

APEC Project: SCE 02 2022S

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Summary of the SCE Roundtable
Partnership towards Sustainable Economic Growth
through the Bio-Circular-Green (BCG) Economy Model
27 August 2022, 9.00 - 12.30 hrs., Shangri-La Hotel Chiang Mai

I. Introduction

- The Asia-Pacific region is still facing challenges from COVID-19 with its lingering threat to its disruptions and impact on the economy and society. The pandemic represents an unprecedented threat to sustainable economic growth and human development on a global scale, setting back the progress of the Sustainable Development Goals (SDG). The unequal impact of the pandemic, particularly on women, youth, and groups with untapped economic potential, needs to be addressed for growth to be resilient, inclusive and sustainable.

- To achieve sustainable growth, the Bio-Circular-Green Economy (BCG) Model was introduced into APEC's conversation as an approach to expedite economic and social development that is inclusive and sustainable, complementing global efforts to achieve the SDGs. The BCG Model integrates the bio-economy, circular economy, and green economy to assist APEC member economies in transitioning into a value-based, innovation-driven and green economy in a more comprehensive and coordinated manner.

- The BCG Economy Model requires a whole-of-society approach to implement. With APEC's established status as an incubator of ideas, it can facilitate and foster dialogue and collaboration among the government, private sector, finance sector, academia, and youth to design a conducive ecosystem to transition to sustainable economic practices.

- To this end, a roundtable discussion was organized by the Ministry of Foreign Affairs of Thailand and the United Nations Development Programme to showcase success stories of public-private-people partnerships (4Ps) in advancing the BCG Economy. The participants, including policymakers, private sector, financial institutions, academia, and youth, discussed and shared perspectives on how policies should be shaped to support their work in operationalizing sustainability and responsible business conduct. Their recommendations will serve as a reference point for fostering partnership to promote sustainable economic growth as well as a reference for the proposed 'Bangkok Goals on BCG Economy' to reaffirm APEC's commitments to comprehensively drive sustainable and inclusive growth.

II. Highlights of the Plenary Sessions

Session I: Success stories of stakeholders networking to operationalize sustainability in business, including through the BCG Economy

(i) SCG Packaging (Thailand)

- At the heart of SCG Packaging's (SCGP) business model is the aspiration to achieve net zero by 2050 as well as to reduce inequality and enhance collaboration, embracing the ESG principle.

- The circular economy is embedded in SCGP's design and development process of with a focus on resource efficiency through the "make-use-return" model.

- SCGP develops products and services that maximize the value of materials. It also advances circularity by investing in recyclable materials and packaging in order to keep them in the production cycle as long as possible.

- SCGP's success was recognized by the ACES Sustainability Rising Star Award.

(ii) Mitr Phol Group (Thailand)

- Mitr Phol is originally a family-owned company. Its vision is to become a world-class sugar and bio-based leader by combining a fully-integrated agribusiness model with innovative technology and management talent to create value.

- Mitr Phol Group operates its cane and sugar business using the "From Waste to Value" philosophy. Recognizing the importance of utilizing waste, it has expanded its core sugar business by using technology and innovation to encompass several other entities including wood substitute, biomass, ethanol, and fertilizers.

- With its belief in human value and a better life for all, those in its supply chain and nearby communities are provided with technology and know-how, R&D, and financial support.

- The company was awarded the 2022 S&P Global Silver Class.

(iii) AGROS (Chile)

- AGROS aims to help mitigate food insecurity and sustainability of resources. It supports communities in Chile by connecting the rural local sector with the world through digital technology.

- Local farmers do not have a digital identity so information on their business activities is not recorded in any database. Thus, financial institutions cannot assess and verify their financial status to grant loans.

- AGROS's solution is building a trusted information ecosystem to reduce digital exclusion in the rural sector, using voice biometrics, IVR and blockchain technologies. This has enabled farmers in Chile to get access to their first formal loans. Improved access to finance among farmers resulted in a twenty percent increase in crop yields.

(iv) PLASTX (Australia)

- PLASTX aims to make circularity in the plastic value chain viable by addressing the pain point of the demand for Post-Consumer Recycled (PCR) plastic exceeding supply.

- The underlying problems, according to the speaker, include (i) insufficient infrastructure for post-consumer recycling process, particularly in Asia; (ii) lack of transparency in the recycling system; (iii) human rights and child labor issues; and (iv) material substitution.

- To address these challenges, PLASTX innovated a system that bypasses the middleman, pays more to collectors, and provides direct linkages to match the demand and the supply of certifiable, quality PCR plastics—making circularity an integral part of business activities.

- PLASTX has worked with global accelerator and corporations like Coca-Cola to scale up the quality PCR plastics business model. It also works with local partners in Asia, including Thailand.

Session II: Creating an enabling environment through structural reform and sustainable financing

(i) UNDP Sustainable Finance Hub

- Currently, one of the challenges of sustainable financing is the patchwork of regulation, policy, and practices, which presents complications not only in doing business, but also creates risks and difficulty in trade, standards, compliance, and investments.

- The UNDP Sustainable Finance Hub has been partnering with economies and fora like APEC through the Sustainable Finance Development Network (SFDN)¹ and the G20 through the Sustainable Finance Working Group (SFWG) to initiate systemic changes in public and private finance towards achievement of the SDGs.

- The SFDN has recently organized three roundtables on carbon markets, sustainable infrastructure, and MSME transition. Based on these roundtables, recommendations will be made to APEC Finance Ministers via ABAC's Report in the key areas mentioned above describing key innovations, the private sector's views and approaches. The SFDN will continue to support the coordination and implementation of sustainable finance initiatives in APEC, especially in the areas of taxonomy and disclosure.

- Within the 2022 G20 process, the SFWG is working on developing a framework to transition finance and improve the credibility of financial institution commitments, scaling up sustainable finance instruments, with a focus on accessibility and affordability, and discussing policy levers that incentivize financing and investment that support the transition.

- The UNDP is supporting Thailand in sustainable finance initiatives, including the Integrated National Financing Framework (INFF) and the Climate Change Financing Framework. It also supports Thailand's development priorities, including the BCG agenda, with a fit-for-purpose and comprehensive financing strategy that synergizes a wide range of financial tools and instruments i.e., tax, budget, public debt, incentives. The UNDP is also partnering with the Securities and Exchange Commission of Thailand in launching the SDG Investor Map, a market intelligence tool that seeks to direct capital where SDG priorities, government policy and market opportunity meet. It has identified fifteen investment opportunities, eight of which are aligned with the BCG agenda—ranging from smart farming and biomass power plant to waste management system and ecotourism.

(ii) Securities and Exchange Commission (SEC)

- The SEC is developing an ecosystem for sustainable finance—moving from ESG to SDGs—via six foundation areas: fundraisers, investors, products, bulletin platforms, taxonomy and external reviewers, and cooperation.

- To support fundraising for SDG-aligned activities, the SEC requires listed companies to disclose ESG responsibility in their annual reports. It also supports capacity building programs for issuers of green bonds, social bonds, sustainability bonds, and sustainability-linked bonds (SLBs).

¹ Under the Asia-Pacific Financial Forum (APFF)

- To galvanize demand for sustainability investment, the SEC developed the Investment Governance Code for Institutional Investors (I CODE) for asset management companies to invest in firms aligned with ESG. Retail investors can invest in Sustainable, Responsible Investment fund (SRI) which aims to mitigate green washing.

- On the products side, the SEC has supported the issuance of green, social, SLBs, and sustainability bonds. The proceeds of which will go to ESG activities.

- On taxonomy, the SEC is supporting the development of local taxonomy and ASEAN taxonomy that can improve the standardization of bond issuance in the region.

- Bulletin platforms, such as that of the Thai Bond Market Association, help in increasing the visibility of ESG-related products. The SEC will expand the platforms for SRI fund and ESG activities.

(iii) *Asian Venture Philanthropy Network (AVPN)*

- The AVPN's main mandate is to provide capital for businesses working in the frontline of climate adaptation. It embraces the G20 principles for scaling up private and blended finance as well as working in partnership with public, private and international organizations, such as the OECD, Accenture etc.

- The AVPN's actions in 2022 emphasizes creating an enabling platform through structural reform, sustainable financing, crowding in mainstream finance, and improving financial access for start-ups to incorporate ESG responsibility in their long-term goals.

- AVPN members reported the lack of awareness and understanding as a major challenge. More specifically, major barriers to the growth of blended finance include the lack of knowledge on real or perceived risks, lack of concessionary capital, challenges in proving concept success stories, and coordination problems.

- Being a fraction of the financing needs, "impact-seeking capitals" will have to play a catalytic role in influencing markets and the government. It is not only about increasing the flow of capital towards SDGs; it is also about improving its effectiveness by deploying it catalytically.

III. Key messages from the plenary and breakout sessions: challenges and recommendations

Challenges

(i) *Challenges in operationalizing the BCG Model in business practices*

- Mindset: BCG needs to be integrated into the mindset of the people and at the heart of business models, not as an extension or afterthought. BCG can also complement other existing approaches like ESG.

- Making BCG Model people-centered and inclusive: the adoption of the BCG Model and the relevant technologies should be based on the real needs and welfare of the people and businesses, particularly those of MSMEs, women, and groups with untapped economic potential. Closing the digital gap can help promote access to opportunities arising from applying the BCG.

- Communications and networking: propelling the BCG Model requires a creation of an integrated platform, partnership program, and community-level network where practitioners can work together and share knowledge.

- Cultivating youth as a main driver of the BCG Model: youth can play a key role in creating an ecosystem that supports sustainability. A people-centered approach, with an emphasis on human resource development, is required to translate the BCG Model into opportunities, including job creation and a new business prospect.

(ii) Challenges in financing

- Access to finance: particularly start-ups' access to seed funding and MSME's access to finance climate adaptation in their businesses.

- Formulating BCG-aligned viable investment projects: attracting more investment for the BCG Model requires more viable projects in the pipeline. More human resource development projects, such as upskilling and reskilling human capital in the face of transition, need to be formulated.

- Barriers on financing: major barriers to the growth of blended finance include the knowledge on real or perceived risks, the lack of concessionary capital, challenges in proving concept success stories, and coordination problems.

- Incentives: government incentives are crucial for MSMEs to transition their business, given that the cost to start is high. Governments should play a greater role as a facilitator instead of a regulator.

Recommendations for APEC

(i) Structural Reform

- The government's role in creating a conducive ecosystem is vital. There are ongoing efforts on structural reforms, from greater tax incentives and strengthened regulatory practices to improved transparency and governance. APEC's role can be further enhanced, including through facilitating the implementation of policy instruments for creating an enabling environment for businesses to engage in green activities.

(ii) Capacity building

- Capacity building is one of the most tangible areas that APEC can foster to facilitate BCG Model adoption. APEC can play a role in providing training and skills development for businesses, especially MSMEs and groups with untapped economic potential, to improve their capacity in harnessing innovation and technology, enhance their competitiveness in the international arena and the global value chain.

- To facilitate such efforts, APEC can improve the project approval process to be more flexible and effective, such as by shortening time for consideration.

(iii) Developing a network among stakeholders

- APEC can support the development of green supply chains and the network of businesses that adopt the BCG Model by developing regional platform(s) to connect BCG-related as well as social impact enterprises, entrepreneurs and startups with think tanks, accelerators, larger corporations, and, ultimately, the end users. This network can help address the pain points experienced during the transition towards the green and inclusive development path.

(iv) Sustainable Finance

- In parallel with cultivating startups, enterprises, and supply chains that promote the BCG Model, APEC can help connect them with sources of the much-needed seed money and required financing. The process of improving access to green finance can be strengthened by closer engagement with the Finance Ministers Process and fora related to financial institutions.

- To scale up sustainable finance, policymakers and development financial institutions (DFIs) should help in the following areas: (i) bridging the knowledge gap between private sector and DFIs; (ii) standardize project reporting to reduce procedural burden on fund recipient; (iii) promoting impact measurement transparency; (iv) alleviating transaction cost burden for blended finance investors; (v) expanding the scope and increase the quantity of government-backed outcomes; and (vi) improving the policy framework for implementation of blended finance.

- At the same time, foundations, impact funds, philanthropists, family offices, and local organizations can drive awareness and promote existing knowledge amongst MSMEs, strengthen monitoring, evaluation and learning processes (ME&L) in all financial instruments, implement stronger impact measurement protocols, standardize project reporting between investors to reduce the procedural burden on fund recipients, and employ technologies and network platforms that build the investment opportunity pipeline.

(v) Whole-of-society and whole-of-system approach

- APEC can foster partnership for collaboration. Building on its rich exchange among stakeholders, APEC can help create a system of development actors, from policymakers, private and financial sector to academia and civil society. Partnership with other organizations, such as the OECD and G20 through various dialogues, can also be further leveraged.

- To meet our environmental and climate objectives, we need a whole-of-society and whole-of-system approach to transition. This includes improving access to education, skills training, as well as R&D to ensure that all people, particularly MSMEs, women, youth and groups with untapped economic potential, will benefit from the BCG Model.

- APEC can serve as a platform for exchange and cooperation among youth as they are a key driver of green and inclusive development in the Asia-Pacific region. Moreover, youth need to be part of the policy dialogues as a key stakeholder.

- APEC can strengthen its communication with stakeholders to promote understanding on sustainable approaches like the BCG Model from the ground up as well as ensuring that the BCG Model is economically viable. Such communication can, in turn, allow stakeholders to participate and contribute more meaningfully. Access to information is key to strengthening trust among stakeholders. There is a need for information system, for which APEC can play a role, to define, track and measure the impact of green, inclusive, and sustainable activities.