sustainable Development, entitled “The future we want”), Member States renewed their commitment to sustainable development and, among other requests, tasked regional commissions with promoting the “balanced integration of the three dimensions of sustainable development”. Subsequently, the Secretary-General, in presenting the proposals of the United Nations Secretariat for the Post-2015 Agenda to Member States, emphasized the “universal, integrated and transformative nature of a sustainable development agenda”.<sup>1</sup>

2. The United Nations development agenda beyond 2015 will have sustainable development at its core and will be complemented and supported by a framework of goals, targets and indicators. Although there is consensus that sustainable development requires the integration of economic, social and environmental dimensions, how to achieve integrated and holistic approaches is less well defined and remains a challenge for implementation at regional, national and local levels.

3. With this in mind, member States of the Economic and Social Commission for Asia and the Pacific (ESCAP) have requested the secretariat to present at the seventy-first session of the Commission a theme study that promotes dialogue in the region on conceptual and institutional frameworks required to support countries in Asia and the Pacific in taking the necessary steps towards the balanced integration of the three dimensions of sustainable development.

4. The balanced integration of the three dimensions of sustainable development should be the basis of future development strategies — strategies that foster an allocation of resources and investments that maximizes synergies and minimizes trade-offs among the objectives of economic growth, inclusive social progress and environmental protection for all stakeholders of society, current and future.

### **B. The Millennium Development Goals — an unfinished agenda**

5. After more than 25 years of global dialogue, sustainable development has moved to the centre of the development discourse in a world undergoing rapid transformation.

6. The Asian and Pacific region has been at the heart of much of this change. Sustained high economic growth in recent decades has lifted millions of people out of poverty, with substantial development gains for the achievement of the Millennium Development Goals. Yet, the Goals agenda remains unfinished. More than 1.4 billion people still live on less than US\$2 a day, 1.7 billion people still lack access to improved sanitation and 2 billion people lack access to adequate energy services. Health and gender goals are of particular concern. Seventy-five million children are underweight, and every

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<sup>1</sup> A/69/700.

year, nearly 3 million children die before their fifth birthday and more than 20 million women give birth without the support of a skilled attendant.<sup>2</sup>

7. The Asia and Pacific region's future will be largely defined by its ability to close those development gaps and to overcome several interconnected development challenges: persistent poverty, widening income disparities, gender and other inequalities, lack of decent work (especially for youth), vulnerable employment, jobless economic growth, hunger, food insecurity, rising and volatile food and natural resource prices, natural resource constraints and climate change. How member States close these gaps represents an important challenge — and opportunity — for policy.

### C. The urgency of a paradigm shift to sustainable development

8. In Asia and the Pacific, the poorest 20 per cent of the population accounts for less than 10 per cent of national income and the poorest households in the major developing economies are experiencing declines in their income. Technological change and globalization, considered by some analysts to be the main drivers of the region's rapid economic growth, has been aggravating rising inequalities within and among countries. Growing disparities in income and wealth, as well as unequal social opportunities, have a compounding effect, disproportionately affecting women and the most vulnerable members of society, including the poor, youth, persons with disabilities, migrants and older persons.

9. The region's population is expected to reach more than 5 billion in 2050, of which two thirds will live in cities. Rising incomes mean that the Asia-Pacific region harbours the largest emerging middle class in history — a population projected at more than 3 billion by 2030.<sup>3</sup> Finding new ways to address their needs and aspirations for a better life with respect to natural resources will be a critical challenge for the region.

10. The challenge is particularly daunting in the context of climate change. The Sendai Framework for Disaster Risk Reduction 2015-2030<sup>4</sup> cites climate change as a driver of the risks confronting the region in relation to natural disasters. The frequency and severity of climate-related extreme weather events continue to expose the region to economic and human losses and development setbacks.<sup>5</sup> More than 85 per cent of the people affected by disasters globally live in Asia or the Pacific.<sup>6</sup> Economic losses have also been significant for the region. But building resilience to natural disasters also

<sup>2</sup> ESCAP, United Nations Development Programme, and Asian Development Bank. "Making it happen: technology, finance and statistics for sustainable development in Asia and the Pacific: regional MDGs report 2014/2015 (forthcoming).

<sup>3</sup> Homi Kharas, The emerging middle class in developing countries. Working Paper No. 25 (Paris, OECD Development Centre, 2010); Ernst & Young Global Ltd, By 2030 two-thirds of global middle class will be in Asia-Pacific (25 April 2013). Available from [www.ey.com/SG/en/Newsroom/News-releases/Middle-class-growth-in-Asia-Pacific](http://www.ey.com/SG/en/Newsroom/News-releases/Middle-class-growth-in-Asia-Pacific).

<sup>4</sup> A/CONF.224/CRP.1.

<sup>5</sup> ESCAP, Fostering Sustainable Development in Asia and the Pacific (30 April 2014) (E/ESCAP/FSD/1). Available from: [www.un.org/ga/search/view\\_doc.asp?symbol=E/ESCAP/FSD/1](http://www.un.org/ga/search/view_doc.asp?symbol=E/ESCAP/FSD/1)

<sup>6</sup> ESCAP, Overview of natural disasters and their impacts in Asia and the Pacific, 1970-2014. ESCAP Technical Paper. Bangkok (March 2015). Available from [www.unescap.org/resources/overview-natural-disasters-and-their-impacts-asia-and-pacific-1970-2014](http://www.unescap.org/resources/overview-natural-disasters-and-their-impacts-asia-and-pacific-1970-2014).

provides an opportunity in balancing the three dimensions of sustainable development.<sup>7</sup>

11. The region's economic and social transition requires a development strategy that respects resource constraints while meeting the needs of all people. Although per capita levels of carbon emissions and consumption of energy are lower than world averages, the region has considerable potential to enhance efficiency in the use of natural resources. For example, in 2008, the region used three times the resources as the rest of the world to produce one unit of gross domestic product (GDP).<sup>8</sup> We have entered into an era in which resources are scarce and the demand for human capital and infrastructure is growing. Resource-intensive growth strategies are no longer sustainable or without costs.

12. These future challenges point to the urgency of the sustainable development agenda agreed to during the 2012 United Nations Conference on Sustainable Development.

13. To paraphrase the statement of United Nations Secretary-General Ban Ki-moon,<sup>9</sup> ours is the first generation that can end poverty and the last that may be able to do so. If we do not take action, future generations will be left with a legacy of disaster, conflict, impoverishment and vulnerability to the consequences of degraded environments and ecosystems.

14. A development trajectory that continues to allow trade-offs between the objectives of social progress, economic growth and environmental protection is increasingly inappropriate to a context in which challenges are interrelated and their solutions interdependent. A critical challenge for the countries of Asia and the Pacific is how to pursue a more integrated approach to development; one in which there is "dignity for all, leaving no one behind",<sup>10</sup> with the full realization of human rights, equality, social justice and protection of the natural environment.

15. The Asia and Pacific region has arrived at an important crossroads. High levels of economic growth have lifted great numbers of people out of poverty. But if the region is to sustain the growth needed to achieve its development goals, it must shift to a different trajectory — one that is more resource efficient, able to meet the needs of present and future generations within planetary boundaries and puts its people at the centre of development.<sup>11</sup>

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<sup>7</sup> *Building Resilience to Natural Disasters and Major Economic Crises: Theme Study for the 69th Session of ESCAP*. (United Nations publication, Sales No. E.13.11.F.3)

<sup>8</sup> This refers to four categories of materials: biomass, fossil fuels, metal ores and industrial and construction minerals. See ESCAP, Asian Development Bank, and United Nations Environment Programme, *Green Growth, Resources and Resilience* (Bangkok, United Nations and ADB, 2012).

<sup>9</sup> See A/68/202.

<sup>10</sup> See A/69/700.

<sup>11</sup> ESCAP, *People – planet – prosperity: sustainable development and the development agenda for Asia and the Pacific beyond 2015* (E/ESCAP/69/21) (15 February 2013). Available from [www.un.org/ga/search/view\\_doc.asp?symbol=E/ESCAP/69/21](http://www.un.org/ga/search/view_doc.asp?symbol=E/ESCAP/69/21).

## II. Conceptual framework, strategies and policies for integration

### A. A conceptual framework for integration of the three dimensions of sustainable development

16. The conceptual framework presented in this report guides the important shifts needed in policy stance to promote the integration of the three dimensions of sustainable development. The proposed conceptual framework contains four elements, as outlined below.

17. The first facet of the conceptual framework seeks to ensure that the needs of all people are met, as proposed in the United Nations synthesis report of the Secretary-General on the development agenda beyond 2015: “a universal, integrated and human rights-based agenda for sustainable development, addressing economic growth, social justice and environmental stewardship”.<sup>12</sup> This implies that the following three imperatives be met: (a) to stay within the biophysical carrying capacity of the planet; (b) to provide an adequate standard of living for all; and (c) to provide systems of governance that respect the basic needs of all and propagate the values by which people want to live.<sup>13</sup>

18. The second facet of the conceptual framework focuses on people-centred development, calling for action to support a good quality of life, wherein all persons may pursue lives of dignity, choice and opportunity. The various dimensions of a good quality of life depend, in part, on the provision, by the economy, of “better and more valuable services to ultimate consumers”,<sup>14</sup> but also on the flow of services provided by forms of capital.

19. Five types of capital can be identified, each of which has the capacity to produce flows of economically desirable outputs and contribute to the wealth of a society: financial, natural, produced, human and social.<sup>15</sup> Maintaining all forms of capital is essential for well-being; but because it is human well-being that matters, sustainable development can be defined as “non-declining per capita wealth over time”.<sup>16</sup> All five forms of capital are critical for people-centred growth strategies and thus require investment and protection, incentivized and facilitated by market interventions and by strengthened institutions and governance arrangements.

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<sup>12</sup> A/69/700.

<sup>13</sup> John Robinson, “Squaring the circle? Some thoughts on the idea of sustainable development”, *Ecological Economics*, vol. 48, No. 4 (2004), pp. 369–384.

<sup>14</sup> Robert U. Ayres, “Turning point: the end of the growth paradigm”, INSEAD Working Paper Series (Fontainebleau, France, 1996). Available from [https://flora.insead.edu/fichiersti\\_wp/inseadwp1996/96-49.pdf](https://flora.insead.edu/fichiersti_wp/inseadwp1996/96-49.pdf).

<sup>15</sup> United Nations Economic Commission for Europe, Organisation for Economic Co-operation and Development and the Statistical Office of the European Communities, *Measuring Sustainable Development* (New York and Geneva, 2009).

<sup>16</sup> United Nations, European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, World Bank, “Handbook on national accounting: integrated environmental and economic accounting 2003”, Studies in Methods Series, F, No. 61, Rev. 1 (ST/ESA/STAT/SER.F/61/Rev.1, 2003).

20. The third facet of the conceptual framework is the more efficient and sustainable use of natural resources. This reflects the fundamental challenge of ensuring that economic and social development takes place within the carrying capacity of ecosystems while meeting the needs of all people. The Asia-Pacific region is in the midst of an industrial transformation that is affecting natural resource depletion and degradation and is resulting in unsustainable waste and emission production. The speed and scale of this transformation is unprecedented in human history.

21. Such challenges necessitate the implementation of strategies for sustainable consumption and production. Economic growth must decouple from environmental degradation by improving efficiency and sustainability in the use of resources and production processes.

22. Public policy must, therefore, support a transition to sustainability, enabled by resource efficiency and systems innovation, while managing to support economic growth and industrial development.

23. To reinforce the three elements of the framework, the fourth facet of the conceptual framework advocates for redefining the basic notions of economic progress. Economic growth has been the hallmark of the Asia-Pacific region and the main driver of socioeconomic development. Incentives to prioritize short-term gains and private benefits over long-term development and shared prosperity have, however, typically fostered growth paths that are misaligned with sustainable development objectives.

24. “The future we want” seeks broader measures of progress to overcome the shortcomings in the conventional measures of economic progress, which constrain the ability of governments to understand and assess the performance of their economies in a holistic way. For example, the calculation of GDP, according to the system of national accounts standard, excludes the values of natural resource non-market activities, informal markets and household contributions.

25. In recent years, new methodological standards for official statistics have trended towards more integrated systems of data compilation across the three dimensions of sustainable development. The System of Environmental-Economic Accounting was designed to expand national accounting systems to integrate data on stocks and flows of natural resources and other forms of natural capital and also to account for flows of residuals (natural waste and other emissions).

26. A new information base is needed for setting appropriate policy targets and for tracking progress on sustainable development. At the same time, improved measures of progress that go beyond GDP should be included in a monitoring and review framework that is coherent with the sustainable development goals to be adopted in the context of the United Nations development agenda beyond 2015. Such a monitoring and review framework should engage communities on what should be measured, evaluating progress and in defining follow-up action.

## **B. Constraints to balanced and integrated sustainable development**

27. Three major constraints hinder the wide application of the four elements of the conceptual framework described previously. These relate to (a) incomplete costing, (b) short-term time horizons of decision-making and (c) policy uncertainties.

28. Important differences exist between the market valuation of social, environmental and human resources and the true value that these resources provide to an economy and society. This results in incomplete costing and the artificial inflation of the profitability of short-term investments and in the erosion of public goods. The consequences of undervaluing natural capital have included a loss of biodiversity and depletion of natural resources.

29. Similarly, undervaluing human resources by maintaining low wages, allowing vulnerable employment to persist and failing to enforce international labour standards have been associated with increased profits for some, but over the long term, the lack of investment in human resources has undermined the capability of countries to compete and succeed in the emerging knowledge economy.

30. As governments must act to meet the immediate needs of their citizens, short-term time horizons are sometimes favoured with disregard to their impact on subsequent generations. In sustaining economic dynamism while respecting the social and ecological resources of the region, countries in Asia and the Pacific urgently need to integrate long-term time horizons into their national development planning.

31. In the public sector, the decision to favour short-term and/or long-term decisions and investments is affected by governance systems (political horizons, electoral cycles, transparency and accountability), the degree of social consensus around a particular issue, the quality of leadership and the extent to which costs and benefits are reflected in the market.

32. A third constraint on the willingness of decision makers to invest in longer-term integrated solutions is the lack of knowledge of the impact of various policy options, including basic statistics and data, reliable expert studies and analyses and commonly understood integrated frameworks for analysis and action. The result is a lack of information on the medium- and long-term impacts of the decisions and policies implemented today.

33. Important knowledge gaps also exist in relation to planetary boundaries, in technological options available to address resource-use efficiency and in relation to disaster risks, among other important aspects of the science-policy interface that are critical to sustainable development. Shortcomings in data availability and statistical capacity are also barriers to reducing policy uncertainty.

34. Knowledge gaps also persist when the understanding of policy impacts, opportunities and risks is distorted by the exclusion of certain stakeholders. In an increasingly complex policy environment, the perspectives of multiple stakeholders are important inputs for effective policy and decision-making and for securing political support.

35. Institutional support for constructive stakeholder engagement, including addressing policy uncertainty, is, therefore, crucial for building political consensus. At the same time, courageous political leadership — leadership that balances short-term political gains with long-term sustainable and equitable progress — is also needed.

### **C. Strategies for inclusive and sustainable growth**

36. Integration of the three dimensions of sustainable development must focus on enhancing inclusive, equitable and sustainable growth. Such growth aims at enhancing economic competitiveness based on improvements in

productivity and value-added production, economic dynamism and resilience of the economy to external shocks, including natural disasters, economic competitiveness based on value, not only on cost and shared social and economic gains and employment opportunities.

37. People across all sectors of society should have equitable access to decent work and social protection and should be empowered to lead productive lives through investment in human and social capital. Such an economic and social system should be supported by an increasingly secure environmental base, adequate access to ecosystem services, increasing investments in natural capital and sustainable consumption and production patterns.

## 1. Inclusive growth

38. Inclusive growth represents an attempt to enhance the quality of economic growth and calls for investments in human capital, social justice and economic dynamism. This needs to be accompanied by the enhancement of social security and improvement of access to opportunity and quality of services to all sectors of society.

39. Inclusive growth, thus, places people at the centre of the development agenda, ensures a productive and protected labour force and calls for strong investments in human and social capital, the presence of adequate safety nets, policies to manage the demographic transition and the capacity of the economy to foster social, technological and other innovations. The advantages of investing to reduce inequalities are clear. Low levels of inequality extend the benefits of economic growth. Countries with a low level of inequality also tend to have less pronounced household debt and balance of payment deficits. Reducing inequalities, therefore, improves economic stability, enhances growth prospects and supports inclusive growth strategies.<sup>17</sup>

40. The experience of many industrialized countries<sup>18</sup> has demonstrated the long-term benefits for social and economic development of investing in universal social protection. The experience of these countries provides clear evidence that investing systematically in social support systems — ranging from pension schemes, universal health care and child benefits to unemployment insurance — pays significant dividends in economic as well as social terms.

41. The recent *Economic and Social Survey for Asia and the Pacific 2015 — Part I: Making Growth More Inclusive for Sustainable Development*<sup>19</sup> presents a composite index of inclusiveness and proposes policy considerations for making economic growth more inclusive. In addition to strengthened expenditure on social protection, the report advocates for infrastructure development to attract investment to the rural sector and strengthened efforts to foster employment, among other measures.

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<sup>17</sup> Anthony G. Berg, and Jonathan D. Ostry, “Inequality and unsustainable growth: two sides of the same coin?” IMF Staff Discussion Note (Washington, D.C., International Monetary Fund, 2011).

<sup>18</sup> European governments began with offering pension programmes to government workers in the nineteenth century, followed by unemployment insurance in the early twentieth century, and health care and child care programmes a little later.

<sup>19</sup> ESCAP, *Economic and Social Survey for Asia and the Pacific 2015 — Part I: Making Growth More Inclusive for Sustainable Development* (United Nations publication, Sales No. E.15.II.F7).



## 2. Green growth

42. “Green growth” represents an approach to promote investment in natural capital for ecological sustainability and economic resilience. The Ministerial Declaration on Environment and Development 2005, issued at the Fifth Ministerial Conference on Environment and Development in Asia and the Pacific, proposed green growth as a regional strategy for sustaining the economic growth that is needed to reduce poverty in the context of resource constraints and climate impacts. “The future we want” identifies a “green economy in the context of poverty eradication and sustainable development” as a necessary strategy for achieving sustainable development.<sup>20</sup>

43. Green growth supports a transformation of the economic system to synergize economic growth and environmental protection. Investments in resource savings as well as the sustainable management of natural capital can be drivers of growth — as opposed to additional burdens on economic development.

44. Several countries in the region, including Cambodia, Kazakhstan, the Republic of Korea and Viet Nam, have already adopted green growth strategies. Many others are applying green growth approaches through their national development planning.

45. Inclusive and green growth approaches can and should be pursued simultaneously; inclusive growth approaches support green growth objectives. In societies with a considerable degree of social cohesion (such as those that invest in social protection), citizens tend to work together to protect global public goods, including the environment, rather than pursue individual interests. In such societies, there is also strong public support for policies designed to protect the environment and “govern the commons”.<sup>21,22</sup>

46. In support of both inclusive and green growth, addressing financing gaps and ensuring an enabling environment for science, technology and innovation are critical. Mobilizing adequate financial resources is one of the most important means of implementation for sustainable development. ESCAP estimates that investments of US\$2.1 trillion to \$2.5 trillion per year will be required to close infrastructure gaps, provide social protection (including health care and education) and address climate mitigation and adaptation needs.<sup>23</sup> These must be seen as investments in future development — not as costs.

47. A priority framework and recommendations to harness the region’s immense financial resources for inclusive and sustainable growth were endorsed at the Asia-Pacific High-Level Consultation on Financing for Development in Jakarta in April 2015. Financing modalities addressed included raising tax-to-GDP ratios, adoption of harmonized regulation and institutions for domestic capital markets as a basis for a regional capital market and increased social impact investment and venture philanthropy to

<sup>20</sup> See A/66/288.

<sup>21</sup> Joseph Stiglitz, “Inequality and environmental policy”, Resources 2020 Lecture (Washington, D.C., 5 October 2012).

<sup>22</sup> Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York, Cambridge University Press, 1990).

<sup>23</sup> ESCAP, *Sustainable Development Financing: Perspectives from Asia and the Pacific 2015* (Bangkok, 2015).

fund education, health and environmental protection, particularly at the community level.<sup>24</sup>

48. Reforming market incentives can mobilize additional resources by directing investments towards sustainable consumption and production, complementing official development assistance, project financing and other financing sources. Simultaneously, such reforms can tackle incomplete costing, short-term time horizons and pervasive uncertainties.

49. Subsidy reform is an integral component of a reshaped incentives framework.

50. As an example, fossil fuel subsidies are not only expensive but they induce overconsumption of fossil fuels, reduce incentives to innovate in alternatives and thus contribute to global carbon emissions. Addressing these and other subsidies that impact the use of natural resources can reduce financial burdens while benefiting the environment. In cases in which subsidies are redirected to spending for social protection, people benefit and synergies are created between investments in people and investments in natural capital. The potential to expand and deepen progress on sustainable development is maximized when such reforms are coupled with long-term project viability guarantees or access to complementary financing.

51. Societies will need to use the best science available to better understand the complex interaction of social, economic and ecological systems and what the likely implications and impacts are from following a certain course of action.

52. Innovation is central to any successful strategy. The ability of societies to apply science, technology and innovation for sustainable development is largely determined through an enabling environment — the degree to which policies, regulatory frameworks and infrastructure investments and markets foster and support innovation. A strengthened science-policy interface is one of the critical requirements of the institutional framework for sustainable development. Science, technology and innovation are vital for both sustainability and competitiveness.

#### **D. Priorities for inclusive and sustainable growth in Asia and the Pacific**

53. Inclusive and sustainable growth should initially be promoted in the policy domains that are potentially highly transformative — those that directly address basic human needs and that impact significant populations, the natural resource base and the rates of resource use. Strategies to integrate the three dimensions of sustainable development for improving outcomes for people, the planet and the economy are outlined in the agriculture, industry and trade, and infrastructure domains. Although these sectors are discussed individually in the theme study, an integrated policy framework is necessary to build synergies between them (and other sectors).

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<sup>24</sup> See the Regional Action Plan, conference papers and other documents from the Asia-Pacific High-Level Consultation on Financing for Development, Jakarta, 29-30 April 2015. Available from [www.unescap.org/events/hlccfd2015](http://www.unescap.org/events/hlccfd2015).

## 1. Sustainable agricultural development

54. One sector that urgently requires a transformation towards sustainable development is agriculture. Agriculture is fundamental to the physical and economic survival of every human being, yet the sector faces multiple challenges. Continuing population and consumption growth in Asia and the Pacific is likely to result in growing competition for land, water and energy, in addition to the overexploitation of fisheries, which will affect the ability of the region's countries to produce food.

55. Food security requires as much attention to increasing environmental sustainability as to raising productivity. This necessitates commitment to policies that support sustainable agriculture, including support to environmentally sustainable productivity increases, policies that reduce demand for resource-intensive foods and reduce food waste and governance systems that improve the efficiency and resilience of food systems while making food accessible and affordable to all.

56. Agricultural policies, thus, need to be integrated into the sustainable development agenda to identify agriculture practices that strengthen rural communities, eliminate discriminatory practices, improve smallholder livelihoods and employment and avoid negative social and economic impacts, including insecurity of land tenure and forced migration.

## 2. Industrial and trade policy for sustainable development

57. Industrial policy refers to a strategic effort led by Government to encourage the development and growth of leading sectors, activities or clusters. Traditionally, this has focused on promoting manufacturing or heavy industry, but contemporary industrial policies also increasingly target non-traditional agriculture and services. Industrial policy strategies typically involve a suite of measures to strengthen the competitiveness and capacities of domestic firms and structural transformation.

58. Progressive and transparent industrial and trade policies can contribute to sustainable industrialization by promoting a “race to the top” in which competitiveness is based on the capacity to strengthen contributions to social development and environmental protection. Such policies can encourage structural changes towards higher value added, innovation, better employment opportunities and greater resource efficiency. Sustainable industrialization requires complementary measures and policies, including proper pricing of resources, facilitating trade in technology and know-how, tax policies to encourage job creation and investments in skills and knowledge to support decent work and green jobs.

## 3. Sustainable infrastructure development

59. It is well recognized that infrastructure has a critical role in the development of both rural and urban areas and that much of Asia and the Pacific faces critical infrastructure gaps that impede development. Although cities are contributing positively to the region's development experience and undoubtedly to its prospects, major infrastructure gaps are hampering full potential and result in inequitable burdens disproportionately placed upon vulnerable population groups.

60. Beyond urban areas, infrastructure investments are needed for rural development, including greater rural connectivity and rural-urban linkages. Closing the infrastructure gaps can foster development opportunities for the

region. Infrastructure assets have a long lifespan, which thus “locks in” patterns of energy use and access by the population. A major opportunity exists in the region in meeting its infrastructure needs through sustainable, low-carbon and equitable forms of infrastructure that provide opportunities for greater connectivity and that respond to the needs of people who are poor, in particular.

### **III. Institutional framework for the integration of the three dimensions of sustainable development**

61. Overcoming trade-offs and fostering synergies between the economic, social and environmental dimensions of sustainable development requires a strengthening of governance systems and their integration.

62. The successful integration of the three dimensions of sustainable development into government policy and practice requires: (a) inclusively developed and long-term guiding national visions; (b) long-term strategic planning and sectoral strategies; (c) coordinating institutions with clear mandates for high-level strategy and policy coordination and the highest levels of political leadership; (d) specific strategic and institutional interventions; (e) strengthened capacity for stakeholder engagement; and (f) institutional mechanisms for monitoring and for creating policy “feedback” loops.

#### **A. Establishing a vision and implementing high-level policy commitments**

63. Inclusive and integrated visions alongside high-level political and policy commitments are essential for realizing sustainable development. Vision and commitment must embrace the integration of the social, economic and environmental domains in ways that are respectful of, and responsive to, social imperatives and planetary boundaries.

64. Several Governments have established long-term development strategies that inform national development planning and work towards integrating economic, social and environmental protection goals.

65. Fiji, for example, launched a national green Growth framework in 2014 to foster balance among the three dimensions of its sustainable development. In India, the national strategy — Faster, More Inclusive and Sustainable Growth — was designed with the objective of pursuing not only rapid economic growth but growth that is inclusive and sustainable. Similarly, in Indonesia, the Government’s ambitious long-term development plan aims to meet social development goals while building a foundation for sustained economic growth.

66. Kazakhstan initiated the Green Bridge Initiative in 2010 to link Europe with Asia and the Pacific through a green growth approach and in 2012, it established a development strategy for a transition to a green development path. In 2014, Mongolia adopted a green development plan as its national sustainable development strategy.

67. Among the Governments that have established a high-level policy commitment to the integration of the three dimensions of sustainable development, there are those that have applied broader principles as a foundation for their strategies, such as Gross National Happiness in Bhutan, the “harmonious society” in China and the “sufficiency economy” philosophy in Thailand.

68. Sustainable development requires institutional transformations for the realization of equality and social justice. Consensus regarding social development targets, such as in relation to education, health, decent work, social protection, ownership of productive assets and political representation, has been established at the global level. Among the various rights that have been agreed to internationally, social protection has been an increasingly important policy target for member States.

69. In the region, the social protection floor initiatives include the free and universal education programme in Sri Lanka, a social insurance system in Uzbekistan, social security for older persons in Samoa and universal health coverage in Japan, the Republic of Korea and Thailand. By reducing inequalities, social protection promotes sustainable development: It supports inclusive growth, facilitates social integration and contributes to positive environmental outcomes.

70. Environmental priorities and recognition of planetary boundaries, in addition to social imperatives, provide important motivations for making better decisions around resource use and economic activities that have environmental impacts. Mainstreaming environmental concerns supports the “informed inclusion of relevant environmental concerns into institutional decisions that drive national and sectoral development policy, rules, plans, investment and action”.<sup>25</sup> Normative frameworks, such as those of the Multilateral Environmental Agreements, provide critical support for member States.

## **B. Cross-sector coordination for integration**

71. Integration of the three dimensions of sustainable development requires a “whole of government” approach with long-term planning and commitments by policymakers, alongside coordinated engagement of public and private sector actors and stakeholders from civil society.

72. Multisectoral and multidimensional policy coordination functions are required for managing conflicting sectoral interests among line ministries, balancing short-term and long-term development objectives and aligning financing and development planning strategies with sustainable development objectives in a strategic and integrated manner. National mechanisms, including national planning commissions and national councils for sustainable development established in the 1990s following the United Nations Conference on Sustainable Development and other high-level coordination bodies, which may be chaired by the Head of State, can ensure strong political commitment and leadership while providing interministerial and multi-stakeholder coordination.

73. National mechanisms for sustainable development have evolved and strengthened over time. The Bangladesh Sustainable Development Monitoring Council is a prominent example of such a mechanism. It started with limited monitoring functions and later assumed high-level coordination functions. In Viet Nam, the National Council on Sustainable Development and Competitiveness Improvement is chaired by the Vice Prime-Minister and is driving a systematic approach to mainstreaming sustainable development

<sup>25</sup> Jessica Ayers, and others, “Mainstreaming climate change adaptation into development in Bangladesh”, *Climate and Development*, vol. 6, No. 4 (November, 2014), pp. 293-305. Available from <http://dx.doi.org/10.1080/17565529.2014.977761>.

across the Government, including combining internal resources with international financing.

74. Other experiences show that national councils for sustainable development often have been situated outside the main economic and social development planning processes and thus have lacked influence and in some cases have not effectively engaged civil society organizations, academia, the private sector and other stakeholders.

### **C. Facilitation of participation and stakeholder engagement**

75. Strengthened capacity for stakeholder engagement is required, wherein rights-based and participatory approaches create an enabling environment for civil society and stakeholder ownership, engagement and accountability. Specific institutional reforms and capacities are needed to support and engage citizens in strengthening social consensus on development strategies. This also requires a robust science-policy interface and enhanced capacity to use analytical and decision-support tools suitable for integrated policy analyses.

76. Countries in the region have effectively engaged stakeholders in different aspects of government functions. Examples of this include the Sustainable Singapore Blueprint 2015, which involved more than 100,000 stakeholders, and in Afghanistan, the drafting of the national development strategy, which engaged a diverse range of stakeholders. Additionally, the members of the Armenian National Council for Sustainable Development represent diverse and relevant ministries, civil society organizations, academia and the private sector who meet periodically to discuss the challenges confronting sustainable development implementation in the country.

### **D. Ensuring accountability through monitoring and adaptation**

77. An institutional framework that promotes the integration of the three dimensions of sustainable development requires strengthened monitoring functions and should institutionalize policy feedback loops and engage the perspectives of multiple stakeholders to strengthen adaptive capacity, and build resilience.

### **E. The role of the public and private sectors**

78. The integration of the three dimensions of sustainable development is not only a policymaking opportunity for Governments, but also an important long-term strategy for corporate sustainability and competitiveness. The private sector needs to augment its long-term investments in human and natural capital. The public and private sectors need to incorporate disaster and climate risk-sensitive considerations into their investment and business processes for new business opportunities and actively support transformation towards sustainable development.

79. Governments are increasingly promoting better business practices through policy initiatives requiring or encouraging the disclosure of sustainability information and introducing sustainability disclosure in listing requirements for stock exchanges. Regulation has been strengthened, with greater emphasis on complementary voluntary and mandatory approaches to organizational disclosure. Significant sustainability reporting requirements have been established in China, India, Indonesia, the Republic of Korea and Malaysia, among others.

80. These countries have benefited from the internationally recognized guidance on sustainability reporting provided by (a) the Global Reporting Initiative's Sustainability Reporting Framework, (b) the ten principles of the United Nations Global Compact, (c) the United Nations Guiding Principles on Business and Human Rights; (d) the OECD Guidelines for Multinational Enterprises, (e) the ISO 26000 Guidance on Social Responsibility, (f) the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and (g) the Eco-Management and Audit Scheme of the European Union.

#### **IV. Conclusion: a regional way forward for integration and transformation towards sustainable development**

81. The year 2015 will be a defining one for the sustainable development agenda. Member States will agree on the development agenda beyond 2015 and will need to establish governance mechanisms, financing arrangements and institutional frameworks to support and implement the new global agenda.

82. Although integrated implementation approaches should respond to national realities, regional cooperation also will be critical to maximize the opportunities for building synergies among the economic, social and environmental dimensions.

83. There is a need to complement actions by individual States with action at the regional level to achieve critical scale. Regional cooperation is also important to (a) mitigate "first-mover risk", (b) discuss and agree on normative approaches that can strengthen economic and social links, (c) exchange experiences and best practices and (d) develop specific cooperation initiatives on sustainable development. This theme study, therefore, concludes by proposing four areas for follow-up action at the regional and subregional levels.

##### **A. A regional road map to support the implementation of the development agenda beyond 2015**

84. Subsequent to global agreement on the development agenda beyond 2015, a regional road map to achieve sustainable development should be established. The road map should define milestones, roles and leadership to ensure ownership and coordination.

85. Such a road map could emphasize support to countries with special needs. The road map should include a research agenda and establish specific monitoring and review mechanisms, such as an indicator framework and a support process, in line with the global agreements on the United Nations development agenda beyond 2015. The Asia-Pacific Forum on Sustainable Development and ESCAP Commission sessions could be considered as possible regional platforms for adopting and supporting the implementation of such a road map.

##### **B. Regional integration as an opportunity for sustainable development**

86. There has been rapid growth in the number of trade agreements signed by Asia-Pacific countries. Of a total 262 preferential agreements in force in

April 2015,<sup>26</sup> about 60 per cent were in the Asia-Pacific region.<sup>27</sup> Regional integration of markets can drive sustainable development through increased flows of environmental goods, services and technologies, sustainable production and regional green value chains. Expanding and deepening initiatives for regional and subregional economic integration thus provide important opportunities and channels for member States' efforts at integrating the three dimensions of sustainable development.

87. The regional consensus represented in ESCAP resolution 70/1 on the implementation of the Bangkok Declaration on Regional Economic Cooperation and Integration in Asia and the Pacific is an important platform for such follow-up action, particularly in the context of the forthcoming second Ministerial Meeting on Regional Economic Cooperation and Integration. There is substantial progress that can be built upon in terms of synergizing the environmental and economic dimensions of sustainable development within the context of regional integration efforts. The environmental dimension is the main focus of trade-related multilateral environmental agreements that commit member States to specific environmental safeguards. Additionally, there is growing cooperation on environmental issues in the context of subregional frameworks. However, the social dimension of sustainable development requires particular attention in regional economic integration efforts. Several issues are yet to be satisfactorily resolved, including respect for the rights of migrant workers.

### **C. Regional platforms for the integration of the three dimensions of sustainable development**

88. The Asia-Pacific Forum on Sustainable Development could serve as a primary platform for policy dialogue, facilitate mutual learning through the exchange of information and experiences and support peer review of progress, among other possible functions. Member States could make specific recommendations as to the types of support that a regional platform may best provide to support their efforts in pursuing sustainable development. ESCAP and United Nations regional platforms must also take further steps, in sector-specific discussions, to integrate the three dimensions of sustainable development.

### **D. United Nations system reform**

89. Strengthened support from a United Nations system that demonstrates a high degree of coherence and coordination at the regional level is essential. Enhanced support for the integration of the three dimensions also means rethinking the way in which the United Nations conceives its analytical, policy and operational work.<sup>28</sup> A more comprehensive United Nations system response at the regional level, including a strengthened role of the Asia-Pacific Regional Coordination Mechanism and enhanced coordination with the United Nations Development Group Asia-Pacific, could be considered as follow-up actions to support member States.

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<sup>26</sup> World Trade Organization, "Regional trade agreements". Available from [www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm) (accessed 6 May 2015).

<sup>27</sup> ESCAP, Asia-Pacific Trade and Investment Agreement Database. Available from [www.unescap.org/resources/asia-pacific-trade-and-investment-agreement-database-aptiad](http://www.unescap.org/resources/asia-pacific-trade-and-investment-agreement-database-aptiad) (accessed 30 April 2015).

<sup>28</sup> A/68/79-E/2013/69.



90. Political commitment, stakeholder engagement and support, enhanced capacity and a shared vision will be needed to deliver on the promises of sustainable development, coupled with specific strategy and policy interventions and institutional strengthening. Only then can poverty be ended, lives transformed and the planet protected.

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