



Economic and Social Commission for Asia and the Pacific**Seventy-second session**

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**Review of issues pertinent to the subsidiary structure
of the Commission, including the work of the regional
institutions: subregional activities for development****Subregional activities for development: issues and
challenges related to inclusive and sustainable economic
and social development in Asia and the Pacific****Note by the secretariat******Summary*

The present document addresses the issues and challenges related to inclusive and sustainable economic and social development in Asia and the Pacific. It highlights the steps and activities undertaken and planned by the secretariat to support member countries at the subregional level, particularly in the implementation of the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, through policy analysis, dialogue and capacity-building so that they will be able to address the challenges they face.

The Commission may wish to consider the present document and provide the secretariat with further guidance.

* Reissued for technical reasons on 4 May 2016.

** E/ESCAP/72/L.1.

*** The present document was submitted late owing to the need to take into account the latest economic and social developments in each subregion.

I. Subregional Office for the Pacific

A. Supporting the Pacific in the implementation of the Sustainable Development Goals

1. The SIDS Accelerated Modalities of Action (SAMOA) Pathway and the 2030 Agenda for Sustainable Development emphasize a more balanced and coherent relationship between the three dimensions of sustainable development, recognizing their interdependence and interlinkages. The secretariat is committed to supporting its members that are small island developing States, in particular in their response to resolution 71/4 of the Economic and Social Commission for Asia and the Pacific (ESCAP).

1. Enhancing national capacities and institutions

2. The Samoa Pathway calls upon the United Nations system to, inter alia, continue to support small island developing States in their efforts to implement national sustainable development strategies. This has been a persistent challenge for Pacific small island developing States and is an area that the secretariat has actively supported since the Mauritius Strategy for the Further Implementation of the Barbados Programme of Action for Sustainable Development of Small Island Developing States, with current activities focusing on integrated planning for sustainable development, including linking national planning priorities to budgetary processes and fiscal policies. Improving policy implementation not only requires timely data to inform decisions but also sound policy, planning and budgeting processes, supported by inclusive decision-making processes to facilitate coordination across government and operationalize a more integrated approach.

3. A partnership is being developed between the secretariat and the Pacific Financial Technical Assistance Centre of the International Monetary Fund to assist members in integrating sustainable development into their fiscal policies. The secretariat has also been supporting the preparation and review of national sustainable development strategies in the Pacific through cooperation with the Pacific Islands Forum Secretariat and other organizations. The National Sustainable Development Strategy Partnership Group, a registered small island developing States partnership, provides a mechanism for joint or collaborative delivery of assistance.

4. A key target under the Sustainable Development Goals is to build resilience and the adaptive capacity of climate-vulnerable communities. Climate change will present challenges to the Pacific, resulting in a number of migration scenarios, including the possible need for permanent resettlement in other countries. The European Union-funded project Enhancing the Capacity of Pacific Island Countries to Manage the Impacts of Climate Change on Migration, which is being implemented by the secretariat in the target countries Kiribati, Nauru and Tuvalu, supports these countries to help to address complex issues related to local planning (including land-use planning), migration policies and international law on displaced persons. These will contribute to the secretariat's response to the Paris Agreement and the Sustainable Development Goals.

5. In the wake of Cyclone Pam, the secretariat helped support the recovery efforts of Tuvalu and Vanuatu by assisting with a post-disaster needs assessment, providing satellite images for response planning, conducting community surveys and extending advice on trust funds and climate disaster financing. Similar support is being planned in response to the

devastation caused by Cyclone Winston in Fiji, including support on climate resilient agriculture.

6. The Samoa Pathway recognizes the transformational role of energy, which is being prioritized by the Pacific as well. The secretariat places high priority on energy security in the Pacific. As a result, the secretariat supports the strengthening of the Pacific Regional Data Repository for Sustainable Energy for All and also provides assistance to Pacific small island developing States in examining the viability of and expanding renewable energy sources, including biogas, through support from the Government of Kazakhstan.

7. The Samoa Pathway also addresses the efforts of small island developing States to improve their access to information and communications technology (ICT) through improved infrastructure, training programmes, regulatory frameworks, and public and private sector involvement. The secretariat's work in integration, including through the promotion of the national sustainable development strategy approach in national planning and budgeting processes, provides the platform through which improvements in science, technology and innovation can be mainstreamed in the Pacific's sustainable development agenda, which could include a focus on the science-policy interface.

8. With regard to physical connectivity and trade, the Samoa Pathway prioritizes social equity, health, resilience, affordability and environmental impact with respect to sustainable transport; the need for special and differential treatment and effective participation in respect of trade; and the need for connectivity and ICT to be appropriate, reliable, affordable and environmentally sound. The secretariat of the Commission will coordinate with the Secretariat of the Pacific Community to explore and consult on identifying sustainable transport solutions in the Pacific and also liaise with the Pacific Islands Forum Secretariat to finalize an assessment of broader trade integration for the Marshall Islands, Micronesia and Palau through the Asia-Pacific Trade Agreement.

9. Practical measures to promote gender equality and social inclusion include projects on gender-responsive budgeting, gender and disability statistics, women entrepreneurs, and e-government and women's empowerment; national consultations on inequality and social protection in the context of the 2030 Agenda; a benchmarking study on Sustainable Development Goal 5 in collaboration with the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the Asian Development Bank; and the development and implementation of gender-inclusive national disability policy and legal frameworks aligned to international standards, in particular the Convention on the Rights of Persons with Disabilities. Ongoing secretariat work on the implementation of the Convention helps to strengthen disability governance, reduce discrimination and inequality, and enhance inclusive and equitable development.

2. Enhancing the Pacific voice and representation

10. The secretariat seeks to reflect the concerns and interests of Pacific island developing States in the outcomes of regional and global intergovernmental processes. In addition to the annual sessions of the Commission, a key regional meeting through which the Pacific voice is heard on sustainable development is the Asia-Pacific Forum on Sustainable Development. The secretariat will also work towards ensuring that the outcomes on thematic aspects of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development reflect the

needs of Pacific island member States. Other key events include the twenty-second session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Marrakech, Morocco, which will emphasize loss and damage issues. Secretariat support for the Pacific voice at these important processes will be augmented by a project funded by the Government of Kazakhstan.

11. In 2017, Fiji will host the United Nations Conference on Oceans and Seas to Support the Implementation of Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development. This presents an important opportunity to address the fragmentation in ocean governance and strengthen the United Nations Convention on the Law of the Sea in support of sustainable development. The secretariat stands ready to support this important process.

12. The secretariat advocates greater cooperation and integration within the Pacific subregion. In that context, it is actively exploring, with Pacific subregional organizations and relevant United Nations agencies, how such support for connectivity can best be enhanced, including in the areas of sustainable inter-island shipping, ICT, trade integration, renewable energy, climate change and disaster risk reduction, oceans and fisheries, persons with disabilities, gender and non-communicable diseases.

13. Analytical work and publications are important tools for raising the voice and profile of the Pacific small island developing States. *The Economic and Social Survey of Asia and the Pacific 2016*, the flagship publication of ESCAP, which contains an update on issues of concern for the Pacific, will be launched in April 2016. In addition, the forthcoming *Review of Developments in Transport in Asia and the Pacific* highlights a number of issues specific to the Pacific, including the need for sustainable transport solutions that utilize renewable and energy efficient technologies and appropriate regulatory arrangements to promote necessary private sector investment, as well as increasing maritime safety. In 2016, as part the secretariat's efforts to promote regional economic cooperation and integration and the 2030 Agenda, two important reports will be published to highlight the issues and experiences of the Pacific subregion.

3. Monitoring and reporting on implementation

14. The secretariat has dedicated programmes in statistical capacity development that are aligned with national planning processes. The secretariat assisted Pacific representatives on the Inter-Agency and Expert Group on Sustainable Development Goal Indicators in consulting and collating the views of Pacific small island developing States on the proposed indicators. The secretariat is providing assistance, in conjunction with the Pacific Islands Forum, the Council of Regional Organizations of the Pacific and United Nations entities, in selecting Sustainable Development Goal indicators that are relevant to the Pacific context. Further assistance will be provided for monitoring progress on the selected indicators for the Pacific reports on the implementation of the Goals. Those reports, to be produced under the Asian Development Bank/ESCAP/United Nations Development Programme partnership, could feed into the regional reports on the Goals. The secretariat is an observer on the Pacific Statistics Steering Committee and was actively involved in the design of the 2015-2017 phase of the Ten-Year Pacific Statistics Strategy. ESCAP will continue to work with the Secretariat of the Pacific Community and other regional partners to improve statistical capacity in the Pacific.

15. The secretariat is implementing a project to help build national capacity to produce environment-relevant indicators through the System of Environmental-Economic Accounting. The economic valuation of ecosystem services provided by terrestrial and marine-based resources is particularly relevant to the Pacific small island developing States due to their exceptionally rich natural capital (natural resources, biodiversity and ecosystem services) and the major economic losses generated by its misuse and degradation. As it is consistent with and integrated into the System of National Accounts, the System of Environmental-Economic Accounting enables changes in natural capital to be analysed over time, together with its contribution to the economy and the impact of economic activities.

16. In line with the call for equitable social development and inclusion contained in the Samoa Pathway, the secretariat also supports national reviews of human rights implementation by United Nations country teams, as part of the universal periodic review and the human rights treaty bodies reporting processes (in particular the Committee on the Elimination of Discrimination against Women). Among the key issues addressed are gender equality and the rights of persons with disabilities, as well as the challenges associated with non-communicable diseases, water and sanitation, environmental degradation and poverty.

B. Issues for consideration by the Commission

17. The secretariat, through the Subregional Office for the Pacific, is committed to strengthening subregional cooperation and integration in line with its programme of work and its support for the implementation of the 2030 Agenda in member States. In this regard, the Commission may wish to provide guidance on the approaches for addressing subregional challenges and possible partners for the secretariat in that work.

II. Subregional Office for East and North-East Asia

A. Introduction

18. The year 2015 was a milestone year for the United Nations and its member countries, wherein the global course of action to bring transformative shifts to the development landscape towards sustainable development was established. Despite the East and North-East Asia subregion's remarkable socioeconomic progress, the subregion faces multiple challenges in all three dimensions of sustainable development. On the economic front, the continued slowdown of China's economy and the sluggish recovery in Japan resulted in lower export growth for the trade-dependent regional economies. On the social front, subregional member States experienced growing youth unemployment, widening inequality and, in particular, increases in poverty among the elderly in a rapidly ageing society. In addition, transboundary air pollution, greenhouse gas emissions from urban areas and land degradation also continued to present challenges for the environment in the subregion.

B. Supporting ESCAP programmes in East and North-East Asia

1. Macroeconomic policy and inclusive development

19. To support expected accomplishment (b) of subprogramme 1 of the strategic framework of the Commission,¹ the secretariat continued to work with key stakeholders of development cooperation in the subregion. For some time, the North-East Asian countries have been devising various modalities with regards to their development cooperation activities, such as South-South and triangular cooperation for enhancing knowledge-sharing, capacity-building and technology transfer.

20. At the second North-East Asia Development Cooperation Forum, the secretariat facilitated discussion, based on research and analysis of policies and practices of development assistance and cooperation in North-East Asian countries, which explored ways to promote cooperation among key players of development cooperation and to enhance effectiveness of development assistance to other developing countries.

2. Trade and investment

21. The secretariat, through partnerships with key stakeholders, promoted cooperation among customs offices of China, Mongolia, the Republic of Korea and the Russian Federation at border crossings. In particular, special effort was made to engage the private sector with regard to their perspectives on trade facilitation bottlenecks in the subregion and their recommendations for enhancing communication with Governments.

22. The secretariat also carried out a legal capacity-building training programme on facilitating trade and investment in the Democratic People's Republic of Korea. In recent years, the country has been developing special economic zones in order to attract foreign investment. In this regard, the legal training programmes for government officials addressed best practices and international norms on foreign investment and trade as well as guidelines for dispute resolution and arbitration.

3. Transport

23. In 2015, the secretariat made tangible progress facilitating dialogue among China, Mongolia and the Russian Federation on a trilateral agreement for transit transport by road. In particular, with regard to selecting routes, the three countries reached a preliminary agreement to pilot test two routes, including one of the most utilized routes for trade among China, Mongolia and the Russian Federation.

4. Environment and development

24. In support of subprogramme 4, which mandates that the secretariat work towards improved capacity of Governments and other stakeholders and strengthened regional cooperation and networking on environmental strategies, the secretariat developed and implemented subregional activities on (a) transboundary air pollution: including assisting key stakeholders of the

¹ Enhanced regional voice in global development forums and strengthened regional economic and financial cooperation to exploit synergies for mutual benefit towards inclusive and sustainable development, including through South-South cooperation. See *Official Records of the General Assembly, Sixty-seventh Session, Supplement No. 6 (A/67/6/Rev.1)*, programme 16.

subregion to develop methodology and technical approaches for assessing transboundary air pollution; (b) nature conservation: the initiative on the conservation of habitats for migratory birds filled in key knowledge gaps, including new information on habitats and distribution of migratory birds, in particular for transboundary habitats, and the first joint scientific assessment of tigers and leopards in China and the Russian Federation generated a new understanding of their distribution for effective policy recommendations; (c) low-carbon cities: implementation of the North-East Asia Low Carbon City Platform to mobilize peer support and facilitate connections among cities and specialized agencies; (d) carbon footprint: the annual meeting of the Asia Carbon Footprint Network and joint analytical study to review approaches taken in Asia and explore the way forward towards a common framework in Asia; (e) marine environment: the secretariat has prepared profiles of North-East Asia Marine Protected Areas Network sites and has assisted the preparations for the Network's Second Steering Committee Meeting to further cooperation among marine protected areas; and (f) desertification and land degradation: the secretariat reviewed subregional status and consulted key stakeholders to develop the multi-stakeholder plan as a practical tool to support stakeholder coordination and cooperation through sharing activity plans and information.

5. Information and communications technology and disaster risk reduction and management

25. The secretariat continued to support the capacity-building for the Mongolia National Remote Sensing Centre on detecting and monitoring drought and *dzud*, which are major disasters in Mongolia that affect the lives and livelihoods of the rural poor, as part of the pilot project on operationalizing the Regional Cooperative Mechanism for Drought Monitoring and Early Warning. Field validation and sampling was carried out, covering more than 2,000 km and 39 observation areas, to increase accuracy of drought indices, thereby facilitating transfer of knowledge from regional experts. The project, continuing into 2016, will establish a system for utilizing the information for agricultural forecasting and early warning.

6. Social development

26. Population ageing is one of the most pressing challenges in the subregion. If the current population ageing is not matched by timely adjustment of various support systems and the establishment of an enabling environment for older persons, the subregion could face rising poverty and widening socioeconomic inequalities among the growing elderly populations. The demographic shift has already begun to impact socioeconomic development indicators in countries of the subregion, such as the relative poverty rate among the elderly, necessitating imminent multisector policy responses.

27. One way to assist member States in addressing the many challenges posed by population ageing is by facilitating subregional engagement in the third regional review and appraisal of the Madrid International Plan of Action on Ageing, 2002, led by the secretariat, as the Madrid Plan of Action provides comprehensive policy guidelines for creating a "society for all". To this end, the secretariat organized the 1st meeting of the North-East Asian Forum on Population Ageing to kick-start subregional reflections on priorities and further policy research needs. It was also the inaugural meeting of a subregional network of policy researchers on ageing-related topics from across the subregion. The researchers shared good practices and exchanged strategies on how to blaze trails towards sustainable development in ways that no other society in human history has yet done.

C. Regional cooperation and integration in East and North-East Asia

28. The East and North-East Asia subregion has become the powerhouse of the Asia-Pacific region and is one of the most dynamic growth poles in the world. This is in large part due to its outward-looking policies resulting in rapid growth in exports. However, in this era of growing uncertainty with decelerating global trade, widening social disparities, and increasing impacts of environmental mismanagement and ecological imbalances, there is an urgent need to rethink national development strategies.

29. Strengthening regional cooperation and integration is a source of great potential for the subregion in addressing these multiple challenges. In the Asia-Pacific region, progress on regional cooperation and integration has been uneven. While South-East Asian economies have institutionalized their integration efforts through the Association of Southeast Asian Nations (ASEAN) and set forth a blueprint for realizing an economic community, East and North-East Asia have been lagging far behind in terms of formal regional integration due to ongoing tensions arising from historical, territorial and ideological disputes. The way forward for bridging the gulf is by exploring and investing in strengthening cooperation in key priority areas that are closely aligned with national development policies. Maximization of the potential benefits of cooperation, it is hoped, could eventually lead to enabling integration to occur in these areas. Currently, there is great interest and potential for developing cross-border infrastructure linkages in the subregion. China's One Belt, One Road initiative, the Republic of Korea's Eurasia Initiative and the Russian Federation's Eurasian Economic Community can be developed into a coherent subregional connectivity programme. Similarly, for energy connectivity, there are a number of proposals that have the potential to provide clean and sustainable energy to high-demand countries in East and North-East Asia.

30. At a broader Asia-Pacific level, the Asian financial crisis of 1997 provided the first opportunity for deepening regional cooperation and integration by dramatically demonstrating the impact of financial and economic crises and highlighting the need for a regional financial mechanism that could act as a lender of last resort for Asian economies. At the time, Japan, as the largest economy in the region, took the lead in proposing the establishment of an Asian monetary fund to serve the region in times of crisis. While the proposal failed in its original form, it created a strong momentum which became the basis for subsequent initiatives created by the ASEAN+3 process.

31. In the aftermath of the global financial crisis, Asia has become a key growth pole for the global economy, and it is now imperative for the Asia-Pacific region, with East and North-East Asia taking the lead, to take bold action towards restoring the dynamism in the region and beyond and to embrace a more sustainable growth path for all through strengthened regional cooperation and integration.

D. Issues for consideration by the Commission

32. The secretariat, through its Subregional Office for East and North-East Asia, is committed to strengthening subregional cooperation and integration in line with its programme of work and its support for the implementation of the 2030 Agenda in member States. In this regard, the Commission may wish to provide guidance on the approaches for addressing subregional challenges and possible partners for the secretariat in that work.

III. Subregional Office for North and Central Asia

A. Introduction

33. The objective of the Subregional Office for North and Central Asia is to strengthen regional cooperation and integration to achieve inclusive and sustainable development and accelerate progress towards the attainment of internationally agreed development goals in line with the development priorities of the subregion.

34. As countries of the subregion celebrate their twenty-fifth anniversary of independence, 2016 is a year for stock-taking and reflection on the way forward. During the post-independence period, significant strides were made in the transition to market economies. The subregion continues to display high levels of human development, with significant progress in reducing extreme poverty and hunger. Overall, economic growth and social progress have been impressive. However, economic growth has also been volatile and narrowly based. In addition, there are a number of constraining factors, including limited productive capacities, remoteness, isolation from world markets and high trade costs. Closer regional economic integration with the rest of Asia and the Pacific is the key to meeting many of the challenges and to seizing the opportunities of the changing global environment.

B. Supporting the Commission's programmes in North and Central Asia

35. The work of the Subregional Office for North and Central Asia aligns with and supports the work of ESCAP subprogrammes while drawing from subregional specificity and contributing to the secretariat's substantive and normative work.

36. In light of the implementation of Commission resolution 70/1 and the lead-up to its seventy-second session, the Subregional Office prepared an in-depth study focused on infrastructure connectivity and trade integration of the subregion with the Asia-Pacific region. The Subregional Office also supported a preparatory intergovernmental dialogue that the Executive Secretary undertook bilaterally with four Heads of State, one Prime Minister and nineteen ministers from five countries of the subregion.

37. In support of the secretariat's preparation of the *Economic and Social Survey of Asia and the Pacific 2016*, the Subregional Office undertook a review of the subregion's macroeconomic performance over the past year. The Subregional Office also identified as a medium-term policy challenge the reform of the services sector and assessed its implications for enhanced economic diversification.

38. Following the adoption of the 2030 Agenda, the Subregional Office undertook a review of the Sustainable Development Goal priorities and challenges in the subregion. That process contributed to the regional road map for implementing the 2030 Agenda, which will be defined at the third session of the Asia-Pacific Forum on Sustainable Development to be held in Bangkok from 3 to 5 April 2016. The subregional review will be followed by an annual review of the Sustainable Development Goals implementation period, which will inform intergovernmental policy dialogues and assist in assessing implementation progress at the subregional level. These initiatives will help in subregional consensus-building and enhancing cooperation, which are critical drivers for regional economic cooperation and integration and sustainable development.

39. To promote a programmatic discussion on subregional issues and priorities, an expert consultation on socioeconomic developments and programme priorities was held in Almaty, Kazakhstan, on 8 December 2015. Key socioeconomic developments and emerging challenges, as well as the Commission's planned programme of work on regional economic cooperation and integration within the context of the recently adopted 2030 Agenda, were discussed. Participants, including government representatives and experts, provided the secretariat with recommendations on priorities and modalities of implementation and noted that addressing infrastructure gaps in transport, energy and ICT can provide economic stimulus in the medium term and ensure resilient growth in the long term. In this regard, ESCAP initiatives, such as those resulting in the Intergovernmental Agreements on the Asian Highway Network, the Trans-Asian Railway Network and Dry Ports, as well as the Asia-Pacific information superhighway initiative, should be fully utilized to realize the transit potential of the subregion.

40. The Subregional Office also supported the organization of the tenth session of the Governing Council of the United Nations Special Programme for the Economies of Central Asia and its Economic Forum, hosted by Tajikistan, on 10 and 11 November 2015. Approximately 100 participants, including senior government officials and representatives of United Nations entities, civil society and academia, attended the events. The Declaration, entitled "Paving the way for the 2030 Agenda for Sustainable Development in the SPECA region", underlined the need for the Special Programme to serve as a mechanism for cooperation in the implementation of the 2030 Agenda. Towards this end, the Special Programme's project working groups were reorganized into six thematic working groups that will support this objective.

41. The Governing Council of the Special Programme also reviewed the work accomplished by the project working groups and approved the work plan for 2016-2017. Azerbaijan was elected as the country-chair for 2016. The eleventh session of the Governing Council will be held in Azerbaijan in November 2016.

C. Key issues and challenges

1. Economic downturn

42. In 2015, a slowdown in global economic growth, sanctions and low commodity prices converged with persistent constraints, such as structural economic weaknesses, geographic remoteness, high trade costs and isolation from world markets. The convergence resulted in economic contraction of -3.9 per cent in the Russian Federation, the largest economy in the subregion, accounting for 83 per cent of the subregion's gross domestic product (GDP), with spillover effects for all countries of the subregion. As a whole, the subregion experienced a negative GDP growth of -2.9 per cent, with inflation rates that reached 14.1 per cent. Unfavourable economic conditions also led to currency depreciations, with some countries, notably oil and gas exporters, having experienced steep declines of more than 50 per cent. Liabilities, including corporate loans, denominated in foreign currency, and the high volatility in exchange rates exacerbated the already fragile consumer and investor confidence.

43. While the economic contraction in the subregion is expected to bottom out in 2016, it highlights the need for accelerated policy reforms aimed at reducing dependence on a limited number of commodities and diversifying trading partners. The subregion is among the least integrated in the Asia-Pacific region.

2. Regional cooperation and integration

44. Regional economic cooperation among countries in the subregion and its integration into the broader Asian and Pacific region offers a means of diversified economic growth that can be more inclusive and sustainable and thus trigger mutually supportive linkages with the Sustainable Development Goals.

45. The secretariat supports an agenda that promotes job-generating growth and wider prosperity. This calls for a renewed commitment to economic diversification, as well as accelerated regional economic cooperation and integration – specifically in priority areas such as cross-border infrastructure in transport, energy and ICT, as well as additional policy reforms to support market-driven trade and investment-led economic diversification and integration. In this regard, the development of the financial sector is also crucial as it enhances the intermediation function between savings and long-term investments and thus creates an enabling environment for business sector development. Consequently, the level of cooperation in financial sector development also influences the depth and breadth of trade and investments.

46. With ongoing state modernization programmes in most countries of the subregion, regional economic cooperation and integration processes can further support private sector development through accelerated technological renewal of production processes. Towards this end, the Subregional Office will promote a constructive, results-oriented holistic dialogue between the public and private sectors of the subregion to reinforce the implementation of sustainable development and to promote knowledge and sharing of best practices on the effective integration of the three dimensions of sustainable development and regional economic cooperation and integration.

47. The multidisciplinary structure of and regional coverage provided by the secretariat can offer its members a framework of norms to which national policymaking and interconnectivity can be anchored. By building economic resilience into the regional economic cooperation and integration architecture of interconnectivity and institution-building, the Commission's regional economic cooperation and integration agenda will be grounded in wider strategies for sustainable development. Improving regional connectivity is also an important means for landlocked developing countries to connect to other parts of the world beyond the ESCAP region. It is therefore critical and will remain so for the next decade, in line with the priorities of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024.

3. The Sustainable Development Goals

48. While overall, the subregion's performance in the implementation of the Millennium Development Goals was positive and prepared a solid base for further progress in the implementation period of the Sustainable Development Goals, the Commission's review of the 15-year implementation period of the Millennium Development Goals highlights several areas where improvements will be essential for a holistic implementation of the three dimensions of the Sustainable Development Goals. The subregion shares common challenges, many of which are transboundary in nature; consequently, there is a large scope for increasing cooperation among the subregion's member States for enhanced economic growth, social inclusion, equality and quality of life for present and future generations.

49. As a semi-arid subregion, North and Central Asia is particularly vulnerable to climate change calamities. Relatedly, the increased occurrence and intensity of disasters, which are often transboundary in origin and impacts, necessarily involve coordination between the water, energy and food/land sectors. Intercountry coordination efforts are needed to promote efficient resource use and policy coherence that minimize trade-offs and maximize synergies across the sectors. Although the concept of a water-energy-food nexus is gaining momentum, more efforts will be needed in North and Central Asia to deepen understanding of the linkages, as well as to determine policy measures and actions that could alleviate conflicts related to the multiple use of, and need for, common resources.

D. Issues for consideration by the Commission

50. As outlined above, the Subregional Office is committed to strengthening subregional cooperation and enhancing capacity to formulate and implement policies for regional economic cooperation and integration under the framework of sustainable development. In this regard, the Commission may wish to provide further guidance on priority areas of work and connectivity approaches, as well as on partners with whom the secretariat could work for effective implementation of actions at the subregional level in support of its member States.

IV. Subregional Office for South and South-West Asia

A. Introduction

51. The 2030 Agenda and the Sustainable Development Goals are particularly relevant for the eight countries in South Asia (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) which, despite their economic dynamism and remarkable achievements with regards to the Millennium Development Goals, account for two fifths of the world's poor and face a number of development and infrastructure gaps. South Asia has a unique opportunity to close these development gaps and provide, within a generation, a life of dignity to all by achieving the Sustainable Development Goals. Given South Asia's share of the world population and poverty, the subregion will occupy a pivotal place in the global achievement of the Goals. ESCAP work conducted under the subprogramme has shown that regional cooperation and integration among the South Asian countries and with their contiguous neighbours in South-West Asia (the Islamic Republic of Iran and Turkey), Central Asia and South-East Asia could significantly support the achievement of the Goals in the subregion. ESCAP, through its sectoral subprogrammes and the Subregional Office for South and South-West Asia, continued to support the subregion in its inclusive and sustainable development through regional cooperation.

B. Supporting the Commission's programmes in South and South-West Asia

52. The secretariat, through its Subregional Office for South and South-West Asia, supports capacity development in the subregion for inclusive and sustainable development through regional cooperation. ESCAP analyses, presented in the *Economic and Social Survey of Asia and the Pacific 2015* and the *Economic and Social Survey of Asia and the Pacific 2015: Year-end Update*, the *World Economic Situation and Prospects 2016* and the *Asia-Pacific Regional MDGs Report 2014/15*, highlighted not just the emergence of the subregion as the fastest growing region but also the development

challenges it faces. The Subregional Office also provides a more detailed analysis of key Sustainable Development Goal priorities and implementation challenges as well as regional cooperation opportunities in the biennial subregional development report to be launched at the seventy-second session of the Commission. This analysis benefited from inputs received from experts and think tanks in the subregion at an expert group meeting held in New Delhi in September 2015.

53. The workshop entitled “Regional Workshop on the World Trade Organization and Regional Trade Agreements in South Asia: Negotiation and Implementation Challenges” was held New Delhi in September 2015 to enhance the capacity of policymakers on the multilateral and regional trade rules to harness opportunities in global and regional markets.

54. The secretariat, in collaboration with the Islamic Republic of Iran, convened the Policy Dialogue on Strengthening Transport Connectivity in Southern Asia, in Tehran in December 2015, which brought together senior transport officials from South and South-West Asian and Central Asian countries to discuss challenges and opportunities for strengthening transport connectivity within and among these subregions. The Subregional Office and the ESCAP Transport Division also organized the Policy Dialogue on Public-Private Partnerships for Infrastructure Development in South Asia in Kathmandu in September 2015 with the goal of enhancing capacity for policy-making on public-private partnerships in the subregion.

55. The secretariat also prepared a study on the potential of special border economic zones for development of impoverished areas in eastern South Asia that border Bangladesh, Bhutan, northeast India, Myanmar and Nepal.

56. The secretariat supported the South Asian Association for Regional Cooperation (SAARC) secretariat in convening the 1st meeting of its Gender Policy Advocacy Group in Islamabad in July 2015, at which they discussed mainstreaming women’s empowerment through entrepreneurship in the Advocacy Group’s action plan. The secretariat also continued to support the South Asia Research Network on Employment and Social Protection for Inclusive Growth, including its regional workshop on addressing the challenges of employment and inclusive growth in South Asia, which was held in New Delhi in October 2015.

57. The secretariat also helped organize a regional dialogue on earthquake recovery in Nepal to help it in “building back better”, which was held in Kathmandu in October 2015. A capacity-building workshop was held in Sikkim State, India, in December 2015 to share experiences and best practices resulting from the 2011 Sikkim earthquake, in order to support the earthquake recovery efforts in Nepal.

58. The secretariat, together with the SAARC Chamber of Commerce and Industry and other stakeholders, organized a regional seminar in New Delhi in September 2015 on unlocking the potential of regional economic integration in South Asia and generating ideas and priorities for the nineteenth SAARC Summit, to be held in Islamabad.

59. In response to a request from Afghanistan, the secretariat provided technical assistance for the organization of the Regional Economic Cooperation Conference on Afghanistan in September 2015.

C. Key Sustainable Development Goal priorities in the subregion

60. Taking cognizance of the interrelationships between the Sustainable Development Goals, ESCAP has identified seven strategic policy priorities that can support the achievement of the Goals in South Asia:

(a) *Sustaining a broad-based and job-creating economic growth through industry-oriented structural transformation.* South and South-West Asia is currently the fastest growing subregion in Asia and the Pacific, but growth has not created adequate productive jobs for youth. ESCAP analysis shows that an industry-oriented strategy (along with select other Sustainable Development Goal priorities) could generate more than 65 million additional jobs, compared to a business-as-usual scenario in South Asia. A regionally coordinated industrialization strategy should leverage regional value chains for creating productive capacities across South Asia;

(b) *Closing infrastructure gaps to provide essential services to all.* Access to safe drinking water and adequate sanitation, electricity and transport infrastructure are basic human needs but also affect other development outcomes. South Asia per capita incomes would increase roughly 1 per cent for each percentage point increase in infrastructure availability;

(c) *Harnessing a demographic dividend from South Asia's "youth bulge" through universal access to quality education and health.* Investing in human development will enable South Asia to bridge the projected global skills deficit of 95 million workers by 2020;

(d) *Extending universal social protection and financial inclusion.* Social protection and financial inclusion accelerate poverty reduction and reduce inequality by increasing the resilience of vulnerable populations;

(e) *Addressing food security and hunger through productivity improvements through sustainable agriculture.* South Asia continues to be one of the largest hunger hotspots in the world. Addressing hunger by doubling agriculture productivity by 2030 would also lead to over 16 million additional people escaping extreme poverty;

(f) *Promoting gender equality and harnessing the potential of women's empowerment.* Promotion of women's entrepreneurship can be a potent catalyst for empowerment and can be fostered through gender-responsive policy design, capacity-building and regional sharing of good practices, as well as by incentivizing credit availability;

(g) *Enhancing environmental sustainability through low-carbon climate-resilient pathways to development.* South Asia is highly vulnerable to the impacts of climate change. Changing the energy mix in favour of renewables, moving towards cleaner fuels and employing new technologies for reducing emissions are elements of the decarbonization strategy for South Asia. Enhanced energy efficiency and 3-R practices (reduce, reuse and recycle) can provide an opportunity to leapfrog towards more resilient and sustainable urbanization, waste management and transport systems.

D. Regional economic cooperation and integration as an important means of implementation

61. Besides coordination and contextualization of the Sustainable Development Goals for the subregion, regional integration and connectivity could enable countries in the subregion to maximize economic opportunities by harnessing the potential of regional value chains in this least integrated

subregion, as agreed by leaders at the eighteenth SAARC Summit in Kathmandu in 2014.

62. ESCAP analysis shows that current intraregional exports, at \$27 billion, represent only a third of South Asia's export potential of \$81 billion in 2014, which is expected to grow to \$173 billion by 2020. In addition to trade barriers and poor supply capabilities, intraregional trade is deterred by the high costs of trade, which effectively neutralize the benefits of geographical proximity and contiguity. To harness the potential of value chains in South Asia, ESCAP proposes the consolidation of different initiatives in a unifying South Asia comprehensive economic partnership which would pull together different aspects of liberalization and facilitation that are more fruitful together than individually, namely, (a) advancing and deepening liberalization of trade in goods, (b) effective liberalization of regional trade in services, (c) a comprehensive investment promotion, (d) bringing the cost of trade down by strengthening transport connectivity and trade facilitation reforms, (e) regional cooperation for harmonization of standards and conformity assessment procedures, (f) cumulative rules of origin and industrial cooperation, and (g) payment arrangements and banking cooperation for trade facilitation. The partnership could be expanded into a South Asian economic union over time, which has been a goal of the South Asian economic integration.

63. Seamless regional transport connectivity is critical for regional production networks. ESCAP advocates for extended multimodal transport corridors linking countries within the subregion and with their contiguous subregions, an approach endorsed by the SAARC leaders at the eighteenth SAARC Summit. While Pakistan is seeking to strengthen transport linkages with Central Asia, and India with South-East Asia, ESCAP has proposed the extension of the Istanbul-Tehran-Islamabad container train corridor to Delhi-Kolkata-Dhaka, using existing infrastructure, and to Yangon, in due course, to become the Istanbul-Tehran-Islamabad-Delhi-Kolkata-Dhaka-Yangon corridor. Together with multimodal links with landlocked countries and ports of the subregion, the corridor could become a major trade route linking South-East and South Asia with Central Asia and Europe. Key challenges for operationalization include transit and transport agreements and transport and trade facilitation, in addition to upgradation of physical infrastructure in a few stretches. ESCAP is moving towards the preparation of a comprehensive connectivity masterplan for the subregion in collaboration with the SAARC secretariat and other stakeholders.

64. Regional cooperation can be critical to overcoming South Asia's energy security challenges. The main avenues of cooperation include the creation of a regional energy market backed by regional grids and pipelines across South, South-West and Central Asia, cooperation in harnessing renewable energy resources and technologies, energy resource exploration and management, and sharing knowledge and best practices. Poor quality of cross-border ICT and telecommunication infrastructure, reflected by poor usage rates, is also a key barrier. The ESCAP-led Asia-Pacific information superhighway initiative aims to increase the availability and affordability of broadband Internet across the region. Regional institutions could also play an important role in shaping and inspiring a collective regional identity, strengthening people-to-people contacts and harnessing South Asia's shared culture and potential for cultural tourism.

65. Financial cooperation in the subregion could facilitate the closing of infrastructure gaps and the building of productive capacities. Fruitful areas of financial cooperation include strengthening the regional currency swap

arrangement and the Asian Clearing Union, cooperation between stock exchanges to allow cross-listing, and transforming the SAARC Development Fund into a development bank to catalyse regional infrastructure projects.

66. Regional cooperation for food security could include the operationalization of the SAARC Food Bank, the liberalization of trade and cooperation in sanitary and phytosanitary standards in food products to facilitate demand-supply mismatches, cooperation for increasing agricultural productivity through joint research and development, conservation and sharing of germplasm, and sharing good practices.

67. For a subregion that accounts for almost a third of the mortality caused by disasters globally, cooperation for disaster resilience is critical, especially in the context of the increasingly cross-border nature of disasters. In addition to multi-hazard early warning systems, sharing information and knowledge towards building resilient cities in high seismic risk areas could also prove fruitful.

E. Issues for consideration by the Commission

68. The secretariat, through its Subregional Office for South and South-West Asia, is committed to strengthening subregional cooperation and integration in line with its programme of work and its support for the implementation of the 2030 Agenda in member States. In this regard, the Commission may wish to provide guidance on the approaches for addressing subregional challenges and possible partners for the secretariat in that work.
