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THE WORLD POLICY FORUM

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Dear Friends and Colleagues,



Dennis J. Snower

President, Global Solutions Initiative

The year 2021 has just begun, and, for the first time, Italy has assumed the G20 Presidency. We warmly congratulate the renowned think tank ISPI (Italian Institute for International Political Studies), a long-standing partner of the Global Solutions Initiative and member of its Council for Global Problem-Solving, for hosting this year's T20 process.

The other G20 engagement groups have commenced their work as well. We wish them a successful start. The Global Solutions Initiative and its networking partners are looking forward to supporting the Italian G20 Presidency and its engagement groups.

Overcoming the COVID-19 pandemic is still a major priority in all countries, regions and international institutions – and will be for the foreseeable future. The medical and economic challenges of the pandemic are obvious, and its impact on societies cannot be neglected. Solidarity in and between societies, as well as multilateralism, are needed now more than ever. With Italy's Presidency of the G20, we look to a country that had an early and grave understanding of the pandemic. Rome has gained vast experience regarding the complex challenges of COVID-19 and the need for international coopera-

tion – an experience from which all G20 countries can learn.

»Among the lessons for the post-pandemic world is the need for a shift toward resilience in society, economy and politics.«

Among the lessons for the post-pandemic world is the need for a shift toward resilience in society, economy and politics. Resilience is not the same as efficiency. It demands more sustainability, more empowerment of people and more recoupling between social groups and sectors of society. The T20 and the other G20-related engagement groups can contribute to designing the "new normal" and simultaneously ensure that other pressing challenges are not forgotten. The fight against climate change and loss of biodiversity, inequality and poverty, as well as the reform of data governance are mega-projects that cannot wait. Each in its own way is connected to overcoming

COVID-19. You will find many thoughts on all of this in this Journal.

The Global Solutions Summit in 2021 aims to contribute new thinking about the new normal, along with learnings about how to combat pandemics. We hope to be able to welcome thought leaders from all segments of society in Berlin on May 27–28, 2021. As always, there will be public sessions that focus on concrete policy proposals, next to closed meetings and sessions of T20 task forces. To prepare for all eventualities, the Summit will be a hybrid event.

After the rapid innovation and digitalization of the past months, which culminated in the Global Solutions Summit 2020, we aim to bring together the best of the physical and the digital world. We will connect to foster dialogue and the exchange of ideas, even more profound recommendations, greater networks, wider participation and easier access to our community. All of you will have the chance to contribute and participate – either online or onsite in Berlin.

We look forward to seeing you again soon.

Please stay safe and well!

With hope and confidence,

Dennis & Markus

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Italy's G20: Priorities and challenges of a crucial year

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The Italian Institute for International Political Studies (ISPI) is an independent, non-partisan, non-profit think tank providing leading research and viable policy options to government officials, business executives and the public at large wishing to better understand international issues.

Keywords:

G20 Italy, multilateralism, inequality, sustainability

“People, planet, and prosperity.” These are the three Ps, the keywords chosen by the Italian government for its Presidency of the G20 in 2021. Three Ps that, for sure, will need to be tackled together: if we do not act fast, and if we do not act now, we risk not only having fewer healthy people on an unhealthy planet, but also less prosperity (and more inequality) in the years and decades to come. 2021 may turn out to be a crucial litmus test for multilateralism, and for the G20 as its major global forum. It will not be easy to find multilateral solutions, as tensions continue to run high at the international level – all the more so as hard choices will need to be made – at the same time – for people, the planet, and prosperity. Finding the right balance between the three of them will be tricky.

In particular, when it comes to people and prosperity, we have learned the hard lesson that national lockdowns may keep the death toll low in many countries, but they also risk wrecking the economy. Indeed, the COVID-19 pandemic is hitting our societies hard, with over 1.2 million official deaths globally as of early Novem-

ber 2020, and a second wave of the virus spreading across Europe and the United States. Measures undertaken to contain the spread of the virus have plunged our economies into the deepest recession in over a century, with forecasts from the International Monetary Fund of a -4.4% decline in global GDP in 2020 (much steeper than the -0.1% recorded during the Great recession in 2009).

As 2020 draws to a close, countries have already injected an estimated USD 12 trillion into the global economy, but the fiscal room to continue to do so is shrinking by the day. In 2021, we will be living in a “world of debt”. A world in which many more countries are set to experience fiscal stress, with creditworthiness of heavily indebted developing and emerging economies – and beyond – likely put to the test. Unfortunately, defaults and risks of widespread financial crises may be just around the corner.

To make things worse, the pandemic-induced economic crisis is going to have highly asymmetric effects, heightening existing inequalities, both between countries and within them. Unsurprisingly, the World Bank recently estimated that extreme poverty is set to rise for the first time in three decades, adding 80 to 150 million more poor globally by the end of this year. Even in advanced countries, those who are already at a disadvantage – the less well-off, women, the young, and minorities – are going to be hit harder than the average: according to the University of Oxford, poor workers in Europe are set to lose as much as 16% of income, and within-country inequalities may rise by 12% on average.

As we reflect on the potentially huge political consequences of these trends,

the digital transformation is accelerating as remote work and distance learning continues. Digitalization allows us to reap new benefits and creates new opportunities, but it also provides new challenges in terms of jobs and education, especially for vulnerable groups. Finding solutions to a world of rising inequalities was already important before the crisis, but it is now imperative for world leaders.

»To find viable solutions to all these global challenges and effectively tackle the three Ps, the obvious recipe is cooperation and negotiation among all countries.«

When striving to find the right balance between people and prosperity, we also need to include the planet in the equation, making sure that any upcoming recovery is achieved through climate-friendly investment, with sustainability at its core.

However, the pandemic seems to be adding even more strains to the efforts toward sustainability and the fight against climate change. As many countries worldwide went into national lockdowns or enforced other measures to counter the pandemic in the first half of 2020, carbon emissions declined abruptly in April 2020, by around 17%. But when the world partially recovered in early autumn, greenhouse gas emissions bounced back, almost returning to pre-pandemic levels. As a result, carbon concentration in the atmosphere might have broken another record in 2020.

To find viable solutions to all these global challenges and effectively tackle the three Ps, the obvious recipe is cooperation and negotiation among all countries, starting from big powers. In one word, multilateralism. Yet, multilateral institutions continue to be strained, and have become less and less effective over time. Indeed, some might even argue that the last real success of multilateral cooperation dates back to 2009, when G20 countries agreed to strengthen the international financial architecture and coordinated the biggest global economic stimulus to date. In 2020, instead, international cooperation turned out to be much more complicated, as the global economic stimulus seems to have been largely managed by single countries (with the partial and, to some extent, surprising exception of the EU). And yet, the very fact that today's economic recession has not been followed by a financial crisis might stem precisely from world leaders' decisions in 2009.

In conclusion, the G20 next year faces many – maybe too many – urgent challenges related to the three Ps. Who is going to pay for all the debt we have been piling up this year? How to manage the socio-economic impacts of a more unequal, indebted, and fragmented world, not to mention their political implications? How to face long-term challenges, such as climate change and digital transformation, if we are stuck dealing with emergencies, and in particular the health crisis?

Once again, the only “new” answer to all these questions can only revert back to the “old” answer: multilateralism. Maybe not the same kind of multilateralism we knew in the past, where someone led and others followed. And neither the “goodwill multilateralism” that some countries pledge to protect today, while acting unilaterally whenever they can. We need a more inclusive and action-oriented multilateralism, with new and improved international institutions holding up its foundations. However, this may risk being an ‘academic’ answer, as our preferences need to come to terms with reality: the reality of a post-pandemic world filled with old challenges and new political and socio-economic uncertainties. This was the reality that the Saudi Presidency of the G20 had to face in 2020. And this is also the reality that Italy will likely face during its own Presidency, while we wait for signs of hope from a vaccine and from a revived multilateral engagement of world leaders to safeguard “people, planet, and prosperity.”

The role and priorities of Italian civil society for the 2021 G20 Presidency

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Global Call to Action Against Poverty (GCAP) defends and promotes human rights, gender justice, social justice, climate justice and the security needed for the dignity and peace of all. GCAP is a network of over 11,000 civil society organizations (CSOs) organized in 58 National Coalitions and in constituency groups of women, youth and socially excluded people, among others.

Keywords:

civil society, C20, Italy's G20 priorities, political dialogue, global governance

THE ROLE OF CIVIL SOCIETY

Democracy is a difficult exercise. Parliaments, governments and state institutions should pursue the common good, involving all members of the community in the decision-making process. But the political space is often influenced by pressures exerted by unscrupulous lobbies representing private interests, by the temptation of power, by easy and simplifying mainstream views, more and more often even by perverse communications and fake news, and by several critical systemic trends challenging contemporary societies and states. Civil society tries, at the local and global level, to influence and improve the public decision-making process.

What do we mean by civil society? It's an expression used widely, even uncritically. This is not a place for a deep analysis of its different definitions, but we can use it generally to mean the whole of non-governmental organizations (NGOs) working for the global good, focusing on some main issues: the respect of human rights, the protection of the most vulnerable and poor, the participation of all citizens –

starting from the most marginalized and discriminated, and the sane and sustainable relationship of humankind with the environment. To do all that, civil society organizations (CSOs) on the one hand work to mobilize citizens by “translating” complex issues to make them politically accessible to all. They also approach public institutions with political proposals, providing “out of the box” thinking – often as an alternative to the mainstream. Civil society often challenges the political debate, trying to show the (several) elephants in the room. To give just two examples, calls to action by the international Jubilee Debt Campaign turned around an international situation in which millions of people were starving, and radically influenced the World Bank and IMF’s approach to poverty reduction. Similarly, civil society environmentalism helped build international awareness, although not long ago was considered as a negligible mania by many.

At present, international civil society shares a number of concerns. Among them, three seem particularly insidious: the dramatic increase of inequalities, intensely amplified by the outbreak of the COVID-19; the urgency of “climate justice”; and the shrinking of civic space.¹ The last, in particular, is especially worrying. The fundamental right to civic space is more and more frequently disrespected, affected by the sirens of populism and nationalism and by the increasing attacks on freedom, including the perverse killings of activists, such the recent murder of Indigenous people defending land and communities in the Amazon.

G20 AND C20

The increasing complexity and interactions of our societies, together with their contra-

dictions and limits, show the need not only to permanently question our “business as usual” attitudes, but also to identify spaces for global governance. The multiple interconnections and mutual (but not always balanced) influences require tools and methods to manage complex processes, instead of being managed by the unregulated competition of interests and powers.

Thus, strengthening the UN multilateral approach is strategically important, despite its limits, while it is equally important to explore all other international spaces. Among those, the G20 plays a quite special role, if not unique. It is not a legitimate or official institutional space, but, like the G7 in the past, it represents a relevant arena for the international decision-making process.

Concerned about the relevance of global governance, international civil society, besides its commitment to the UN, deals with G7 and G20 processes, even if it is critical of their legitimate role. The dialogue between civil society and the G7 became particularly strong during the late ‘90s with the Jubilee Campaigns. Then, after 2008 and the “resistible rise” of its financial crisis, the G20 took on a more relevant role. As a consequence, space for political dialogue increased around the regular meetings of the 20 countries, involving civil society and other actors. This, in 2013, led to the formalization of several Engagement Groups to facilitate the dialogue on the G20 agenda: Civil20, Labour20, Business20, Science20, Think20, Women20, Youth20 and recently U20.

The C20 has a clear idea of the role the G20 should play. In the C20 Communiqué 2020², released in October 2020, the C20 asks the G20 to be active in serving the multilateral framework and to use the

UN dimension to establish and implement international actions, instead of promoting new G20 initiatives as flagships. Even one of the most relevant proposals of the Communiqué, the creation of a permanent debt restructuring mechanism, is clearly presented as a UN-led mechanism, asking the 20 countries to be active in promoting it and providing adequate debt relief.

HOW THE C20 WORKS

Every year the Civil20 works in parallel to the G20. It is chaired by the civil society of the host country and participants come from around the world, not just from the 20 countries. The process is developed with several Working Groups (WGs), led by two facilitators, one from the international participants and one from the host country. Around mid-year, the Face to Face Meetings bring together C20 WGs and the corresponding leaders of the G20 WGs. Then, it publishes the C20 Policy Pack³ to formalize political demands. Later in the year, before the G20 leaders’ meeting, the C20 organizes its Summit that hosts events and meetings to amplify its political proposals. The Communiqué, released during the Summit, is the highest political document delivered to the G20 governments.

In Japan, during the 2019 C20 Summit, international civil society delegates approved the C20 Principles⁴ to guide the work of the C20 in the following years. Several members of the G20 guarantee a high level of freedom of association and speech to their citizens. But others are among the most flagrant in disrespecting fundamental rights. The C20 Principles are a tool to prevent a possible obfuscation of the process in the future, when Summits are hosted in countries whose governments do

not respect the freedom of local civil society actors.

»The fundamental right to civic space is more and more frequently disrespected, affected by the sirens of populism and nationalism and by the increasing attacks on freedom.«

According to the C20 Principles, the C20, led by a Chair and a C20 Sherpa from the host country, will each year form a Steering Committee (SC) and an International Advisory Board (IAB) representing organizations from all over the world.

THE C20 2021 IN ITALY

Italian civil society has been active since late 2019 in the SC of the C20 as a member of the Troika, formed by the host, the previous and the subsequent country.

GCAP Italy is the network facilitating this process. It is formed by a large number of NGOs and networks and is a member of GCAP, the Global Call for Action against Poverty. Created in 2005, GACP gathered together the voices of civil society to facilitate the dialogue with public institutions on implementing the UN's Millennium Development Goals. It also played a relevant role in negotiations with the UN to shape the 2030 Agenda. Several GCAP National Coalitions deal with the G7 and G20 process. In Japan, for example, GCAP Japan was one of the actors promoting and leading the civil society process for the C20 2019. Similarly, GCAP Italy represents civil society in the country to deal specifically with the G7 and G20 process. During 2020 GCAP, Italy promoted the creation of the Italian C20 Committee to promote an even wider participation of networks and organizations to the process.

2020 has been a quite particular year, forcing the organization of the C20 to move online due to COVID-19. The Saudi Presidency of the C20 worked very well in dialogue with the SC and the IAB. The Italian C20 will need the same flexibility. At the writing of this article, it is still impossible to foresee how the outbreak will continue in 2021. So GCAP Italy and the Italian C20 Committee are planning for different scenarios, and dealing with the government to set up adequate means for a large participation.

One of the problems each year is financing the activities and the Secretariat. Civil society organizations are non-profit actors, working with or formed by the most vulnerable social groups. They can't count on autonomous income, resources or capital. So civil society is calling on G20 mem-

bers to provide adequate and permanent support to this process. The dialogue with C20, which is perhaps rather demanding and 'transgressive' among the G20 engagement groups, is also for this reason often presented as a feather in the cap of G20 hosting governments. But this can only be possible if civil society organizations are enabled to really participate.

»The Italian Committee is committed to continuing the efforts of the C20 in strengthening coordination with civil society networks working on global thematic issues, and with the UN.«

Along these lines, the Italian Committee is working to ensure links to and participation of a large number of Italian ac-

tors, of civil society organizations from the 20 countries and beyond. Relevant links to international networks and "families" (the big international NGOs with national branches) are also assured.

At the beginning of the year, the Steering Committee and the International Advisory Committee will be formed and invitations for the International Working Groups will be renewed. The Committee is working on shaping the WGs, considering outcomes of the previous years' work and the need to enhance connections among sectors. To show the systemic causes of injustice and to influence public decision-making with effective coordinated political proposals, it is important to develop political analyses and discussions that consider sectoral interconnections. That is why the action of the Steering Committee and the Working Groups will be organized enhancing the cross-cutting priorities and the interlinkages, while following the specific agenda of each WG and the G20 Ministerial Meetings.

THE PRIORITIES PROPOSED BY ITALIAN CIVIL SOCIETY

During 2020 the Italian C20 Committee had a permanent dialogue with the Italian government and the G20 Sherpa, sharing first proposals by Italian civil society.

The proposals have been outlined along two main priorities. The first concerns political content, the second, methodologies.

The first group of priorities aims to strengthen G20 support for the 2030 Agenda for Sustainable Development, the Paris Agreement and all related UN systems. In particular, the Italian CSOs call on the G20 to focus on the following points.

1. An ambitious agenda for debt relief and long-term debt sustainability, to provide adequate fiscal space to indebted countries to confront the critical development challenges. This includes measures on liquidity needs to finance both the short and long-run sustainable development agendas and reforms to restore solvency and debt sustainability

2. A rigorous initiative to strengthen global health and the epidemic preparedness, by ensuring adequate financial support for a strong multilateral UN-centred framework, coordinated by WHO and promoting the needed support to establish robust public systems providing universal access to health. Increased investments are needed also in responsible and collaborative pharmaceutical R&D, conditioning public funding to affordability and access to all of the resulting medicines, vaccines, diagnostics and related health technologies. There is also the need for revisiting WTO intellectual property rules and for implementing existing resolutions to impose transparency in the price of essential goods, including drugs and medical devices;

3. The G20 must renew and increase its commitment to save planet and people from catastrophic climate change. This requires maximum support of the Paris Agreement and all other related UN processes, including special attention to de-carbonization, renewable energy and environmental and social criteria to regulate finance, trade and investments. The results of the presidential elections in the US provides a new optimistic perspective, with the most influential member of the G20 back in the field of countries supporting the Paris Agreement.

4. Human rights at the heart. Women and girls' rights and gender equality, social, economic, food and climate justice, respect for human mobility, universal social protection and global public goods are fundamental for any political initiative. In particular the global response to COVID-19 supported by the G20 must be based on a rigorous gender analysis and human-rights approach and involve active dialogue and participation by the most-affected communities and social groups as well as civil society partners that can help deliver the response and ensure that no one is left behind;

The methodological proposal refers to 4 points.

a. Raise the Development Working Group to ministerial level, with the organization of a joint meeting of finance and foreign affairs/development ministers, to make clear the relevance of sustainable development and the 2030 Agenda and the need for coordination.

b. Review and strengthen a clear and transparent accountability framework to monitor progress in the implementation of G20 decisions;

c. Deepen the engagement with civil society and other public-interest societal constituencies in all G20 workstreams;

d. Promote the direct participation of communities and social groups primarily affected by the development challenges the G20 aims to respond to.

The C20 process in Italy starts in December 2021. The concerns are many, worsened by the vulnerability of societies and economies as revealed by the ongoing pandemic. The Italian Committee is committed to continuing the efforts of the C20 in strengthening coordination with civil society networks working on global thematic issues and with the UN. In this framework, a relevant ambition is to effectively create space to raise the voice of the most vulnerable.

¹ See the Final Declaration of the People's Assembly held in NY on 24-25 September 2019, in a session parallel to the 2019 UNGA, with the participation of delegates from more than 1000 organizations and movements, opened by Amina Mohammed, the UN Deputy Secretary General. <https://gcap.global/wp-content/uploads/2019/10/Peoples-Assembly-Declaration-2019.pdf>

² <https://civil-20.org/2020/wp-content/uploads/2020/10/2020-C20-Communique.pdf>

³ <https://civil-20.org/2020/wp-content/uploads/2020/06/2020-C20-Policy-Pack.pdf>

⁴ https://civil-20.org/2020/wp-content/uploads/2019/11/C20-Principles_final1.pdf

Recovery with resilience for the world of work

Labor's recommendations to the Italian G20 Presidency

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The ITUC's primary mission is the promotion and defence of workers' rights and interests, through international cooperation between trade unions, global campaigning and advocacy within the major global institutions. The ITUC represents 200 million workers in 163 countries and territories and has 332 national affiliates.

Keywords:

recovery, resilience, labor, jobs, governance

With the news of Lehman Brothers collapse back in 2008, the G20 quickly turned from an annual event of finance ministers and central bankers into the world's rapid response force, with regular meetings of heads of state and ministers covering an ever-expanding list of domains impacted by the crisis.

Understanding that the crisis would take a heavy toll on jobs, workers and the economy, they quickly agreed and coordinated fiscal expansion that kept workers at work and increased social protection. After union advocacy, a labor ministers meeting was agreed to tune labor policy on a global level. At that time, 25 million jobs had been lost.

Fast forward to 2020 and the world is a dramatically different place. The ILO reports¹ that the pandemic has cost workers the equivalent of 495 million jobs and USD 3.5 trillion in income. Under a moderate scenario, the ILO expects another 245 million jobs to be lost by the end of the year. Millions of enterprises have closed or are at risk of closure.

The pandemic's socio-economic impacts on women are especially severe.²

Young people face an ever-bleaker future, with disrupted education and low prospects of finding a job. Millions of migrant workers, trapped in exploitative work and most often excluded from social protection, are facing destitution. More than 300,000 seafarers are trapped working aboard vessels, and another 300,000 are facing financial ruin at home, willing to return to work.

Most worryingly, global governance is nowhere near a coordinated response along the lines of 2008 and 2009. World leaders have declared trade wars. There is no consensus that science is the basis for evidence. “My nation first” approaches have taken over.

And it is not only the jobs crisis that needs fixing. The health crisis itself is the first priority. After decades of defunding public services, many governments found themselves unprepared for the pandemic.³ Lacking staff and supplies, frontline health services have struggled to respond adequately. Care facilities for the elderly have reported high death rates.

Developing countries are running out of money.⁴ Access to financial markets is often prohibitively expensive. Access to public money is inadequate, as the G20 did not reach an agreement to unlock trillions of dollars in IMF Special Drawing Rights. Printing money is not an option because it would inflate weak currencies and lead to other forms of economic crises.

In the meantime, developing countries have had to make their regular debt payments. The G20 agreed on an inadequate debt relief⁵ only for the poorest countries, which covers a mere 3.65%⁶ of all debt repayments. And some, like Zambia, are already on the brink of bankruptcy.

Creating sound fiscal space is necessary to ensure and create access to social protection for billions of people. People need unemployment benefits, skills development, pensions, care services, health insurance. Governments have responded with emergency social protection⁷ measures, but most people in need are still excluded. A Global Social Protection Fund⁸ would rapidly deliver funds and technical assistance for all countries to support livelihoods. But the G20 has yet to reach an agreement on such a scheme.

The irony is that with tens of trillions of dollars in tax havens, there is no shortage of resources to ensure recovery and resilience. It is encouraging to see the OECD making progress on establishing a global tax floor for corporations, but an agreement is not guaranteed and risks like agreeing on a too-low floor, close to 12%, are real. Recent disclosures⁹ give another example of misallocation of financial wealth. Major international banks are involved in some USD 2 trillion in illicit financial transfers.¹⁰

High debt affects the private sector too. UNCTAD and the OECD have been warning that corporate debt of bad quality has been increasing to dangerous levels.¹¹ International organizations are now sounding alarms of a new financial crisis,¹² though the gigantic stimulus (USD 13 trillion) has probably shunted this crisis-to-come to a later date. Overhauling the debt-ridden corporate model has strong links to tax avoidance and financialization and should be prioritized.

The pandemic’s winners, data-driven and e-commerce businesses, are now accelerating the digitalization of the global economy from a position of strength. The

25 wealthiest billionaires¹³ increased their wealth by USD 255 billion between mid-March and late-May. Their business models promote tax avoidance and precarious and informal work. They are based on surveillance, data harvesting, and advanced methods to avoid responsibility. Yet global governance appears unwilling to regulate the digital economy. There seems to be no international effort to do so. There is no international regulatory body for digital. To the contrary, Big Tech seems to be set for a regulation-free pass.¹⁴ There is no consensus about the issues on the table: The EU is undecided on many issues, the US threatens to raise trade barriers in response to digital taxes, agreements such as the EU-US Privacy Shield are rejected by courts, China is reluctant to discuss more concrete regulation other than basic principles, just as US digital companies.

Most importantly in the long term, global warming has reached emergency levels, with 2020 setting new records for forest fires, ice cap loss, and CO₂ emissions. Governments again are well off course for meeting the Paris Agreement goals and providing a “Just Transition” to a zero-carbon economy.

It is worrying that in the face of so many risks, multilateralism is in a deplorable state.

For decades, people have seen multilateralism leading a globalization that favored the rich,¹⁵ exploited the poor,¹⁶ and trashed the planet in the process.¹⁷ Governance gaps have allowed powerful corporations to abuse workers and natural wealth and use financial flows unethically and often illicitly.¹⁸ These gaps exist because corporations go unpunished for such behavior.

What is worse, when governments convene to close governance gaps, corporations have abundant power to tilt decisions to their interest. Governance capture disorients and erodes global action. As a result, people have lost trust in global institutions and in governments. They voted in politicians who challenge the principles of evidence-based debate and decision-making. Discord is spreading. Hopelessness and conflict too.

»A New Social Contract is the cornerstone for ensuring recovery and resilience.«

WORKERS SAY IT IS TIME FOR A NEW SOCIAL CONTRACT. NOT AS MUCH A REBOOT AS REPROGRAMMING THE GLOBAL SYSTEM.

A New Social Contract is the cornerstone for ensuring recovery and resilience.¹⁹ Its fundamentals are a labor protection floor, universal social protection, new quality jobs and opportunities for women and men, quality public services for all, equality, social dialogue, and an ambitious plan for a Just Transition to a zero-carbon economy. The Labour20 have called on the 2020 G20 Leaders’ Summit to agree and take bold action to lift the world out of the crisis.²⁰

It is absolutely necessary that developing countries are able to participate in the response and in recovery. The G20 should unlock the International Financial Institutions' capacity to increase the flow of money, allocate Special Drawing Rights and take all other measures that would create fiscal space. Agree on generous debt relief and debt cancellation including permanent structures dealing with unsustainable public debt.

For the short-term response, workers are asking the G20 to scale up and continue supporting job retention programs and workers' incomes for as long as necessary. To protect frontline workers by declaring COVID-19 a workplace disease and ensuring occupational safety and health standards. To pay for sick leave so that workers who fall ill can take time off as needed instead of spreading diseases.

For the recovery, investment is key. People need to invest in jobs, in a Just Transition and in infrastructure to reduce greenhouse gas emissions, and a rapid build-up of public services with funding and social dialogue and ensured universal access. Invest in the care economy to create new quality jobs, formalize existing jobs, and respond to urgent needs stemming from the pandemic. With accessible childcare more women would get jobs in the rest of the economy.

Set a high minimum corporate tax threshold and coordinate progressive taxation. Make sure Big Tech pays its taxes. Pursue a financial transactions tax, use unitary taxation formulas that treat multinational companies as a single entity, and in short, rationalize global taxation so that the rich start paying their fair share of taxes.

Social protection is a super technology with immense potential for the people. Invest in social protection and extend it to all, irrespective of employment arrangements and establish a Global Social Protection Fund for all to help those in poor countries.

»It is absolutely necessary that developing countries are able to participate in the response and in recovery.«

Establish a labor protection floor. That is, ILO Fundamental Principles and Rights at Work, minimum living wages, maximum limits on working hours, and healthy and safe workplaces. Mandate human rights due diligence and access to grievance and remedy for all multinational enterprises and across their supply chains.

Close the gender pay gap, increase women's labor market participation, and eliminate all forms of discrimination and violence by ratifying and actively implementing the ILO Violence and Harassment Convention. Ensure all workers enjoy

rights regardless of gender, immigration status, employment relationship or any other grounds of discrimination.

Adopt an industrial policy geared toward decent work creation, domestic market development, digitalization, in short, structural transformation. Increase the distribution of value in the system and dissolve power concentrations. Government procurement, competition policy, workforce protection and development, local content requirements and investment screening are valuable tools.

Redesign the rules of globalization. Rationalize the investment system. People have made clear they will not tolerate investor to state dispute settlement (ISDS) and other absurd privileges for foreign investors. Global governance should hold investors liable for their violations.

Ensure trade deals and the World Trade Organisation include effective enforcement of labor rights and environmental standards, and that they allow for affordable drug production by doing away with many WTO intellectual property rights provisions, at least temporarily, to address COVID-19. Ensure that the WTO rules allow policy space for industrial policy.

Regulate Big Tech and the surveillance business model. This entails the abandonment of the WTO E-commerce negotiations, as they would restrict policy space

to take necessary action on Big Tech. Mandate ethical use of new technologies.

In the workplace, establish trade union access to workplace data and a say in data usage, and regulate workplace surveillance. For platform workers, ensure decent work, guarantee worker and trade union participation in collective bargaining with the platform employers. Address market power concentration and unfair practices towards suppliers in the supply chains of e-commerce giants including competition policy.

The G20 have already committed to some of these recommendations. Delivering on these commitments is a totally different story though. And implementation is a condition without which global governance is not a thing.

Indeed, the G20 have a low implementation rate on their commitments to labor, climate, social protection, and other areas with high people's interest. The Presidency could make a step towards increasing G20 tangible deliverables on the ground. If introducing independent monitoring of commitments' implementation, and peer pressure procedures increase implementation, that would be a step.

Trade unions, employers' organizations and other representative groups should be invited to construct a new multilateralism that enjoys high trust and effectiveness.

Engagement group recommendations realized in G20 Summits

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The G20 Research Group is a global network of scholars, students and professionals in the academic, research, business, non-governmental and other communities who follow the work of the G20 leaders, finance ministers and central bank governors, and other G20 institutions. It is directed from Trinity College and the Munk School of Global Affairs and Public Policy at the University of Toronto.

Keywords:

G7, G20, T20, engagement groups, civil society

¹ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf

² <https://www.weforum.org/agenda/2020/10/phumzile-mlambo-ngcuka-un-women-jobs-reset/>

³ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7218352/>

⁴ <https://unctad.org/press-material/un-calls-25-trillion-support-package-developing-countries-deal-coronavirus-shock>

⁵ https://www.ituc-csi.org/IMG/pdf/c20_l20_statement.pdf

⁶ https://www.eurodad.org/report_g20_covid_debt_crisis

⁷ <https://www.ohchr.org/Documents/Issues/Poverty/covid19.pdf>

⁸ https://www.ituc-csi.org/IMG/pdf/ituc_campaign_brief_-_a_global_social_protection_fund_en.pdf

⁹ <https://www.icij.org/investigations/fincen-files/global-banks-defy-u-s-crackdowns-by-serving-oligarchs-criminals-and-terrorists/>

¹⁰ <https://uk.reuters.com/article/us-global-banking-fincen-stocks/global-banks-seek-to-contain-damage-over-2-trillion-of-suspicious-transfers-idUSKCN26C051>

¹¹ <https://unctad.org/webflyer/trade-and-development-report-2020>; <http://www.oecd.org/newsroom/risks-rising-in-corporate-debt-market.htm>

¹² <http://www.oecd.org/newsroom/risks-rising-in-corporate-debt-market.htm>; https://unctad.org/system/files/official-document/tdr2020_en.pdf

¹³ <https://oxfamlibrary.openrepository.com/handle/10546/621044>

¹⁴ https://www.ituc-csi.org/IMG/pdf/digital_chapters_and_the_impact_on_labour_en.pdf

¹⁵ <https://unctad.org/webflyer/trade-and-development-report-2018>

¹⁶ <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=24967&LangID=E>

¹⁷ <https://www.weforum.org/agenda/2018/05/gdp-is-destroying-the-planet-heres-an-alternative/>

¹⁸ https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_497555.pdf

¹⁹ https://www.ituc-csi.org/IMG/pdf/a_new_social_contract_-_crisis_-_recovery_-_resilience_en.pdf

²⁰ https://www.ituc-csi.org/IMG/pdf/04-l20-statement_2020_long-en.pdf

How much influence can civil society engagement groups exert on the G20 summits they focus on? This is a critical question on several counts. Rising populism has challenged the effectiveness and legitimacy of the G20, G7 and similar global governance forms (Slaughter 2020). It has supported a shift from multilateralism to nationalism, now at a time when COVID-19, climate change, biodiversity loss and digitalization show ambitious effective global governance is needed more than ever before. Yet an important response has come from the growing array of G20 engagement groups that have attracted the time and talents of a proliferating network of leading non-governmental practitioners and experts from business, labor, youth, women, think tanks, cities and elsewhere to make recommendations on what G20 summits should do.

Most analyses of engagement group influence on G20 governance emphasizes possibilities and potential or gives an account of engagement groups' creation (see for example Hajnal 2016). More recent accounts more credibly show the actual influence they have had (Slaughter 2019; Chodor 2020; Luckhurst 2019). A recent analysis suggests that among the G20's formal engagement groups, the business community's "B20 is the most powerful and influential" while the "T20, a global network of think tanks, has had some influence ... it has been limited" (Warren 2020, 136-7). Other research has argued that the Civil 20 (C20), or civil society, has had limited influence too (Naylor 2012). Yet, these analyses are not based on the full array of the latest evidence, assessed in a broader comparative context, to suggesting the causes of engagement group

influence and how it can be improved. This article takes up these tasks.

»G20 engagement groups have attracted a proliferating network of leading non-governmental practitioners and experts from business, labor, youth, women, think tanks, cities and elsewhere.«

It does so by mobilizing research to systematically assess how many engagement groups' formal recommendations are realized in the G20 leaders' summit commitments and the ensuing compliance with them, and examining what features of the engagement group and G20 process impacts this. It focuses on the critical case of the Think 20 (T20), which, as an analytical rather than advocacy group, covers

all of the subjects the other engagement groups and the G20 do, but without a built-in political constituency to back them. The T20 has produced and presented its recommendations in various ways since its highly informal start for the G20 London Summit in April 2009. This study compares its performance with that of the newer, smaller Think 7 (T7), supporting the G7 summit since 2018, and the Business 20 (B20) doing so for the G20 since the London Summit in April 2009 (Koch 2016). The evidence comes primarily from the Recommendations Realized Reports produced by the G20 Research Group and G7 Research Group, and the Business Scorecard produced by the International Chamber of Commerce (ICC). It has been enriched by John Kirton's participant observation since 2010 in the T20, the T7, and the informal Young Entrepreneurs Alliance (YEA) and Faith 20 (F20).

The Recommendations Realized Reports match the recommendations made by an engagement group to the collective and politically binding commitments the G20 leaders made at their summit in the same year. Recommendations are scored based on a three-point scale indicating the strength of the match with the commitments: fully matched, partially matched or not matched (unmatched).

This study finds that the T20's recommendations' match with G20 commitments and compliance since 2016 has generally been modest, with highs in recommendations matched to the leaders' commitments in 2016 and 2019. The 2016 T20 made the fewest recommendations but 89% were matched to commitments made at the 2016 Hangzhou Summit, and they secured compliance of 86% (or 22% more

than the unmatched ones). In 2019, 45% of the somewhat more T20 recommendations matched G20 commitments. This suggests the importance of the T20 working independently but interactively with the G20 host up to and at the summit itself, while narrowing the focus and number of recommendations it makes.

The newer, smaller T7 since 2018 has had a similarly modest influence on G7 summits. The more established B20 seems to have had much greater influence. One important factor could be the G20's preference for engaging with the private sector, as demonstrated by the high number of references to the B20 relative to other engagement groups in the G20's public communiqués (Warren 2020). Other factors are the competition and cooperation among the engagement groups, and the limited ability of G20 governors to absorb the many hundreds of recommendations the various engagement groups present on the summit's eve.

This suggests the value of having an independent process for selecting, from each of the groups, the very best recommendations with broad co-benefits, and presenting these high quality, absorbable and attractive synthesis recommendations to G20 governors on the summit's eve.

T20 RECOMMENDATIONS REALIZED: 2016–2019

It is ultimately of little value if these recommendations are realized as commitments at the G20 summit but are not complied with or implemented by the leaders after the summit ends. As such, this section reviews the G20's compliance with its priority commitments, as selected by the

G20 Research Group, and reports on this compliance according to the categories of matched (fully or partially) or unmatched commitments.

»The compliance data show that compliance with the G20's priority commitments is almost always higher when there is a preceding T20 recommendation.«

Overall, the compliance data show that compliance with the G20's priority commitments is almost always higher when there is a preceding T20 recommendation (see Appendix A). The year with the lowest number of recommendations made, 2016, had the highest percentage of realized recommendations in the G20's commitments that year and the largest percentage-point compliance gap between matched and unmatched commitments, with the matched commitments averaging 86% relative to

just 64% with unmatched ones.

For the Hangzhou Summit in September 2016, the T20 produced 22 recommendations. They were matched by G20 commitments at a level of 86% (19 of the 22 recommendations either partially or fully matched) (Tops and Hou 2019). Their compliance by G20 members before the next summit averaged 86%, compared to only 64% for the unmatched ones.

For the Hamburg Summit in July 2017, the T20 produced 89 recommendations. They were fully or partially matched by G20 commitments at a level of 26% (Kirton and Warren 2017). Their compliance averaged 91%, compared to 86% for the unmatched ones.

By subject, four assessed Hamburg commitments fully matched one or more of the T20 recommendations. These were on financial regulation (tax), the digital economy, development and gender. The weighted average of compliance of these four commitments was a very high 91%. Two Hamburg commitments partially matched — one on development and one on food security — with an average compliance of a still very high 86%.

For the Buenos Aires Summit in November–December 2018, the T20 produced 135 recommendations. They were matched by G20 commitments at a level of 24% (Warren and Kirton 2019). Compliance with the matched ones was 89%, compared to 86% for the unmatched ones.

For the Osaka Summit in June 2019, the T20 produced 108 recommendations. They were matched by G20 commitments at a level of 46% (Tops and Hou 2020). The matched ones averaged interim compliance (by May 10, 2020) of 70%, compared to 71% for unmatched ones.

T7 RECOMMENDATIONS REALIZED: 2018

The T7-G7 relationship shows a moderate recommendation-compliance match and higher average G7 compliance with matched commitments than with unmatched commitments, based on the limited evidence thus far.

For the Charlevoix Summit in June 2018, the first fully functioning T7 produced 17 recommendations. They were matched by G7 commitments at a level of 41% (seven of the 17 matched recommendations were partially matched, none were fully matched) (Warren 2018). The one matched commitment assessed for compliance averaged compliance of 88%, compared to 83% for the unmatched ones.

In comparison, the G7 Research Group's annual background book for the 2017 Taormina Summit had 28 contributors from the governmental, intergovernmental institutional and non-governmental sectors make 66 recommendations (Williams 2018). Of the 66, 37 or 56% were fully or partly realized in the 180 commitments the Taormina Summit made.

This suggests that fewer recommendations tend to secure higher matched commitments and compliance in the most compact, cohesive G7, composed of democratic members alone.

BUSINESS 20

Assessments from the B20 report a small, steady improvement in the G20's uptake of the B20's recommendations over time (Hardy and Bonnier, p. 222). The B20's assessments measure the G20's adoption of its recommendations (in a way equivalent to the matching methodology used above), but not its compliance with matched commitments.

Between 2010 and 2016, the B20 made over 400 recommendations to the G20 (Hardy and Bonnier 2016). Since 2012, the ICC, an organization representing business perspectives, has monitored the G20's implementation of the B20's recommendations through its ICC G20 Business Scorecard. Here it reviews a selection of B20 recommendations to monitor across several policy areas. For instance, in 2016 25 B20 recommendations were assessed for G20 compliance on trade and investment, anticorruption, infrastructure, energy and environment, financing growth, employment, and small- and medium-sized enterprise (SME) development.

The six scorecards produced between 2012 and 2016, show a small, steady increase in the G20's adoption scores (Hardy and Bonnier, p. 222). Apart from the fifth scorecard and some nuances by policy area, each subsequent scorecard reported an overall score on par with or better than the previous one.

THE G20 YOUNG ENTREPRENEURS ALLIANCE, 2016

For the informal engagement group of the YEA in 2016, a Recommendations Realized report by the G20 Research Group shows that the YEA produced 16 recommendations on July 1, 2016. At least five either partially or fully matched the G20 Hangzhou's 214 commitments (Warren 2016). Average compliance with these matched five was 59%. That on public-private partnerships averaged 78% compliance, on SMEs 70%, the digital economy 55%, global value chains 50%, and skills and education 40%.

This again suggests that fewer recommendations secure more matched commitments and higher compliance with them.

G20 CONCLUSIONS ON ENGAGEMENT GROUPS

These findings of relative influence are consistent with the public recognition the G20 has given to these respective engagement groups in its collective communiqués. Between 2008 and 2020 the G20 made 147 references to engagement groups and other non-state actors in its public, collective communiqués (see Appendix B). Of the official engagement groups, the B20 has received the most recognition, with 22 references in total, which rises to 58 when counting the 36 references made to working or partnering with the private sector or businesses. The T20 has received some, but far less, recognition, receiving six references, which rises to 12 references when adding “academia” with five and “think tanks” with one. Similarly, the Youth 20 (Y20) has six references, plus one reference to “youth,” for a total of seven.

Other engagement group recognition includes the C20 with seven, plus 22 references to working with “civil society,” for a total of 29. This is followed by the Labour20 (L20) with 11, plus “trade unions” with one, for a total of 12; the Women’s 20 (W20) with five; and the Science 20 (S20) with one, plus “scientific experts” with one, for a total of two.

RECOMMENDATIONS

For the Riyadh Summit on November 21-22, 2020, all engagement groups were forced by the COVID-19 pandemic to conduct much of their work, and hold their culminating summits, in virtual rather than in in-person form. Yet each otherwise proceeded much as they had in the past, with incremental improvements. The

major one was the mid-course addition of special task forces due to the COVID-19-catalyzed crises, as the T20 and the informal Interfaith Forum did. The COVID-19 crisis also inspired more participants from more countries to participate in most engagement groups than in previous years, thus making the groups more inclusive and accessible to those who would otherwise not be able to participate or attend, with the caveat that many places around the world lack adequate internet access.

Two months before the 2020 Riyadh Summit their recommendations started to appear. The B20, L20 and W20 produced a joint statement with 18 recommendations on April 5; the B20 produced 25 recommendations on October 3; the U20 produced 27 on October 5; and the T20 produced a preliminary 131, within 32 overarching proposals, in its draft Communiqué on October 26. In the case of the B20, U20 and T20 these recommendations had been organized from the start and were presented entirely or largely according to the Saudi Presidency’s priority summit themes of empowering people, safeguarding the planet and innovation. The T20 relied more on its ten traditional task forces, with an eleventh one added in the summer on COVID-19. Al Turki, the chair of the T20 in 2020, noted in a webinar the week before October 7 that he had to present 150 T20 policy briefs, averaging eight pages each, to the G20 sherpas in five minutes.

It remains to be seen how these processes, all infused by the shock of COVID-19, will propel the realization of the resulting recommendations in Riyadh’s G20 commitments and its members’ subsequent compliance with them. At present, however, they and the systematically as-

sessed impact of their predecessors, suggest engagement group influence can be improved in the following ways.

»Fewer recommendations tend to secure higher matched commitments and compliance in the most compact, cohesive G7, composed of democratic members alone.«

The first is intense, independent interaction with the G20 host and members throughout its year, of the type that T20 Japan did in 2019, as distinct from T20 China in 2016 (these two countries’ experiences also could suggest that a cause of engagement group influence is the degree of democratic governance in the G20 host, as Steven Slaughter [2019] implies). This includes aiming at the many expanding lists of G20 ministerial meetings, which pre-

pare and implement the leaders’ commitments and which increase leaders’ compliance with their commitments on the same subjects as the ministerials (Rapson 2020).

The second is broader, longer promotion of a groups’ recommendations, both privately and publicly, from the time they are produced until they can become commitments at the targeted summit and complied with until the subsequent summit comes. This includes interaction and action in all G20 members, rather than just the host, publicizing the recommendations on the summit site and engagement group assessment of how effective their recommendations and underlying processes were. It includes direct contact with G20 leaders themselves, as the B20 and L20 leaders did at the St. Petersburg Summit in 2013, which may be particularly important for the non-economic engagement groups to do that have received relatively less public recognition in the G20’s communiqués.

The third is a synthesis list of priority recommendations, based on those produced by all engagement groups but evaluated by an arms-length group of experts and presented to the G20 on the summit’s eve. This list would feature the most timely, well-tailored recommendations for the summits’ challenges at that very time, and synthesize the ones that bring the best co-benefits for several subjects. It would be a small enough set for the leaders themselves to read, absorb and act upon. It would contain about 20 recommendations, as in the 2016 Hangzhou year that had the highest uptake of T20 recommendations and parallel high compliance. It would be far smaller than the 2020 total, which combines the 131 from the T20, the 25 from B20, the 27 from U20

and the many more from the other engagement groups.

This list could be accompanied by a list of consensus priorities produced by

the chairs of all the engagement groups, meeting at the same time to decide the two dozen or so that all of them agree upon.

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A reliable framework for transformation

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The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) is responsible for a range of government policies that are reflected in the name of the ministry itself. The ministry has been working over 30 years now to protect the public from environmental toxins and radiation and to establish an intelligent and efficient use of raw materials, to advance climate action and to promote a use of natural resources that conserves biodiversity and secures habitats.

Keywords:

climate action, economic recovery, China, COP26

The G20 countries are responsible for 80 percent of global greenhouse emissions. They generate 85 percent of the global gross domestic product and account for the majority of investments worldwide. The G20 is the key to leading the international community onto a climate-compatible path.

Although the COVID-19 crisis is far from over, a growing number of G20 countries are committed to climate action playing a major role in their efforts for economic recovery. Awareness is building that action must be taken to avoid stranded assets and secure jobs for the long term. Governments must create reliable framework conditions for economic and technological transformation in their countries. The binding emissions targets under the Paris Agreement are most effective for this.

The European Union has set itself the goal of climate neutrality by 2050. How we live and build, how we move from place to place, what we eat and produce will then no longer generate more greenhouse gases than our environment can absorb. The current interim goal, 40 percent reduction in greenhouse gas emissions by 2030 as compared to 1990, is not sufficient. The European Commission has proposed a new target of at least 55 percent, which I strongly support. The European Council will decide on this proposed target on

10/11 December. The Environment Council has already reached broad agreement on the European Climate Law.

There is a well-founded hope that resolute action by the EU will also set an example outside Europe. Many countries are also currently contemplating how they can achieve carbon neutrality by the middle of the century. Among the G20 countries, these include the EU and its member states, Canada, the United Kingdom, South Korea, South Africa, Argentina and Japan. And we look forward to the US rejoining the international stage with renewed commitment.

»The G20 is the key to leading the international community onto a climate-compatible path.«

Should China follow through on its remarkable announcement of becoming carbon neutral before 2060, this alone would reduce the global temperature rise by 0.2 to 0.3 degrees, according to initial estimates. Now it is important that China

backs up this international voluntary commitment with national measures and sets itself ambitious interim targets. The adoption of the next five-year plan in the coming year could lay the foundation, which would then have to be reflected in an ambitious Nationally Determined Contribution (NDC) for China. We are eager to hear when China aims to hit peak emissions.

After the special summit on December 12, which will be the climate policy highlight of 2020, the first ambition cycle will extend into 2021. Countries that have already submitted a new NDC in 2020 can still increase their level of ambition. Primary responsibility lies with the Italian G20 Presidency and the British COP/G7 double Presidency to keep up momentum until the G20 summit at the end of October and COP26 in November 2021. We must do everything in our power to support them in these efforts.

Allied voices from civil society are growing stronger by the day. In a number of G20 countries, climate change is now seen as one of the most serious international threats, and public support for climate action has seen strong growth. For example, 92 percent of Europeans think that greenhouse gas emissions should be reduced with the goal of making the EU economy climate neutral by 2050. This support must now be clearly reflected in political action. The G20 governments can build on the intensified activities of non-governmental actors like corporations, municipalities and social organizations. In this way, the G20 can lead the international community onto a climate-compatible path.

Towards an agenda for transforming the global economy

Prospects for Italy's G20 Presidency 2021

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The Kiel Institute for the World Economy is an international center for research in global economic affairs, economic policy consulting, and economic education. The Institute engages especially in creating solutions to urgent problems in global economic affairs. It advises decision makers in policy, business, and society and informs the broader public about important developments in international economic policy.

Keywords:

G20, Italy, economic transformation, beyond GDP, digital governance

The COVID-19 pandemic has highlighted the interconnectedness of our economies as well as the fragility of many of our recent achievements. Inequalities that we tried to reduce over recent years and decades suddenly resurfaced en masse as we faced a truly global health emergency. Gender inequality is a case in point (OECD, 2020a), but school closures and high unemployment rates also reinforced existing inequalities between rich and poor, with potential long-term consequences (e.g. OECD, 2020b). Travel or export restrictions and hostile political rhetoric quickly eroded trust among long-standing allies, built up slowly in the post-war period. European solidarity in the EU's recovery plan was a small, yet important, ray of hope in this regard.

But multilateral cooperation was under fire long before the COVID-19 crisis, as exemplified by nationalist and populist leaders coming to power across the globe. A key reason for this was that many people no longer believed they could benefit from or even take part in globalization in the way it developed in past decades and as supported by the G20 (Wike & Poushter, 2020). The global economy worked efficiently and improved material well-being for many, but other important dimensions of well-being did not follow suit. Social prosperity did not increase alongside economic prosperity, and environmental sustainability was further strained (Snower & Lima de Miranda, 2020). The world was not prepared for an emergency such as the pandemic because our achievements were not as stable as they could have been. Further compounding the problem was our increasing reliance on a new, largely ungoverned

digital world in which there is no global consensus on how to shape the international exchange of data.

»The constellation of countries taking leadership in global fora for two years provides a unique opportunity for revitalizing multilateralism.«

The world and its global governance system must be better prepared for: (1) emergencies such as pandemics and climate change so that we are not again caught off guard, and (2) for emerging and recurring challenges such as digital trade, cross-border data exchange, increased skepticism towards (the current system of) globalization, new global power structures, or interconnected economies. An important forum to prepare this new world and its global governance system is the G20.

TOWARDS ITALY'S G20 PRESIDENCY

On December 1, 2020, Italy has taken over the Presidency of the G20 from Saudi Arabia. As the rotating chair of the high-profile global forum, Italy will convene a number of working group meetings, ministerial conferences and, finally, the G20 Leaders' Summit in the coming year. While each presidency continues ongoing discussions and follows up on progress with past commitments, it sets its own agenda to highlight issues which it considers important. Italy's G20 agenda is centered around the three pillars People, Planet and Prosperity (Magri, 2020). With this bold strategy, the incoming Presidency has set a focus on sustainability and human well-being going beyond material well-being. Italy's G20 Sherpa Pietro Benassi calls the agenda "a holistic approach, consistent with the spirit that guides the European Green Deal and the vision represented in the NextGenerationEU plan" (Botti & Bilotta, 2020, in Italian).

Italy has been hit particularly hard by the coronavirus pandemic. Overall Italian production declined by 17.7% in March 2020, and the fiscal budget deficit in 2020 is expected to be larger than 10% of GDP (Boysen-Hogrefe et al., 2020). The country, like almost all countries in the world, thus faces the difficult task of rebuilding its economy after a massive economic downturn. In these rebuilding efforts, the Italian Presidency appears determined not to lose sight of important goals around sustainability and climate change mitigation: Ambassador Pietro Benassi stressed at a workshop hosted by the think tank Istituto Affari Internazionali (IAI) that he sees sustainability not as a cost but as an asset in the recovery. In taking over the driver's

seat of the important G20 forum, Italy is in a good position to make the United Nations' stated goal of Building Back Better" a global strategy and thus to initiate a global economic transformation so urgently needed. Indeed, as Pietro Benassi said at the IAI conference, Italy sees its task in catalyzing positive global change after the COVID crisis (Benassi, 2020).

FAVORABLE PRECONDITIONS FOR REVITALIZING MULTILATERALISM

The preconditions for a strong G20 Presidency in 2021 are good. Italy has long been a supporter of multilateral cooperation and its government has made strong gains in domestic public support during the crisis, so this support can be expected to underpin its efforts (Statista, 2020). The Italian G20 Presidency coincides with the G7 Presidency of the United Kingdom and the British-led COP26. Italy and the UK will be succeeded by Indonesia (G20) and Germany (G7) in 2022, followed by India (G20) in 2023. Indonesia is considered to be the driving force behind the Association of Southeast Asian Nations (ASEAN) and engages intensively with international forums. India and Germany have clearly communicated their willingness to drive a global economic transformation. Indian Prime Minister Narendra Modi, at the recent extraordinary G20 Leaders' Summit, called for "a new take on globalization in the post-corona world," stressing the need for a humanitarian, not just economic, approach to globalization (Basu, 2020). Germany, during its EU Council Presidency in 2020, called for multilateral action to ensure that the current crisis is used to better prepare for global challenges such as digitalization and climate change, and for

the European Union to be a norm-setter for a sustainable and fairer future (Federal Foreign Office, 2020). The UK has underlined its determination to make COP26 a success (Department for Business, Energy & Industrial Strategy, 2020). And the new Biden administration in the US can now also be added to the list of the favorable preconditions.

The constellation of countries taking leadership in global fora for two years provides a unique opportunity for revitalizing multilateralism if countries take their task seriously to build global partnerships, articulate the principles and benefits of multilateral action for the people (cf. Kharas & Snower, 2020), and set clear targets to direct innovation and investment. At the annual G20 conference hosted by the Indian think tank ICRIER, Nicholas Stern suggested these countries together create a coherent international discussion and foster cooperation by developing a big-picture strategic story to revitalize world growth (Stern, 2020, minute 17:10, <https://youtu.be/ouJDwE0TkrM?t=1032>). In fact, there was a clear consensus at the recent IAI, ICRIER and T20 Saudi Arabia conferences that considering economic growth separately from sustainability is an analytical mistake: Sustainable growth is the best route out of the crisis (e.g. Stern, 2020, minute 31:30, <https://youtu.be/ouJDwE0TkrM?t=1890>).

In its 12 years of existence, the G20 has shown that it can do three things: (1) supply top-level political impetus, (2) act as norm-setter, and (3) initiate policies (Görlich & Stein-Zalai, 2020). Especially the norm-setting power is important in this moment, as the G20 can create the preconditions for a successful sustaina-

ble development agenda. The Sustainable Development Goals, a set of universally agreed global goals, should guide global recovery plans as the “North Star” (see Kharas et al, 2020). Once sustainability is deeply entrenched in political thought and narratives, and once it becomes part of corporate strategies, the recovery from the coronavirus pandemic can lead to a real economic transformation.

MEASUREMENT AND REPORTING OF PROSPERITY

Two important elements of the transformation are measurement and reporting. Clearly, we cannot achieve satisfactory progress if we rely only on GDP as a measure of a country's prosperity. Measurement of progress needs to take the social and environmental dimension of progress into account – beyond material gain – because this is what matters to humans: a sense of social belonging and the capacity to shape their own future. In this context, Snower and Lima de Miranda (2020) developed a Recoupling Dashboard, measuring solidarity (S) and agency (A), two important components of social progress, alongside the established measures GDP (G) and the environmental performance index (E). Crucially, these four indexes (SAGE) cannot be systematically substituted for one another. For example, any gains from agency and solidarity cannot automatically be translated into monetary gains, and vice versa: Solidarity is valueless when one is starving in poverty; the power to spend has limited value when there is no environment left for spending. In order to thrive, people and countries need to measure well on all four indexes.

Adequate measures of social and environmental progress should also be con-

sidered by businesses. Many corporations sport sustainability agendas, but measured corporate goals still revolve around shareholder value and leave the broader social and environmental responsibility of enterprises unreported. Currently most companies produce over a hundred different financial variables in their annual accounts, but corporate goals and the way firms are ranked in financial markets mostly revolve around shareholder value alone. This is problematic as the latter does not take negative externalities such as environmental costs and social costs into account. Besides this, a strict focus on shareholder gains can also hurt the company itself, e.g. when shareholder value creation stands in the way of R&D investment, customer service excellence or employee upskilling.

Part of the trouble with gaining a clear picture of business activity is the distinction between what constitutes a firm (or company) vs. a corporation (Robé 2011, 2019, Palan 2020). A household name firm, such as Apple, is in fact a cluster of contracts constituting a network of several corporations (often across jurisdictions) that develop economic activity. A corporation is a legal entity or person that can own assets, agree to contracts, or incur liabilities. For example, the specific focus of the US Senate and EU Commission's legal case with Apple Ireland was not the firm Apple or the Global Ultimate Owner, Apple Inc, but Apple Operations Ireland (AOI) and Apple Sales International (ASI), two corporate entities within Apple's group network. Corporate accounting focuses on financial capital almost exclusively and since corporate accounting is very different to a firm's annual reports, while it is possible to see

the necessary data on profits, losses, taxes or shareholder value, it is very difficult to assess the overall negative externalities, e.g. the environmental costs of a firm. To really include such negative externalities, financial markets would need detailed information about a firm's accounting, including more than regular types of corporate income statements. Markets cannot currently fulfill their traditional role of allocating resources because they can only assess which firms produce the greater shareholder value, but not consistently assess other kinds of value including environmental, social, and productive value.

»Italy is set to catalyze positive global change after the COVID crisis.«

GOVERNING THE DIGITAL WORLD

Another important area, in which global cooperation is urgently needed, is digital governance. It is a field that is currently largely ungoverned at an international level and in which different paradigms with regard to the exchange of data prevail. While we see a steady rise in trade in digitally deliverable services, we do not see an accompanying rise in digital regulation. A positive agenda and better dialogue around digital governance could help to

deliver on many new opportunities that new technologies could bring.

Despite the clear benefits of digital products, there are downsides and drawbacks resulting from this fast-moving and largely unregulated process. A principal source of problems is that many digital services are provided for free, or at a significantly reduced price, in return for information about the users, which is then sold to third parties, including advertisers and “influence sellers.” Due to power and information asymmetries between individuals and dominant technology platforms, it is almost impossible for users to understand the relationship. Users’ understanding of the value of their data and also, users’ consent to the use of their data is inadequate even though the consequences of the data-gathering processes are far-reaching and severe. Some digital service providers use complex algorithms to steer our attention and our information intake in specific directions resulting in polarized debates and endangered democratic processes. The network externalities of platforms also tend to create winner-take-all markets, but monopolies create market inefficiencies and often prevent innovation. For all these reasons, a course correction in digital data governance is necessary.

The current German EU Council Presidency for example has highlighted topics such as “digital education,” “access to justice in the digital domain” and “a well-functioning market in the digital sphere.” It is committed to “help consumer protection in the European Union to adapt to the cur-

rent digital and environmental challenges” in which “protection of personal data, data sovereignty and consumer protection law must be ensured.” These discussions are likely to be continued by the incoming Portuguese Presidency. The G20 should take these discussions to the global level and contribute to reshaping the digital world in a fairer and more sustainable manner.

THE ROLE OF CIVIL SOCIETY

As the Italian G20 Presidency is about to begin, and Indonesia starts preparing for its own turn in 2022, dialogue with civil society also continues. The think tank community and other civil society groups have an important role to play in shaping the economic transformation and addressing the aforementioned global challenges. Global partnerships, besides being entrenched in the SDGs (Goal 17), are key to shifting the paradigm from competition to global cooperation (Kharas, 2020, Festschrift). With the G20 and its dialogue with civil society (think tanks, business, labor, NGOs, women, science and youth), the world has important instruments at hand to continue to build a global partnership (see e.g. Berger & Grimm, 2020). With our Global Solutions Initiative, we are also supporting this goal: For the annual Global Solutions Summit and our digital Global Solutions Hubs, we bring together researchers and decision-makers from politics, business, international organizations and NGOs, in order to ignite change and progress based on sound research and evidence.

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Changing the game with China

An “alternative framework” for China-West relations

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The China-West Dialogue (CWD) was founded on the premise that the bilateral US-China relationship is leading the world toward a bipolar competitive era and that a plurilateral process that involves Europe, Canada, China, Japan, and the US would create complexity and dynamics that focus more on substance and less on rhetoric and ideology in addressing and negotiating major issues.

Keywords:

alternative framework, key concepts, global orders, pluralism, systemic transformation

A new US administration takes office on January 21, 2021. Joe Biden is an internationalist and believes in governing, not just messaging. He has great international experience. Biden was, after all, chairman of the Senate Foreign Relations Committee. He will want to shift from nationalist unilateralism to international engagement and multilateral cooperation. For this to work it is essential to shift the US-China narrative to a more positive dynamic. Without changing the game with China, new global efforts will not work.

But even though Biden has been elected, there are political obstacles to changing these dynamics. “My country first nationalism” is strong, even if not dominant, within the American public. The US election revealed that half the country is nativist and inward-looking, based on rural roots and values. The recent trends in China toward greater centralization of power in the hands of Chinese President Xi Jinping, the growing assertiveness of the Communist Party of China (CPC), the rise of “wolf warrior” Chinese diplomats in European capitals, the treatment of Uighurs in Xinjiang province, the new security law in Hong Kong, the increased military strength and assertiveness of China in the

Pacific Asia region, testify in and of themselves to shifts in China’s strategic posture over the last four years, quite apart from the aggressive rhetorical barrage from the Trump administration.

These actions by China indicate that serious strategic tensions exist that cannot be wished away just by turning off the rhetorical barrage and offering a “make nice” approach to China as if these fundamental tensions did not exist. Halting the “tit-for-tat” Trump tactics is far easier than facing the new realities of Chinese strategic behaviors and figuring out how to get Chinese authorities to accept the realities of a rules-based international system in which compliance and reciprocity are vital. One way is to provide incentives for China to shift its behaviors in response to new narratives and more professional approaches by the West, especially the United States.

It is crucial to China that the United States and Europe acknowledge China as a leading power. It is imperative that China be accepted as a peer and player in the international system for that system to work. For its part, China will need to acknowledge that the international system is more than the economic and financial institutions that were the foundations of the Bretton Woods era, and that this system extends to broader security and social commitments agreed to after WWII which have been further extended by historical practice. These commitments constitute the foundations and ground rules for geopolitical arrangements that accept cultural differences, and which also require continuing adherence to fundamental rights of humanity even as the geopolitical order evolves to accept political diversity in

modes of governance and mixed economy pluralism. If China wants to be accepted as a rule maker, it has to commit to complying with and enforcing the foundations of a rules-based system.

»The focus of G20 summits needs to become systemic sustainability within and between countries.«

THE POSITIVE ROLE OF THE G20 IN GLOBAL GOVERNANCE

The G20 is an extremely useful grouping of countries to adjudicate these adherences and constraints. But the G20 is an extension of the Bretton Woods institutions focused primarily on economic and financial relations, and its limitations lie in being represented and dominated by finance ministers in a world with crushing social, cultural, humanitarian, environmental and health urgencies. G20 leaders in the 2020s need to assert strategic visions for the future that connect with their publics rather than continue to focus on tinkering with macroeconomic and financial policy that

can be left to ministers. The focus of G20 summits needs to become systemic sustainability within and between countries. People-centered and planet-centered policies need to take center stage.

»In >effective multilateralism<, cooperation moves forward led by different clusters of countries, depending on their capacity to agree regardless of whether significant powers do or do not.«

The capacities of economies and governments to deliver social inclusion have to be demonstrated to become fully legitimate in 21st century societies. And the future of the planet is at risk. To move forward on the human and planetary agendas, global cooperation is essential. For

global governance to be effective, China's participation is imperative and China's adherence to ground rules is essential. As a result, distinct pressures are on China to understand global concerns about internal breaches with respect to individual rights and international economic rules. Equally, there are distinct pressures on the West to understand that variants in economic and governance practices in terms of the role of the state in the economy are natural results of differentiated development paths rather than ideological manifestations and fodder for political posturing. Respect and reciprocity are essential.

Clearly, a Biden administration would immediately recommit the United States to the Paris Agreement on Climate Change, to NATO, to the Iran nuclear deal, to reinstating US support of and investment in the WHO and to multilateralism and global governance. Whereas the details of the Biden administration's approach to China are not yet clear, it is clear that "my-country-first nationalism" would be abandoned by the US, and a renewed commitment to multilateralism and international cooperation would be forthcoming, opening up an opportunity to rebalance cooperation and competition with China.

To what extent Biden will be able to offer the right mix that both attracts and compels China to both contribute and comply with global norms, remains to be seen. A shift will occur. What is less clear is whether it will be a deep enough shift to elicit strong engagement by and with China to forge positive leadership dynamics on a large enough set of issues to make a systemic change toward a new "global order for all". And it is also unclear to what extent the Xi regime in China will be

able to see the potential opportunity presented by a new administration in Washington to motivate greater adjustments in internal and external strategic behaviors to become a more accepted player in the broader international system, rather than an outlier and competitive alternative to the previous pretense of Western universalism, which will only divide the world and usher in a new bipolar competitive era.

TOWARD AN ALTERNATIVE FRAMEWORK FOR THE GLOBAL ORDER

The China-West Dialogue (CWD), founded in April of 2018 by a group of Europeans, Canadians, Chinese, Chileans and Americans, has been working to develop "an alternative framework" in order to "reframe, rebalance and reconceptualize China-West relations"; to "avoid the emergence of another bipolar competitive era"; and to "pluralize the toxic bilateral US-China relationship" into a broader dynamic that is more multifaceted, representative, open and inclusive. The CWD held a workshop on "The Search for a 21st Century Global Order" hosted by Boston University on March 20, 2020, which generated a "public statement" signed by 20 participants and CWD founding members. The CWD contributed a "Global Table" on "The future of multilateralism and global governance" to the fourth Berlin Global Solutions Summit (GSS) in May-June 2020.

As a result of these two efforts, CWD has developed a set of "key concepts" drawn from its participants and members, which constitute a first cut at an evolving "alternative framework for China-West relations". The key concepts are:

- the stage-setting concept is that the global order is not a single global order but consists of eight or more global orders and that the behaviors of China and the US vary within each of these global orders, which opens the door to greater pragmatism and flexibility; (Johnston, IS, 2019);

- it follows from this concept that disaggregating the global order into different negotiating forums depending on the issue is a key step to move away from ideologically driven position-taking;

- disaggregating involves delinking issue areas from each other, in particular to avoid having differences on military security issues drive differences in other issue areas, contaminating global governance in the process, as is currently the case;

- the concept of pluralistic modernization of countries as the driver of development places a premium on differentiation in pathways toward modernity based on history, culture and politics rather than positing or implying that modernization is westernization (Chen, GSS2020);

- a related idea is the proposal that multiple narratives be the core concept for the global discourse, which enables the global order to move away from the prominent role that the "Washington consensus" had during the Bretton Woods era (Chen, V20 panel at the T20 summit in Buenos Aires in September 2018);

- the notion that "all economies are mixed economies" based on historical experience is put forward as mixed economy pluralism as a means of moving away from the dichotomous debate between market fundamentalism and state-run economies as a false paradigm (Bradford, Polaski, BU-CWD Workshop, March 2020; Milanovic, 2019);

- embracing contradictions and incorporating opposites in decision-making are features of party politics in China that seem to have relevance for governance processes, more generally in providing ways to take advantage of the intrinsic complexity of most policy issues. This allows the forging of composite outcomes that contain contradictory elements instead of conceiving policy-making as a process of finding compromises in the middle ranges of linear trade-offs between false dichotomies (Brown, 2018; Bradford CWD “Background Paper”, GSP 2020);

- the dynamic of shifting coalitions of consensus depending on the issue addressed seems now, in this moment, to be a more propitious concept than the notion of “allies,” in that it implies that countries’ interests and behaviors may vary from issue to issue and that avoiding “blocs” provides more opportunity to generate forward momentum in reaching agreements across a range of issues, rather than being stymied by stalemates between rigid groups of countries (Bradford 2013 and Patrick 2010);

- a keen awareness of the degree to which all nations today are facing public concerns about the capacity of their economies and governance processes to deliver social outcomes that are politically sustainable, and that domestic social issues are now at the top of both national and global agendas (Bitar 2018, Linn 2020, and Polaski March 20, 2020); and

- the proposition that countries give priority to engaging on global challenges, rather than making regime types prerequisites for involvement in global governance, is a more realistic path to engagement than value-driven gate keeping.

SUMMARY OF CWD “KEY CONCEPTS” FOR AN “ALTERNATIVE FRAMEWORK”

The existence of global orders instead of a single global order; disaggregating negotiating forums; delinking issues; pluralistic modernization as a national narrative; multiple narratives as a new global discourse; mixed economy pluralism as historical reality; embracing contradictions in decision-making; shifting coalitions of consensus instead of blocs; delivering social outcomes as the new imperative; prioritizing addressing global challenges over debates over regime types.

These ten “key concepts” constitute the current formulation of an “alternative framework” for China-West relations developed by the China-West Dialogue based on its work thus far. We call this framework “strategic engagement” to contrast it with other past and current approaches to the international order. (See Alexandroff, Bradford and Tiberghien, 2019.) We see new forms of multilateralism emerging that include the concept of “effective multilateralism” in which cooperation moves forward led by different clusters of countries, depending on their capacity to agree regardless of whether significant powers do or do not. (See Tiberghien, Alexandroff and Bradford, 2019).

This set of ideas and concepts is compelling for several reasons. First, each of the ideas has intrinsic validity on its own, based on historical experience and insights into the current dynamics driving global governance. But their value is enhanced by the consistency and synergy between them. They both stand alone and fit together in a coherent way. The total equals more than the sum of the parts.

Second, the ideas come from thought-leaders from different systemically important countries and regions: Europe, Canada, China, Japan and the US. The fact that these ideas originate from different national or regional perspectives is important because it means that there is representation in this composite set of concepts that reveals involvement, engagement and acceptance of diverse ideas.

»There are alternative ways of moving forward with China by involving China constructively and firmly.«

Pluralism is a foundational concept of the CWD, both as a means for defusing conflicting narratives and as a means of constructively working toward understanding, respect and ultimately cooperation. In contrast to “like-minded” groupings, CWD privileges the notion that diversity of perspectives yields better results by embracing complexity and even contradiction. This is a central point which distinguishes the CWD approach from the strong tendency

put forward by many to engage in alliances of like-minded countries based on common values which tends to exclude key players and which seems to intensify adversarial relations rather than ease them.

And third, the fact that now this set of ideas exists and is agreed to by CWD participants and members means that, despite all of the increasing, even accelerating, evidence of the toxicity of US-China relations at the moment, an alternative framework for China-West relations exists and has been demonstrated to have validity given the composition of the group of thought leaders who created it and agree to it.

This does not mean that this particular formulation is THE “alternative framework” that will be adopted eventually by governments of major countries. Further interaction, exchange and discussion of these propositions can lead to further elaborations which eventually, when the political circumstances are right, can be adopted as a new global governance discourses, as new narratives, and as pathways forward toward greater cooperation, coordination and concerted action by G20 countries and others.

“Avoiding another bipolar competitive era,” a mantra of CWD, is indeed possible. There are alternatives to the current destructive dynamics. There are alternative ways of moving forward with China by involving China constructively and firmly, based on the urgency of global challenges, the complexity of existing entanglements and the inadequacy of “go it alone” tactics, which fail to achieve results while generating tensions that encourage strongman behaviors.

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Measuring what matters in times of crisis

Looking beyond GDP to a well-being framework that measures true growth

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The Organisation for Economic Co-operation and Development (OECD) is an international organization that works to build better policies for better lives. Our goal is to shape policies that foster prosperity, equality, opportunity and well-being for all. We draw on 60 years of experience and insights to better prepare the world of tomorrow. Together with governments, policymakers and citizens, we work to establish international norms and suggest evidence-based solutions to a range of social, economic and environmental challenges.

Keywords:

well-being, inequality, inclusive growth, framework, COVID-19

As the world strives to exit one of the largest sanitary crises ever, the need to measure the right things could not be greater. The pandemic is impacting every aspect of people's lives – their health, their jobs, their ways of connecting and living together. To understand how people and societies are doing in the wake of the crisis, and to design effective public policies to improve well-being at this critical juncture, governments need to look beyond the functioning of the economy, to also consider a diverse range of other aspects of people's lives. This requires looking beyond average numbers to understand who is most affected by the crisis and what are the factors that, going forward, can build resilience and sustain well-being in the future.

The OECD has a strong tradition for measuring people's well-being along these lines. Adding to the work of the Stiglitz-Sen-Fitoussi Commission in 2009 (now the Stiglitz-Fitoussi-Durand Commission), the OECD has developed a Well-Being Framework that provides a key tool for understanding and measuring what

matters to people and how policymaking can truly put people at the centre. This article discusses how the OECD Well-Being Framework can shed light on the full impacts of the pandemic and guide countries' policy responses.

»Our assessment of the pandemic needs to put front and center what we value as a community.«

THE LIMITS OF GDP AS THE ONLY METRIC TO INFORM THE UNDERSTANDING AND RESPONSE TO THE COVID-19 PANDEMIC

Some might argue that governments have more important things to focus on right now than measuring people's well-being. This would be short-sighted.

While the severe economic fallout of the COVID-19 pandemic calls for efforts to chart and engineer the pathway to economic recovery, this recovery cannot simply boil down to an increase of gross domestic product (GDP). GDP is a measure of the economic output of a country over a given period; but it is not, and was never, designed to measure well-being.¹

When used as a welfare measure, several limits come to the fore and some of

them take on a special significance in the current context of the pandemic. If GDP "growth" results from the increased production of outputs that are harmful to the planet and detrimental to people's well-being, as for instance the increased consumption of wild species and intensive agriculture systems that are associated with the emergence of COVID-19, then this is not real progress or improvement.

Using GDP as a primary means to measure progress also ignores some other important aspects such as negative externalities like increased pollution (which seems to be a mediating factor of COVID-19 deaths) or lower citizens' trust (which in some countries has conditioned the ability of governments to implement effective measures in response to the COVID-19). GDP also fails to capture the positive externalities of better public health that may come from a stronger and better prepared health system, one of the most dramatic lessons of this pandemic.

The other fundamental reason why GDP would be an inappropriate measure to guide the policy response to the pandemic is that GDP takes no account of the inedited impacts of the pandemic on human well-being. COVID-19 has indeed profoundly changed our lives, causing tremendous human suffering and challenging the most basic foundations of societal well-being. Beyond the immediate impacts on health, jobs and incomes, the epidemic is increasing people's anxiety and worry, affecting their social relations, their trust in other people and in institutions, their personal security and sense of belonging. More broadly, health conditions, social connectedness, trust in others, jobs and income are all important drivers of

subjective well-being. In 2018, around 7% of people suffered from very low life satisfaction on average in OECD countries, and one in eight people experienced more negative than positive feelings on a typical day.² Last but not least, inequalities have been both exposed and magnified during the crisis.

This is why our assessment of the pandemic needs to put front and center what we value as a community and what needs to guide our collective efforts to fight this unprecedented challenge.

»Public policies will only be truly effective if they go beyond supporting the economy.«

A WELL-BEING LENS MATTERS IN THE CURRENT CONTEXT

Public policies will only be truly effective if they go beyond supporting the economy. While short-term policies are needed to save lives and livelihoods today, a simplistic framing of the issue in terms of public health versus economic recovery risks losing sight of other aspects that matter to people’s lives and that are surfacing strongly during the second lockdowns and waves of the pandemic. It would also ignore the debate on what kind of society we want to see emerging after this crisis.

While governments need to act swiftly and decisively to contain the spread of the virus, they also need to assess the impacts of the disease and the counter-measures on all aspects of people’s lives, especially on the most vulnerable, and integrate these various impacts in the policy response. They also need to integrate long-term objectives in their short-term recovery plans, for instance by giving priority to policies and projects in the type of infrastructure needed to sustain a shift to a low-carbon economy. While racing against the clock in a complex and uncertain environment, countries’ assessments of the COVID-19 crisis need to be holistic and integrated, while aiming at building systemic resilience.

Well-being frameworks, such as the one created by the OECD in 2011, provide a powerful tool for measuring the short-term and medium-term effects of the crisis and inform the policy response. The OECD Well-being Framework (Figure 1) charts whether life is getting better for people and covers 11 dimensions of well-being, which focus on living conditions and outcomes at the individual, household and community levels, and describe how people experience their lives “here and now”. The framework also includes four different resources, or “capitals,” for future well-being that refer to the broad systems that sustain well-being over time. These are often related to public goods, and are affected by decisions taken (or not taken) today.

This crisis should provide the opportunity for longer-term changes to build greater resilience in the systems that support well-being over time. This includes building social connections and social capital; developing new ways of working

and living; and reinforcing the capacity of public services and social safety nets to react in times of crisis. It should also lead to redoubling efforts to reduce or mitigate sources of vulnerability associated with job insecurity, inadequate housing, poor environmental quality, mental and other health challenges, and social isolation.

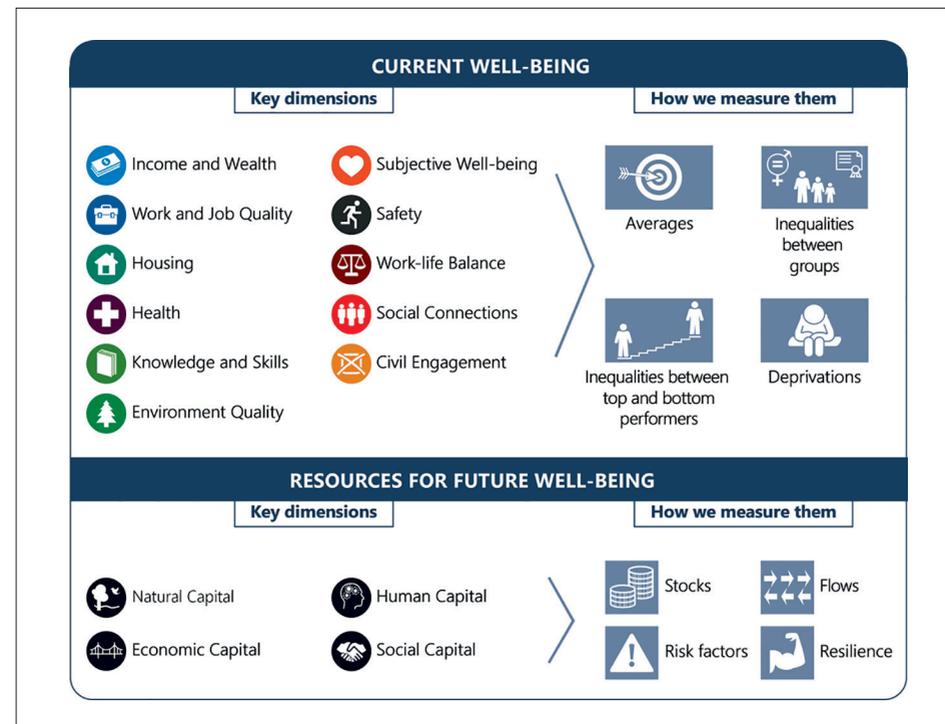
THREE WAYS IN WHICH WELL-BEING CAN MAKE THE DIFFERENCE TO FIGHT THE FALLOUT OF THE PANDEMIC

There are at least three ways in which a well-being lens can help governments throughout and after the COVID-19 crisis:

1. Identifying pre-existing vulnerabilities to target support

The short- and medium-term impacts of COVID-19 increase the vulnerability of the most disadvantaged and risk-compounding socio-economic divides. These vulnerabilities stretch across most of the 11 dimensions of current well-being, as seen in the OECD Well-Being Framework. According to our report, *How’s Life? 2020*, life was already financially precarious in many places before COVID-19 hit. In 2018, 12% of the population across OECD countries lived with an income of less than half of the median, while the share of those reporting

Figure 1: The OECD Well-being Framework³



acute financial difficulties in European OECD countries was almost twice as high, at 21%. One in five low-income households spends more than 40% of their disposable income on rents and mortgage costs. In addition, more than one in three people in OECD countries are financially insecure, meaning they lack financial assets to keep their family above the poverty line for more than three months, should their income suddenly stop. There is also growing evidence that socio-economically disadvantaged groups such as low-wage workers, people living with the threat of domestic abuse, and ethnic minorities are particularly affected by COVID-19, both in terms of death rates and well-being impacts.^{4,5,6,7} Moreover, COVID-19 has been found to be much more fatal for men.⁸ Taking these pre-existing inequalities into account can help policymakers to determine who needs help the most, and design and target policies accordingly.

2. Shedding a light on areas not on the immediate radar of government

A well-being lens can highlight the issues that matter the most in people's lives, some of which are not always at the forefront of decision-makers' minds. For example, quality of life includes people's relationships, which can provide a vital lifeline in times of crisis and social distancing. Yet, across OECD countries, one in 11 people say they do not have relatives or friends they can count on for help in times of need. The considerable risks of social isolation and loneliness, both for physical and mental health, need to be addressed by policy measures. This can be done, for instance, through regular check-ins by social services, civil society and volunteers, and by

connecting families with each other and with public service providers through digital technologies.⁹ People aged 50 and over are almost three times more likely to lack social support compared to young people, so in addition to being more physically vulnerable to the impacts of COVID-19, they are also more socially vulnerable.

Since the crisis is having an impact on the most important drivers of subjective well-being, such as health conditions, employment and social connectedness, the current pandemic will affect people's mental state, anxiety and stress. Evidence from France, the United Kingdom and the United States shows that the share of those reporting low life satisfaction increased to more than 20% in March. It also points out that those with pre-existing mental health problems, including young people, are experiencing a worsening of their symptoms during the COVID-19 outbreak; and that people who are financially vulnerable are experiencing more psychological distress than others.^{10,11,12,13}

3. Building greater resilience in systems that support well-being over time

The crisis should be an opportunity for longer-term changes to support the recovery, address present long-term challenges, and prepare for future shocks. *How's Life?* looks at four types of capital (economic, natural, human and social) which represent the systemic resources that affect well-being over time. The recovery packages that are being designed and implemented by countries should feature strong investments in all of these resources, and address the risks that might affect them in the future. It remains to be seen whether the structural changes associated

with the COVID-19 crisis and containment measures taken by governments (e.g. less travel for business and commuting, changing global production arrangements) will be permanent enough to affect environmental sustainability positively.

Zooming in on social capital (the societal norms, shared values and institutional arrangements that foster co-operation), it is clear that trust in others and in public institutions are, at the same time, protective factors against systemic shocks like the current pandemic, and at risk in times of crisis. Research from the United States indicates that the Spanish flu led to long-term decline in interpersonal trust, and that COVID-19 fatalities were lower in counties with higher levels of trust.^{14,15} After a general deterioration in the aftermath of the 2008 financial crisis, trust in institutions improved by three percentage points across OECD countries between 2010 and 2018. Still, less than half of the population (43%) trusts their national government. More recent evidence from six OECD countries (Australia, New Zealand, the United Kingdom, Italy, Korea and the United States) suggests that institutional trust might have risen during the very early stages of the pandemic,¹⁶ but remains quite fragile. OECD governments will have to put people first in their response to the crisis to maintain trust going forward.

THE STATISTICAL AND POLICY AGENDAS ON WELL-BEING ARE WELL ESTABLISHED

The relevance of the well-being frameworks transcends the current context. "What you measure affects what you do".¹⁷ Likewise, if we measure the wrong thing, we will do the wrong thing; and if we do

not measure something at all, it becomes neglected and treated as if the problem does not exist. Therefore, high quality data on well-being is critical to inform policy action.

»This crisis should provide the opportunity for longer-term changes to build greater resilience in the systems that support well-being over time.«

Significant progress has been made in this direction, with the OECD's pioneer efforts on this agenda closely informing national measurement initiatives.^{18,19} Additionally, some OECD governments have begun to develop tools to integrate well-being into their agenda setting, strategic objectives, policy analysis, and budgetary processes, including when striking a balance between the well-being of different generations.^{20,21,22}

Governments are also starting to apply a well-being approach to policy and

budget decision-making, with the objective of lifting their populations' well-being, as for instance in New Zealand, Canada and Italy. This requires embracing a whole of government approach, with different government agencies working together to achieve well-being objectives, focused on inter-generational outcomes, and moving

»Better lives for all should be the ultimate goal of all policies.«

to broader measures of success. A well-being focus can be implemented through a range of actions, including amending legislation to embed the setting and reporting of well-being objectives; developing well-being frameworks and indicator sets; and using well-being evidence to inform priority setting, budget decision-making, and regulatory reforms.

STRIVING FOR WELL-BEING, INCLUSION, SUSTAINABILITY AND EQUAL OPPORTUNITIES

The OECD has a long tradition of empirical and statistical work on complementing GDP metrics with broader measures of economic performance and living standards, in line with its core mandate to promote “sustainable growth and employment and a rising standard of living” as established in its founding Convention of 1960. Building on this tradition and against the major economic and social fallout of the COVID-19 pandemic, the aim of the newly created OECD Centre on Well-being, Inclusion, Sustainability and Equal Opportunities (WISE) is to better serve members by providing them with more integrated analysis and policy solutions at a time when they face increasingly complex and interconnected challenges. Through this new Centre, the OECD will continue to advance its data collection, analysis and support by developing the measurement agenda on well-being and sustainability; designing policies to improve well-being and expand opportunities; and supporting countries through bespoke well-being and inclusive growth strategies. In the end, better lives for all should be the ultimate goal of all policies.

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Measure what is valuable

A plea for a system change

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The Global Solutions Initiative (GSI) is a global collaborative enterprise to envision, propose and evaluate policy responses to major global problems, addressed by the G20, through ongoing exchange and dialogue with the Think20 (T20) engagement group. The GSI is a stepping stone to the T20 Summits and supports various other G20 groups. The policy recommendations and strategic visions are generated through a disciplined research program by leading research organizations, elaborated in policy dialogues between researchers, policymakers, business leaders and civil society representatives.



The Kiel Institute for the World Economy is an international center for research in global economic affairs, economic policy consulting, and economic education. The Institute engages especially in creating solutions to urgent problems in global economic affairs. It advises decision makers in policy, business, and society and informs the broader public about important developments in international economic policy.

Keywords:

new measurement, Recoupling Dashboard, beyond GDP, beyond shareholder value, the new normal

For historians, it is fascinating to reflect on what different societies through the ages have considered valuable. There have been civilizations that traded with shells, animal skins or stones before what we know as money was introduced. But besides the means of payment, societies and cultures have also differed widely in other things they esteem. Some treasured the elderly, others the young. Some societies revered nature as holy, while others placed humans at their center. At least in its modern interpretation, the definition of what is valuable is often based on a common agreement within society. In former ages, religious authorities or sovereigns decided on the value of people and norms.

»The world community must either work together to save everyone or all will face hard times.«

Today, our measure of success focuses mainly on GDP and shareholder value. The former stems from an 18th century discussion and was established in the mid-20th century as a guideline for where an economy and a society stands. The business

focus on a company's bottom line is even more entrenched, going back to long before the 15th century.

If one were to summarize the most urgent challenges of our age, there are strong arguments that climate change and the loss of biodiversity, divided societies and the decoupled distribution of wealth, along with shrinking future prospects for too many people in a disruptive age are the underlying reasons our planet is in mortal danger, and these may also be the causes of future conflicts. One could also argue that the core of the problem lies in the development of a system in which success and progress have been defined as economic growth. The fact that we have "more than yesterday" is meant to prove there is progress. Is this assessment still adequate? If growth is achieved at the price of destroying natural resources, it obviously is not a sustainable measure of success.

If economies measure growth without simultaneously analyzing the impact for a society, the effect on global and environmental stability and future perspectives for people, it may serve individual interests but it will not serve to benefit mankind. This system worked for a while, in some regions with amazing economic success. It led to technical peaks and innovation and supported the liberation of many individuals. However, the downside is not only conspicuous, but pandemics, climate change and migration crises prove that there won't be a safe harbor for the few. The world community must either work together to save everyone or all will face hard times.

The UN, the OECD, scientists, artists and civil movements have proposed measurements in which the impact on the environment, society and the individual

play a significant role and challenge the system of GDP as an indicator of societal well-being. Examples of these initiatives include the OECD Better Life Index, the recent formation of an OECD Centre on Well-Being, Inclusion, Sustainability and Equal Opportunity (WISE), the Social Progress Index, which measures the social and environmental health of societies and intends to accelerate social progress, or the Social Impact Index, which measures the social impact of concrete development projects. The Global Solutions Initiative is advancing the Recoupling Dashboard as a tool to measure the well-being of societies beyond GDP, which illustrates the interrelation between economic prosperity, social prosperity and environmental sustainability. The underlying solidarity, agency, material gain and environmental sustainability (SAGE) framework challenges the still-too-common perspective of using GDP as a normative guide for policymaking. It endorses a more holistic picture of human well-being rooted in a modern, empirical, interdisciplinary understanding of human well-being.

In light of the current COVID-19 pandemic, the SAGE framework can be useful in providing a more balanced assessment of human well-being, and in showing what is actually needed for a society to thrive. One important aspect of evaluating the effectiveness of governments in coping with the pandemic is to look at how a society perceives its government's containment measures. This impacts people's well-being and how they cope with the crisis, as well as their willingness to comply with the measures and therefore their success. In order for pandemic containment to be efficient, compliance is key.

If governments ensure that fundamental human needs are satisfied, in particular if solidarity within and between groups is high and individuals are given agency to help themselves and their social groups, compliance will be higher and relatively easier to implement. On a global scale, we see that one of the very few significant social and political correlates of COVID-19 deaths in cross-national studies is social trust and trust in government – both components of the recoupling dashboard (WZB, Oct. 2020).

»In light of the current COVID-19 pandemic, the SAGE framework can be useful in providing a more balanced assessment of human well-being.«

In the Fridays For Future movement, our children and grandchildren, the future leaders, are claiming a fair change for themselves and their own children. The Report of the 2020 Environmental Performance Index asserts that countries that

focus attention on environmental sustainability can protect natural resources and human well-being without diminishing economic growth. This highlights the importance of policies that manage economic, environmental and social issues with the same level of priority.

A paradigm change is also urgently needed on the business side, questioning whether short-sighted shareholder value maximization is an appropriate goal. The business roundtable, for example, questioned the purpose of business as business and proposed a system for the benefit of all stakeholders. This appeal was signed by 181 CEOs. This Value Balancing Alliance is demanding system change for a more comprehensive approach in which business performance is seen in a broader social framework. To bring together all the different proposals and inspiring ideas is a major mission – one for the thought leaders in politics, science, civil society and in business. But it is a worthwhile challenge.

The normal in the aftermath of the COVID-19 pandemic will be a new normal. Of course, we need to overcome the health crisis, the economic crisis, the social crisis and the crisis of multilateralism that COVID-19 has caused or revealed. This time it is crucial that we don't merely make cosmetic changes, but that we eradicate the fundamental mismatch in our perception of what is valuable. This is one of the most pressing challenges for the G20 and its engagement groups in the upcoming years.

The international community is beginning to understand that without a new definition of prosperity and economic growth, it will be impossible to effectively combat pandemics, climate change or global poverty. But the effects of economic growth

on the environment, society and the individual must become the focus of attention when assessing well-being. In August 2020, the T20 appealed to the G20 to adopt a new way of measuring well-being in accordance with the Recoupling Dashboard. In their final communique, which was handed over to the G20 on November 1, 2020, the T20 reaffirmed this and called on the G20 to put fundamental human needs at the core of its policies, for example by including new measures of well-being in the regular reporting of national statistics and using these measures as a basis for policymaking. In order for our societies to thrive, the upcoming G20 presidencies in Italy (2021) and Indonesia (2022) should put fundamental human needs at the heart of their policies. This includes endorsing a more holistic picture of human well-being, in particular by including agency and solidarity into the regular reporting of national and local statistics, and taking these as a basis for policy making. It is necessary to elevate social development to the same level of priority as economic prosperity and public health safety, and to measure social and human development more accurately and at a frequency rapid enough to enable quick reaction to shocks. This includes giving more attention to the local level and to territorialized responses and documenting the distribution, not just the average situation, to identify disadvantaged groups needing special attention. Furthermore, the contribution of the private sector should be harnessed by enabling responsible actors, for example by harmonizing and disseminating accurate and comprehensive reporting of private sector impacts on social development and externalities.

Corporate activism

A legal framework for “corporate recoupling” in Brazil

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A Regenerative Agency that researches, develops and implements projects and businesses that generate a positive impact on society, the environment and the economy. Iônica works at the intersection of impact business and policies, supporting public and private organizations to shift into a new economy.

Keywords:

(corporate) recoupling, regenerative, legal framework, positive impact business, Brazil

2020 has been a year of catastrophic natural disasters and popular uprisings, certainly a historical moment in the making. Orthodox economic principles are being questioned and dismissed, while a regenerative agenda is being advanced by progressive advocates around the globe. In this context, holistic methodologies like the T-20's recoupling dashboard could provide policymakers with powerful tools to merge social and economic prosperity with environmental performance.

The Global 500 in Fortune Magazine indicates that 69 of the top 100 richest economic entities are companies, rather than governments.¹ When it comes to the top 200 richest economic entities, 157 listed are corporations, with the top 10 companies accumulating a net worth of over USD 3 trillion in 2017. It is not only about macroeconomics and government analysis anymore. The figures prove how multinationals are becoming the “new nations,” assuming a massive role in the economic system.

Unfortunately, the statistics regarding climate change and environmental degradation are terrifying. Our system doesn't have enough time to make a smooth transition simply by decoupling into an insufficient green growth campaign, otherwise we will fail to meet our targets for greenhouse gas emission reduction, biodiversity,

Katharina Lima de Miranda and Dennis J. Snower, Recoupling Economic and Social Prosperity, in *Global Perspectives*, University of California press, Global perspectives, February 2020 https://content.ucpress.edu/journals/11867_recoupling_economic_and_social_prosperity.pdf

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desertification and many other international pacts.

We have learned after decades of traditional GDP-oriented economic growth that, besides reevaluating how we measure progress, society may need to scale down material production and consumption and implement other degrowth strategies² worldwide. However, degrowth discussions definitely need to tackle inequality, expanding the welfare safety net and considering the commons in new jurisdictional approaches.

This comes as no surprise to those engaged in sustainable development; replacements for a GDP-driven economy have been discussed for decades. Nevertheless, the economic world order is still sustained by GDP-driven matrixes, contextualized by the “growth at all costs” paradigm.

Therefore, the shift to new regenerative approaches involving the corporate world, approaches tied to assessments of the private sector’s positive impact, raises some defining questions. Which legal provisions could effectively leverage these sustainability and prosperity indexes in the corporate ecosystem? Even more ambitiously, how can these indexes hold a company’s governance structures accountable for meeting the most impeccable and stringent principles for human and planetary welfare?

It is true that ESG metrics and their ample universe of ratings and indexes have been widely used by banks, investment funds and rating agencies. These provide a voluntary approach to setting benchmarks for the supposedly best practices in the responsible businesses- and impact-investing market. Yet they fall short of meeting the ever-growing needs of companies,

which are now moving beyond an outdated shareholder capitalism focused only on profit maximization.

A LEGAL FRAMEWORK THAT SUPPORTS POSITIVE IMPACT BUSINESSES

The policy brief, “Scaling up business impact on the SDGs,”³ makes clear that a new legal framework could and should significantly empower civil society, governments and businesses. Moreover, this is closely connected to the idea that we are experiencing a necessary transition to stakeholder capitalism.

First, this agenda focuses on pushing governments to pass legislation that clearly defines what the term “positive impact businesses” stands for, creating clear guidelines for environmental, economic and social parameters that will orient the legal framework to follow. Simultaneously, the private sector needs to be actively engaged in enticing public entities to create impact-oriented corporate structures. There are many initiatives following these trends worldwide, with varying structures and outcomes, such as benefit corporations in the US, Italy, Colombia and now Ecuador, and their mirrored models in other countries, like the “Enterprise à Mission” in France, or even steward ownership models of purpose economy, already largely adopted in the Scandinavian countries.

These solutions, in their rich variety of propositions, defy “business as usual” assumptions, put the “triple bottom” impact of profits, people and planet at the core of their missions, and to some degree redefine ownership and stakeholder relationships. This is no ordinary challenge, but it stands at the forefront of redefining capitalism for this century. All enterprises

should be taking these approaches into account, understanding their interdependence in a society operating within planetary boundaries.

»Which legal provisions could effectively leverage these sustainability and prosperity indexes in the corporate ecosystem?«

BRAZIL: A LEADING CASE FOR REGENERATIVE PRACTICES

Latin America, and more specifically Brazil, the home to both authors of this article, is especially receptive to these initiatives. With a dormant potential in nature-based solutions, the country stands alone as the guardian of major hydrological resources, large rainforests and grasslands of lush green and infinite biodiversity, a bountiful mosaic of ecosystem services with potential too great for any individual to grasp.

More than ever, Brazil is positioned as a major player in a regional bioeconomy scheme, which offers innumerable possibilities for the regenerative development of the continent. Our natural riches offer

the country vast possibilities for entrepreneurial initiatives, giving rise to concepts such as an economy built on the “Amazon 4.0.,” developing science and technology in this area, evaluating environmental assets and blending biomimeticism and engineering with the digital frontier, all while bringing Indigenous peoples, traditional communities and smallholders to the center of the discussions. This can surely be expanded to other incredible biomes in our country, such as the Cerrado, located mainly in the Midwest, and one of the most biodiverse savannah regions in the world.

Aside from these very positive views of Brazil’s future, understanding our corporate ecosystem also offers a keen perspective on the inadequacy of our legislation in offering incentives to companies that adhere to impact investing and social business guidelines.

For example, the Brazilian government recently issued Decree n° 10.387/2020,⁴ which creates tax incentives for so-called “Sustainable Bonds” in infrastructure and energy sectors for businesses that make a positive social and environmental impact. Although it is an auspicious development for the securities market, the decree does not set forth how these impacts would be assessed, and instead depends on the competent ministries to issue regulatory norms later. It’s imperative that governments incorporate clear rules for impact assessment by certified third parties in order to give these laws legitimacy and transparency.

Along these lines, specific corporate structures will need to be defined, made eligible for tax exemptions and given preferential access to public funds, in order to capture the spirit of a new post-capitalist

order. Furthermore, positive impact assessments must become fundamental corporate governance tools for any company wishing to align its corporate strategy with this new era, holding its board of directors and executives responsible for the continuous development of the company's economic, social and environmental practices.

Brazil's corporate law is limited to a few corporate structures, but there is still plenty of room for innovative mechanisms and creative solutions. This is certainly a feasible and necessary step for a shift in the corporate legal framework for developing countries. With so many bureaucratic barriers and rising inequality, for-profit businesses created with ecological and social missions and whose governance structures aim to uphold these pillars should have preferential access to markets, public or private.

As mentioned in the policy brief "Towards G20 Guiding Principles on Investment Facilitation for Sustainable Development,"⁵ there is currently over USD 100 trillion in assets under management in the world. This means there isn't a lack of available capital for positive impact business, but rather a lack of financial pipelines and legal frameworks to make this transition happen.

Analyzing these trends, they surely exemplify the crossroads at which we find ourselves. Brazil should, both at a national and subnational level, weave solid, integrated public policies to expand positive impact businesses, supported by the creation of specific corporate structures.

Despite all odds, the Brazilian state of Rio de Janeiro, which hosted the United Nations Earth Summit in 1992 and

Rio+20 in 2012, has issued State Law nº 8571/2019,⁶ creating a legal framework for positive impact investments and businesses, setting definitions and rules for a receptive environment in this area, albeit still lacking the necessary corporate

»More than ever, Brazil is positioned as a major player in a regional bioeconomy scheme, which offers innumerable possibilities for the regenerative development of the continent.«

structures best exemplified by benefit corporations.

It is fundamental to mention that Brazil has an ample universe of small and medium-sized companies; they are the heart and soul of the country's economic activity.

The majority of positive impact businesses fit this description. They would definitely benefit from wider legal frameworks that empower strategic stakeholders and support the durability of a company's regenerative vision.

CORPORATE ACTIVISM AND NEW HORIZONS

It comes as no shock that the new "ESG fever," albeit with a number of well-placed caveats, also brings momentum and visibility for new creative pathways in the entrepreneurial universe. We are witnessing the rise of scalable green startups, including the newly coined term "carbon fintechs," companies that bring digital technology to greenhouse gas mitigation strategies.

These initiatives capture the spirit of a new generation, oriented by systems-thinking and complexity theory. Authors such as Fritjof Capra and Ugo Mattei, aided by concepts such as the "Ecology of Law,"⁷ offer new ideas for law-making that would embed the "commons" at the core of legal design. In this pivotal and crucial moment, new possibilities are being created for enterprises.

Current movements may seem like grains of sand in a large and imposing desert. And it is true that Brazil is experiencing a considerable underdevelopment of environmental governance at federal state level. These are unfortunate times. Still, we witness policies like the Brazilian Central Bank's decision to mandate financial institutions to follow recommendations by the G-20's Task Force on Climate-related Financial Disclosures (TCFD), part of its Financial Stability Board (FSB).

In addition, corporate law needs to be framed by concepts that emphasize eco-centric ideals. These represent larger schemes that businesses are slowly incorporating, translating them into a wider movement that instills the triple bottom positive impact into every aspect of the corporate agenda. B-Corp movement certification worldwide by large publicly traded companies surely represents this important shift and a greater pattern for market tendencies.

Society has reached the point of bifurcation, after running for a long time far from equilibrium⁸. In a world where traditional business models have accounted for resource depletion and social fragmentation, new regenerative proposals should be the priority for entrepreneurs and companies who wish to be agents of change. It is a pivotal moment for the corporate universe to shift to being part of the solution, contributing to prosperity and moving away from an orthodox growth mentality.

It is not only about decreasing GDP and other financial metrics. The creation of a new order is about rethinking our needs and rematerializing our global economy. This movement means developing countries can be at the vanguard of creating an enabling environment for emergent solutions.

The Global South has a great opportunity to finally reject the conventional economic illusion, reconfiguring the stakes for a just, global, post-growth future, where the triple bottom line stands as a cornerstone of development. It is time Brazil makes a firm stand in the approval of new laws and regulatory sandboxes for future-fit businesses that are willing to change and catalyze positive impacts for the world.

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⁸ Eve Mitleton-Kelly. *"Complex Systems and Evolutionary Perspectives on Organizations. Ten Principles of Complexity & Enabling Infrastructures"*. Elsevier, 2003.

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**Digital services
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Consumer policy after COVID-19

Fostering social cohesion requires an update to digital governance

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The Federal Ministry of Justice and Consumer Protection is a cabinet-level ministry in Germany. The ministry creates and changes law in the classic core areas related to Constitutional law and also analyzes the legality and constitutionality of laws prepared by other ministries. Moreover, the Ministry is also responsible for the area of consumer policy and consumer protection in the digital sphere, the goals of which are to establish the conditions for safe and self-determined consumer activity.

Keywords:

digital governance, consumer protection, consumer policy, data economy, digital policy

The COVID-19 pandemic has highlighted the need for a new form of digital governance to support consumers around the world. Digital consumer policy has to fit for a more digitalized and sustainable world and tackle inequality in the post-COVID world.

Governments around the world have been showing strong and decisive action to tackle the COVID-19 pandemic. Besides numerous measures to safeguard public health, policymakers have focused on supporting firms to prevent large-scale insolvencies. Central banks' monetary policies as well as special spending programs add to macroeconomic stability in the crisis and cushion the freefall of the global economy.

Yet, besides firms and production, COVID-19 has brought massive disruption to everyday life and hit one group particularly hard: consumers. Many are suffering from straitened budgets – stemming from unemployment or short-time work schemes – and are struggling to meet credit charges or to pay rents. Many countries have taken measures to mitigate the consequences of the pandemic for consumers, such as reductions in value-added tax or prosecution of consumer infractions – like unfair competition, for instance.

But while such measures are helpful, the rise in global inequality will be significant – and persistent – for several reasons. In terms of persistence, the duration of the crisis is evident: case numbers have been climbing due to a “second wave” in many countries at the end of 2020. In terms of rising inequality, one thing is clear: unlike most of Western Europe and other highly developed economies, developing countries do not possess the fiscal space to

boost the economy with expensive stimulus programs and shield consumers from job and income losses at large scale. Thus, between-country inequality will likely rise sharply due to the pandemic.

»Apart from digital data protection we also need to enhance transparency and the digital literacy of consumers.«

But also within-country inequality between consumers could increase quite significantly, one reason being the digital transformation. As a consequence of the crisis, many employers – private and public alike – are already or will be investing in their digital infrastructure. This development will probably come mostly to the benefit of highly educated, urban consumers, as several major cities have become hubs for digital business models. More vulnerable consumers, like those living in rural areas or in less-affluent cities will not be exposed to heavy investment in digital capabilities around them. And moreover, many of those vulnerable consumers

may fear that their jobs could become obsolete with digitalization on the rise.

THE RISE OF DIGITAL PLATFORMS AND MARKET POWER: A BURDEN FOR CONSUMERS

Finally, there is a further remarkable development that is related to the pandemic-induced acceleration in the use of digital services: the ever more important role of digital platforms. Clearly, platforms can

work well for many consumers given their potential for better transparency, lower prices and more convenience. Moreover, platforms can certainly play a useful part during the pandemic when physical shopping should be avoided. But the digital economy also requires stronger consumer and data protection – where platforms with already staggering market power have become even more dominant and successful with the coronavirus.

Figure 1: Anticipated growth (blue) or reduction (pink) in online purchases after COVID-19 (%)



Indeed, Figure 1 suggests that most consumers around the world will shift consumption patterns to the online arena, which is likely to strengthen online platforms. Apart from digital data protection we also need to enhance transparency and the digital literacy of consumers, especially when it comes to the – often opaque – use of data in digital services. This observation comes at a time when digital platforms and tech firms have gained very significant market power, mainly through network effects. The surge in dominance of the firms commonly known as “GAFA” (Google, Apple, Facebook and Amazon) are prime examples of this development.

While there appears to be a strong focus on digital platforms in the public debate, we should also focus on the offline world. Value chains of firms in sectors such as logistics, food and health have become increasingly digitalized, which appears to have helped the already dominant firms in these sectors. Novel research finds that market concentration and mar-

ket power across industries has increased in many sectors, as “super star firms” have taken a larger share of the economic pie in their respective markets.¹

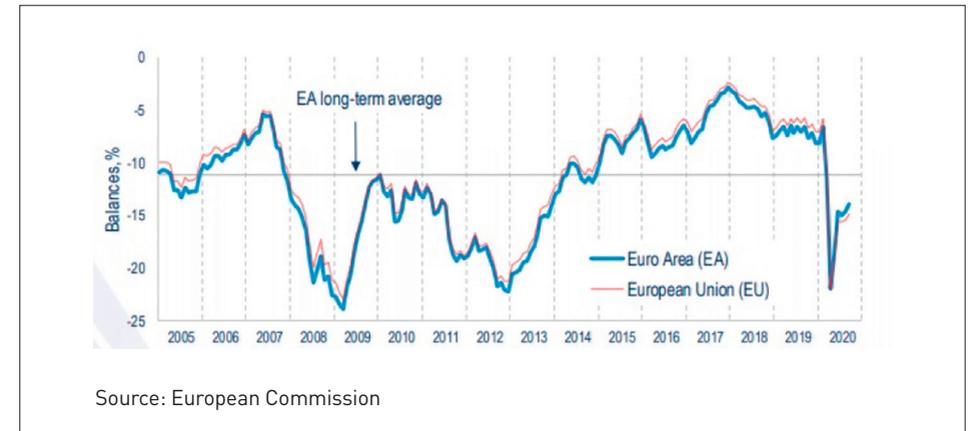
It is clear that increasing market power of platform firms can prevent new, innovative firms from entering markets, and thus suppress competition and innovation. This is not just bad for consumer prices. When single firms become too dominant, they can set the sole standards for consumer protection when it comes to the increased use of digital data in business models.

It is becoming clear that both digitalization (partly accelerated by the pandemic) as well as lower incomes and job losses due to COVID-19 are putting severe pressure on consumers. In our view, first and foremost, more consumer confidence can pave the way out of the crisis. There are several important points to consider from a consumer confidence viewpoint.

CONFIDENCE IS KEY

First, consumer confidence will be key to a

Figure 2: Net consumer confidence (%)



swift recovery. Only with rising consumer trust will firms and the overall economy be able to recover promptly. The European Union's single market (the world's largest economic area) provides a good example. Figure 1 indicates that consumer confidence in the EU has not yet returned from its low point after the outbreak of the pandemic and remains well below its long-term average.

Second, consumers are not a monolith. Some have been hit particularly hard: solo self-employed people, single-parents, artists, those living in the worst-affected countries or who themselves work in services such as tourism. So generous support for consumers will be important to keep already-rising inequality at bay.

Against this background, we should ask how a suitable consumer-oriented policy framework can combine digital governance and consumer protection to make consumers a top policy priority. One example of "good practice" could be the EU's framework on consumer policy, commonly known as the Consumer Agenda.

FOCAL POINTS: RECOMMENDATIONS BY THE EU TRIO PRESIDENCY CAN SERVE AS AN EXAMPLE

Recently, the trio presidency of the Council of the EU – the Netherlands, Slovakia and Malta – presented a joint paper, "Lessons Learned from the COVID-19 pandemic". It highlights important areas in which consumer policy requires immediate action as an antidote to the pandemic.

The recommendations pick up on the focal points of the Consumer Agenda process in the EU. They recommend of the three countries include:

- Improvement of consumer protection within financial services. The review and improved rules of the Consumer Credit Directive (2008/48/EC) should be adjusted to the digital era while ensuring a high level of consumer protection. The review should also examine the risks of over-indebtedness in the time of crisis.

- Addressing consumer vulnerability. Many consumers in the European Union lost their jobs or faced a considerable reduction of their income. As a consequence, consumers are facing difficulties in complying with credit / financial obligations, and many find themselves in a vulnerable situation and are experiencing indebtedness. This problem needs to be addressed in order to share best practices and information, and to find a common solution for European consumers. Possible approaches could include promoting inclusion, empowering consumers regarding their rights through consumer-supporting awareness campaigns, and developing common tools that improve consumer experiences. Studies by the European Commission on consumer vulnerability should be taken into account in the process of designing these measures. We intend to support research on the differences in quality of life for consumers across European regions and the welfare effects of EU regional policy.

- Consumer protection on platforms. Due to the considerable increase in fraudulent, misleading and legally non-compliant offers in e-commerce and on online sales platforms and "fake shops," such platforms should assume greater responsibility to tackle legally non-compliant offers. The Trio considers it therefore of central importance that the Digital Services Act announced by the Commis-

sion will introduce a higher level of responsibility in particular for large online platforms. In addition to these regulatory measures, an expansion of quality-based information and educational offers for consumers could be useful. Furthermore, administrative and regulatory measures to strengthen competition between platforms so that consumers also have freedom of choice should be considered. However, the responsibility of platforms and sellers should remain clearly distinguishable.

»Giving consumers a say and adequate influence in shaping digital governance will in the end be conducive to liberal democracy and open societies.«

- Promoting sustainable consumption. Some consumers changed their lifestyle and consumption patterns in the face of the crisis – often with environmentally

friendly effects. Beyond times of crisis, consumers should be encouraged to become actors in the green transition. This requires innovative solutions, an adequate legal framework promoting long product lifespans and reparability, appropriate information and consumer education. Sustainable consumption should not be dependent on income, but should be accessible for everyone.

- Travel and passenger rights. In the past, consumers have repeatedly endured painful experiences with corporate bankruptcies and inadequate bankruptcy protection. Thus, it should be examined whether and how insolvency protection could be improved in the area of transport, especially for air carriers.

- Review of the Directive on General Product Safety. The review of the Directive on General Product Safety (2001/95/EC) should be conducted with a view to the challenges brought by new technologies and online sales to ensure the safety of non-food consumer products, better enforcement and more efficient market surveillance.

The full list of areas identified by the Trio Presidency also includes joint research on vulnerable consumer groups and the monitoring of consumers' rights during the COVID-19 crisis – both of which would also be of great value for other G20 countries.

EMPOWERING CONSUMERS FOR A BETTER DIGITAL GOVERNANCE

Overall, the Consumer Agenda of the European Commission is a good example of how policy frameworks should combine the benefits for consumers from digital business models and the high level of protection needed to empower consumers.

Only this way will countries around the world manage to help consumers – and thus determine how well all of us can make it out of the crisis. In a broader sense, it will thus also determine G20 citizens' sentiments post-pandemic – in particular, whether they feel that policymakers balance the interests of consumers and businesses.

Thus, it should be noted that consumer policy is also a matter of social cohesion and thus relevant to the state of civil society across the globe. On a wider horizon,

the focus of consumer policy should be on empowering consumers – above all, giving them a say and adequate influence in shaping digital governance, which will in the end be conducive to liberal democracy and open societies. Such empowerment in the digital sphere will be ever more important as the world becomes much more focused on digitalization and a sustainable environment in the aftermath of COVID-19. With the right strategy, the “new normal” could be most beneficial to consumers – and the overall economy.

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Revisiting digital governance

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The Global Solutions Initiative (GSI) is a global collaborative enterprise to envision, propose and evaluate policy responses to major global problems, addressed by the G20, through ongoing exchange and dialogue with the Think20 (T20) engagement group. The GSI is a stepping stone to the T20 Summits and supports various other G20 groups. The policy recommendations and strategic visions are generated through a disciplined research program by leading research organizations, elaborated in policy dialogues between researchers, policymakers, business leaders and civil society representatives.

Centre for International Governance Innovation

The Centre for International Governance Innovation (CIGI) is an independent, non-partisan think tank whose peer-reviewed research and trusted analysis influence policymakers to innovate. Its global network of multidisciplinary researchers and strategic partnerships provide policy solutions for the digital era with one goal: to improve people's lives everywhere.



The University of Western Australia is the coordinating centre for Frontier Technology, an initiative funded by the Minderoo Foundation to advance education on the societal impact of new technologies and technological change, through providing grants and donations to leading universities. It seeks to drive policy reform to ensure accountability in the tech ecosystem and protections from harm for the benefit of the public.

Keywords:
digital governance, recoupling, consumer data rights, market efficiency, accountability online

Daily zoom conferences and remote access to work files, shopping online, video calls to friends and colleagues, online webinars instead of face-to-face teaching: the COVID-19 pandemic has accelerated the use of digital solutions in both our private and our working life considerably. Yet for society at large to truly benefit from digitalization, the rules and regulation of this vast and complex conglomeration of different industries need to change. While it is difficult and indeed pointless to argue against the benefits of digital products, the downsides and drawbacks of this fast-moving and largely unregulated process are increasingly in the spotlight. Digitalization is creating space for fake news and cyber criminality while eschewing accountability and transparency, and eroding trust in democracy. Many in the tech industry find themselves uninhibited by what are standards in the offline economy such as fair competition rules, anti-monopoly regulation or appropriate taxation. Quite the opposite, the largest multinational corporations have been able to become true monopolies, creating inefficiencies and a dynamic system that poses great challenges for government regulation.

AN UNEVEN PLAYING FIELD

Digitalization includes a myriad of different fields, topics and sectors, such as big data, social media, AI, automation, robotics, platform economies, and a variety of players from industries not restricted to what is traditionally considered “tech industry” – all of which have the potential to disrupt society, culture, politics and economy. They are designed to do so, to create better, more efficient, more con-

nected spaces; but lacking democratic input and long term planning they often enough create severe problems. A principal source of these problems is that many digital services are provided for free, or at a significantly reduced price, in return for information about the users, which is sold to advertisers and other “influence sellers.” This “third-party-financed digital barter” – involving three-way transactions between digital service providers, data subjects and influence sellers – creates a system that is ultimately driven by the influence sellers for private gain. The objectives of the influence sellers are not well aligned with the objectives of the data subjects. This system generates great disparities of information and market power, further upsetting the alignment of objectives between influence sellers and data subjects.

User consent for what is effectively ubiquitous commercial surveillance is inadequate, given power and information asymmetries between individuals and dominant technology platforms. Data protection as currently defined and enforced is unable to secure user control of data, or freedom from commercial and even political and social manipulation. Users are not in a position to judge the value of their data, and neither do they have control over who ends up using it. They have little to no control over their personal data and any other collective data they generate. The consequences of this data gathering process are far reaching and severe. Digital service providers use complex algorithms to steer our attention and our information intake in specific directions while also structuring social exchange: largely with the goal of increasing revenues

for the third-party influence sellers and marketing interests, and without our active awareness. This process undermines

»User consent for what is effectively ubiquitous commercial surveillance is inadequate, given power and information asymmetries between individuals and dominant technology platforms.«

democratic, social, political and economic freedoms, to the point that fundamental human rights cannot be guaranteed in this kind of online space. All this endangers our society and democracy, together with our economic systems. Lost taxes harm the welfare state and thereby social

cohesion, manipulation of information polarizes debate and endangers democratic process, open debate and thereby also social cohesion.

»Customer-facing websites and apps should be responsible for who receives access to their users' data – whether that access is by sale or by placement of trackers and beacons on their sites.«

For all these reasons, a course correction, if not a revolutionary structural change, in digital data governance is necessary. The opportunities of the digital revolution can continue to be beneficial to all while negative externalities are reigned in or softened. Digitalization will only become truly effective and efficient for most

when inefficiencies and stark inequalities created by the current system of regulating are addressed.

A NEW CLASSIFICATION TO PUT USERS IN CONTROL OF THEIR DATA

This is a job for high level politics. Policymakers are the only ones with the democratic power to change the rules accordingly to make the online world fairer, more efficient, and more competitive. These changes cannot be made by individual firms themselves and not by local civil society movements. It is precisely one of the main assets of the digital world that it “knows no borders”; this also means that system regulation cannot be undertaken by solitary actors, but that it requires multilateral effort.

The success of digitalization reform is conditioned by how we treat data. And it is important to distinguish between different types of data:

- Official data (O-Data), which is “official data” that requires authentication by third parties for the purpose of conducting legally binding transactions and fulfilling other legal obligations in many jurisdictions. Authentication can come from the state or other legally accepted sources. Examples include a name, date of birth, professional qualifications, land registry deeds, or passport number, to be authenticated by the legitimate parties.
- Collective Data (C-Data), is “collective data,” which data subjects agree to share within a well-defined group for well-defined collective purposes.
- Private Data (P-Data) may be divided into “first-party data” volunteered by the data subject or generated by the data subject and observable by other parties,

and “second-party data” generated by a second party about the data subject or inferred about the data subject from existing data. This is data that does not require authentication by third parties and is not collective. It may be data that is volunteered by the data subjects (such as personal photographs), generated by the data subjects (such as location data from mobile phones), observed (such as a transaction) or inferred (such as psychological data deduced from web searches).

We therefore propose the following:

- Give individuals genuine control over O-Data and P-Data, with easy-to-use technical tools and supporting institutions;
- O-Data should be verifiable from the authenticating source (and is subject to audit);
- Second-party data can only be used in the interests of the people it is about, echoing offline relationships such as doctor-patient or lawyer-client.
- We therefore need to create legal structures and necessary institutional support (such as education programs) for the establishment of a flourishing range of “data commons” to allow people, instead of platforms, to manage and benefit from C-Data, both individually and collectively.

A key issue with the current situation is that the big digital data providers are so very advanced in their knowledge and skills regarding data as well as so very non-transparent with how and why they use it. Most users do not know which data is collected about them and what happens with that data once it has been collected. But even if users go to the effort of understanding these things, they rarely have alternative options. Many services do not function properly unless collecting all data

is enabled and privacy rights such as the European Union’s General Data Protection Regulation (GDPR) are waived by the user during setup; and not taking part in these platforms or services is often not an option due to their monopoly position both in the office and in private, social life. Current rules on data protection are insufficient.

ELIMINATING POWER ASYMMETRIES

A further step towards protecting personal autonomy involves enforcing shared responsibility. Digital service providers can be made responsible for who they partner with to track or target users. Customer-facing websites and apps should be responsible for who receives access to their users’ data – whether that access is by sale or by placement of trackers and beacons on their sites. Therefore, the regulation of data governance needs to be changed from the top; starting with EU data protection laws, which are at this point among the most advanced in the world, if still insufficient. We therefore propose:

- To provide and secure digital rights of association for individuals that counter-balance platform power;
- To provide effective legal protection for vulnerable digital users;
- To ensure (for example via the Digital Services Act) that competition in the online world is treated the same as that offline, with greater coherence between competition, consumer rights and data protection agencies.

We must consider that commercial and political manipulation of vulnerable users through non-transparent, non-accountable collection and usage of their data without their knowledge can only be stopped if we change the rules of the

game dramatically. This would ensure basic human rights and weaken the attacks on democracy through such measures as fake news and unaccountable online hate speech we have witnessed in recent years. Pandemics are another very current example of how a new data governance regime would benefit the common good. Only those who can trust that their data will be used for the intended purpose alone and not be sold on are willing to share data to track and trace the spread of a virus such as COVID-19.

Apart from distorting democratic and social norms, this is an issue concerning the fundamental rights and laws in our economic systems. Two necessary (but not sufficient) conditions for a market system to function in the interests of its participants are that (i) the participants have control over the goods they sell and gain control over the goods they buy and (ii) the participants have the opportunity to engage in voluntary exchange, by trading goods at prices that they have agreed on. Neither is guaranteed in the digital world as we speak. Furthermore, economic decision-making rests on the perceptions, beliefs and preferences of market participants. Each of these determinants is in the hands of the digital service providers through the flow of digital information that they manage in the interests of third-party funders. Manipulation is only possible because a market actor, in this case a data broker, has intimate knowledge of what makes a target's decision-making vulnerable. By encouraging "third party-financed digital barter," the current regime further undermines the workings of the free market system, together with the governments that rely on this system

for tax revenues. The reason, obviously, is that the free market system works through price signals, which digital barter has eliminated.

»Only with expansive and paradigm changing actions can digitalization become a real success story and lead to societal as well as economic progress.«

REVISITING DATA GOVERNANCE FOR THE RECOUPLING OF WELL-BEING

Only with expansive and paradigm-changing actions can digitalization become a real success story and lead to societal as well as economic progress, rather than leading to the exclusive gain for a few very large digital service providers. States and societies would very directly profit financially from new regulation and redistribution of data access: the problem of profit shifting is further enabled by non-transparent third

party financial barterers in which it is often not clearly stated who gains what from the transaction, and tax points would be easier to set. The new regime will not happen by itself. For the new regime to become successful, it needs broad adoption. For broad adoption in the EU, it must become a legal requirement. The new digital regime could play a central role in the creation of a European digital single market and is

consistent with the GDPR. Progress on this front could put the EU at the vanguard of a new digital age in which online and offline policy becomes harmonized and the growing problems of the current digital regime are overcome.

*For more information visit:
www.global-solutions-initiative.org/policy-advice/revisiting-digital-governance*

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Digital services and data flows in global trade

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Keywords:

digital trade, services trade, cross-border data flows, digital governance, geopolitics

INTRODUCTION

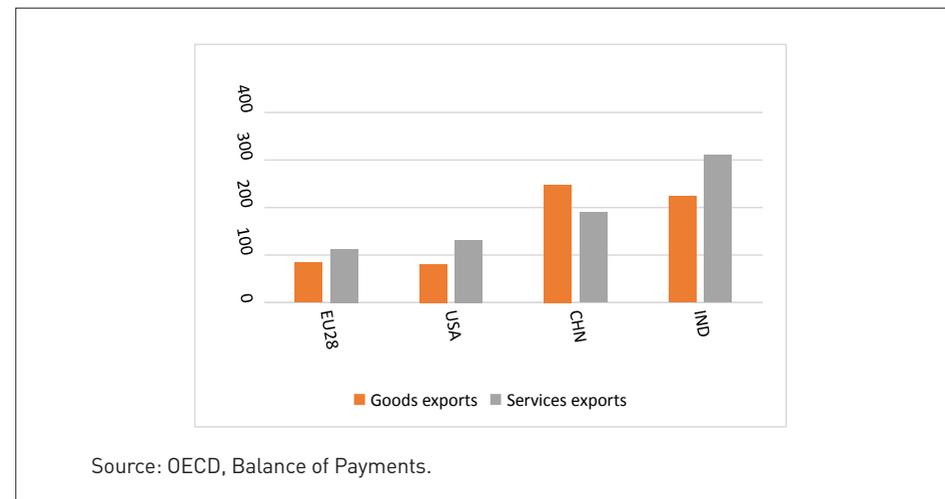
Digital trade is on the rise, but it is not yet well understood and remains largely unregulated. Trade is typically considered to be digital when part of the transaction is conducted electronically, for example buying goods online or consuming a digital service (e.g. López González & Jouanjean, 2017). One key difference of digital trade, compared to traditional trade in goods and services, is that it involves cross-border data flows (Aaronson & Leblond, 2018). While simple data exchanges for facilitating the shipment of a good are unproblematic, data policies of trading partners and their countries become a central issue when the cross-border data exchange involves personal data, business data or intellectual property. In order to tap the full potential of digital trade for growth, productivity and welfare, regulatory adjustments at the global level are required.

This article looks at services trade in particular because it is the cross-border data exchange connected with services trade that leads to important geopolitical challenges to be addressed in multilateral forums.

The General Agreement on Trade in Services (GATS) distinguishes between four modes of supply for services:

- Mode 1: services supplied from one country to another (e.g. video conferences);
- Mode 2: consumers or firms making use of a service in another country (e.g. tourism);
- Mode 3: a foreign company setting up a subsidiary or branch to supply a service in another country (e.g. a bank with a foreign branch);
- Mode 4: individuals travelling from their own country to supply services in another country (e.g. consultants working with clients abroad).

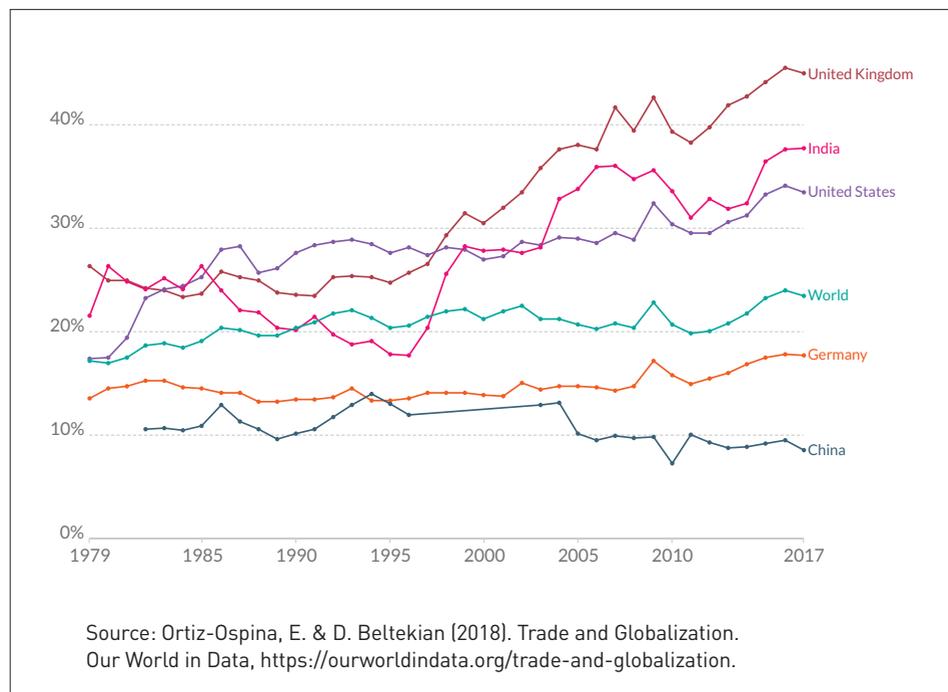
Figure 1: Growth in exports of goods and services, 2005-2019, in %



Services trade, except Mode 3 trade, is reported in the Balance of Payments statistics. As shown in Figure 1, which looks at major the trading partners, the EU, the US, China and India, services exports increased more strongly than goods exports during the past 15 years, except in China. This trend is confirmed by Figure 2, which depicts the share of services in total exports. While the world average share only increased slightly between 1979 and 2017, services exports became very important in the UK, India and the US. In Germany, which has a large industrial base dominating its exports, the share of services remained almost constant.

Overall, manufacturing trade is still much larger than services trade in terms of scale. Yet, services are also an essential element in global value chains (GVCs) of manufactured goods, starting with R&D, consulting and market analyses in the upstream sections of GVCs, and ending with customer service and repair services in the downstream sections. For many manufactured goods the embodied services are central to product differentiation. Cernat and Sousa (2015) estimated that manufacturing is responsible for around 60% of all EU jobs that are linked to exports. Of all those jobs supported by manufacturing exports, 40% are in fact service-sector jobs.

Figure 2: Share of services in total exports, 1979-2017, in %



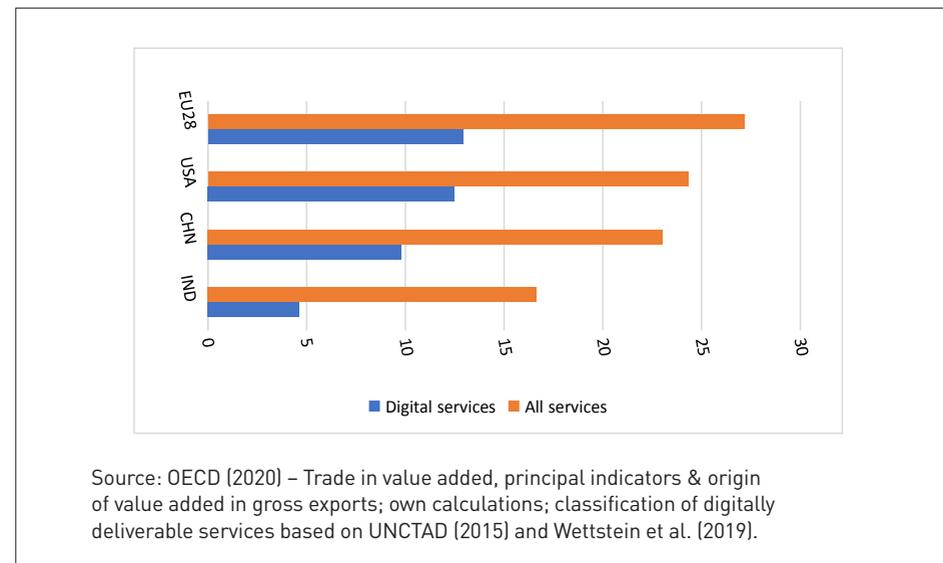
The EU’s domestic value-added share of services is larger than in all other major economies, amounting to roughly 27%, and about half of the embedded services can be characterized as digitally deliverable services (see Figure 3). The integration into global service value chains is important for Europe’s industries.

It is difficult to measure how many services are actually delivered digitally because the transaction data do not pass by a customs agent. However, it is possible to look at how many services are traded that can potentially be delivered digitally (see UNCTAD, 2015, for details on this classification). As Figure 3 shows, EU-28 exports and imports of digitally deliverable services were already growing at a significantly stronger rate than those of

physically deliverable services before the pandemic.

The COVID-19 pandemic has probably reinforced this development. While travel, tourism, cultural and recreation services have contracted strongly due to lockdowns and travel restrictions, some digital services such as videoconferencing and media streaming have expanded. This is also true for digitally enabled trade (e-commerce): production in the retail sector declined steeply during lockdowns while e-commerce and delivery increased. We suspect that for some services the mode of delivery has changed during the pandemic: for example, consulting services are no longer supplied with physical presence under Mode 4 (individuals travelling to supply a service) but by video link under Mode 1

Figure 3: Share of value-added of domestic (digitally deliverable) services embedded in manufacturing exports, 2015, in %



(service supplied from abroad). In other words, many services that could potentially be delivered digitally but were often still delivered physically, have witnessed a digitalization boost during the pandemic.

While the economic potential exemplified by this digitalization boost is presumably positive for productivity, it also highlights the challenges for global governance and regulation arising from cross-border data transfer in transactions. Digital services trade can be impeded by regulatory hurdles regarding the digital delivery of the services and restrictions on the trade in services itself. Delivery can, for example, be restricted by data localization requirements: if a professional wants

to market her services in a foreign country, she might be prevented from doing so by laws requiring the storage of customer data in a customers' country of residence. Trade can also be restricted by residence or licensing requirements: the professional might be required to be resident in the country of her customers or hold country-specific certifications and licenses to carry out a service. Hence, for the potential of digital trade to flourish, the regulations need to be compatible across countries.

INCOMPATIBLE INTERNATIONAL REGIMES

The regulatory environment is currently fractured internationally, inhibiting inter-

national trade in digital services. The major economic blocs Europe, the United States and China follow different and incompatible paradigms regarding data protection and privacy. They also differ strongly in market openness for digital services. In the following, we look at the EU, the US and China and describe differences in data privacy and trade openness.

not negotiate data protection and privacy issues in trade agreements but relies on unilateral adequacy decisions. It has currently established eight adequacy decisions with relatively small countries² so that data can be exchanged between these countries as within the European Union. Outside of countries with adequacy decisions, standard contractual clauses are a possibility to allow the transfer of private data abroad, however these are reliant on ensuring GDPR compliance abroad (cf. Marcus, 2020).

With regard to market openness for digital services, the EU is among the most open economies, according to the OECD's Digital Services Trade Restrictiveness Index (Digital STRI), which measures trade restrictions such as data localization requirements. According to the OECD's Services Trade Restrictiveness Heterogeneity Index, the EU's regulation of digital services is relatively similar to Japan or South Korea, and relatively dissimilar to China and currently also India.

United States

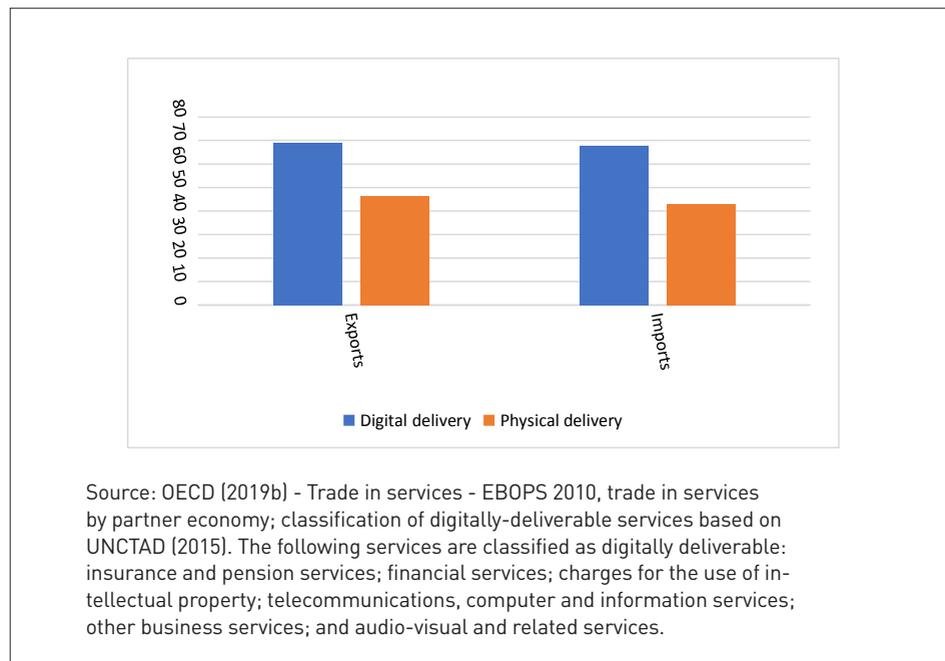
The US paradigm is characterized by a laissez-faire approach and primarily concerned with supporting economic growth and maintaining technological leadership. Hence, it is accommodative of the United States' very competitive digital industry. The free flow of data and market access for US companies are important goals for US trade agreements, whereas data protection is only a secondary consideration. Recent restrictions of companies' usage of data in California are an exception. Europe and the US have twice tried to establish a framework that would have facilitated transfers of personal data equivalent to an

»Digital services trade potentially offers an opportunity for developing countries to participate in global value chains.«

European Union

While the EU generally supports a free internet and the free flow of data, it puts a strong emphasis on protecting the personal rights of users. In fact, the EU has declared the protection of privacy a human right,¹ and having established the General Data Protection Regulation (GDPR), it does not trade off data privacy against commercial interests. Therefore, the EU does

Figure 4: Growth in services trade by mode of delivery, EU-28, 2010-2018, in %



adequacy decision for self-certified companies, but both attempts were invalidated by the EU Court of Justice for not providing legal protection for EU citizens.

With regard to trade openness, the US is even more open for services than the EU, according to the Digital STRI. It has fewer restrictions such as localization or licensing requirements. However, according to the STR Heterogeneity Index, the US is less similar to many countries than the EU is, in particular to countries with high levels of privacy protection. Moreover, the US is also almost completely open for Mode 1 services trade (services supplied from one country to another), except in financial services.

China

The Chinese internet has been largely separated from the global internet and many non-Chinese websites and platforms are unavailable for Chinese users. In addition, the State Security Law of 1993 allows the government to gain access to data collected by private enterprises. The closed nature of the Chinese digital sphere allowed the Chinese internet to develop largely unaffected by international competition. Yet, the disconnect from the global internet also makes it difficult for Chinese digital services companies to supply the global market.

According to the Digital STRI, China is by far the most restrictive country among the G20 when it comes to market openness. One reason for this is the requirement that firms active on the Chinese market store data locally in China. Chinese regulations differ significantly from most G20 countries; they are most similar to Saudi Arabia and Indonesia.

Other countries

Some governments try to replicate China's approach to digital trade and the internet. Russia and Turkey, for example, have implemented data localization requirements and limit the usage of data encryption. India, on the other hand, has established data privacy as a fundamental right and might seek an EU adequacy decision.^{3,4} At the same time, India has banned Chinese software applications from its market, allegedly because of concerns over privacy infringements of Indian citizens.

»All countries will have to weigh the benefits of a free flow of data against the costs of civil liberties, with different political outcomes.«

GEOPOLITICAL IMPLICATIONS

Global digital governance is a field in which national interests feature prominently and which often seems to be a battleground where other geopolitical conflicts

are fought out (e.g. the US ban of Huawei products and services, Indian ban of Chinese apps). The incompatibility of digital regimes, with regard to privacy or trade openness, increases the risk that the free internet, and therefore the basis for digital trade, could become fragmented into national spheres. This not only undermines the economic potential of digital services trade, but it also harms other countries, especially developing countries, which may benefit enormously from a conducive global environment for digital services trade.

Digital services trade potentially offers an opportunity for developing countries to participate in global value chains. The countries would benefit from a global level playing field with regard to digital services. They would also benefit from intensified international initiatives to ensure internet availability and access, combined with civil society efforts to ensure the freedom of information.

As much as market openness and the free flow of data, leading to larger markets, is helpful for the development and growth of the digital services industry, it remains crucial to maintain high standards on data privacy. All countries will have to weigh the benefits of a free flow of data against the costs of civil liberties; with different political outcomes.

A look at the three blocs – the EU, the US and China – depicts the fault lines. While the differences with regard to privacy protection and openness between Europe and the US are large, the differences to China

seem unresolvable. Notably, some compatible approaches are also emerging: Japan, South Korea, India and the EU seem to be like-minded countries when it comes to data privacy and openness. And recent developments of privacy legislation in California show that there may be a shift of the US position on privacy regulation. Yet, it would be a mistake to expect full convergence with European standards, and convergence is entirely unlikely with countries like China and Russia. Safeguarding citizens' rights requires regulators to limit the free flow of private data while enabling the flow of business and public data. This requires, among other things, a clear-cut distinction of data types (Snower et al., 2020).

CONCLUSION

Negotiations at the global level are required to make progress on digital governance and tap the potential of digital services trade for growth and development. Yet, national interests feature strongly in digital governance and overarching geopolitical conflicts complicate debates. The WTO would be a natural place to lead these discussions, but given state of international relations, a multilateral agreement at the WTO level is unlikely to be reached in the near term. The Japanese G20 Presidency initiated discussions on "data free flow with trust," resulting in the so-called Osaka track. Italy's G20 Presidency should continue the debate and facilitate an agenda to help dissolve incompatibilities among approaches to digital trade.

¹ Charter of Fundamental Rights of the European Union, Art. 8.

² Japan as a large economy is an exception.

³ See <https://www.cfr.org/blog/implications-indias-right-privacy-decision>.

⁴ Reported by The Economic Times on 30 June 2019; see <https://economictimes.indiatimes.com/tech/internet/govt-to-ping-eu-to-align-its-data-law-with-gdpr/articleshow/70442538.cms>.

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Reset, recovery, and resilience alone?

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Friedrich-Ebert-Stiftung (FES) is the oldest political foundation in Germany with a rich tradition in social democracy that dates back to its founding in 1925. Its work is devoted to the core values of social democracy – freedom, equality, justice, and solidarity – pioneering for free and strong trade unions, in particular. This also forms the basis of its programmes for international cooperation, as well as scholarship programmes, and political education. FES maintains offices in more than 100 countries in Africa, the Middle East, Asia, Latin America, Europe and North America.

Keywords:

public services, resilience, inequality, austerity, social-ecological transformation

The COVID-19 crisis is a crisis like no other, one with serious social consequences: According to initial estimates, global poverty is due to rise again for the first time in 30 years and push an additional 88 to 115 million people into extreme poverty (World Bank). Food security is at risk in many countries. In the most vulnerable societies, COVID-19 is acting like a fire accelerant for crises and conflicts.

»Now would be the right time to leave the usual political pathways and address systemic risks of global development.«

BECOMING ACCUSTOMED TO CRISES: THE NEW NORMAL?

And yet the pandemic is only the most recent (and certainly not the last) in an already long series of crises. Economic and financial crises, ecological crises, health crises, social crises and “peace crises” are overlapping and reinforcing each other, with the result that we find ourselves in a permanent crisis mode in which there is hardly any room left to think in terms

of sustainable political alternatives. Our thinking is dominated by the (impending) crises rather than by the idea of a better future. However, now would be the right time to leave the usual political pathways and address systemic risks of global development, and to bring about transformation leading to sustainable economies and societies.

In acute crises, the political pressure to act becomes extreme. The quite far-reaching measures taken are a reflection of the possibilities of the existing system. The status quo ante is supposed to be the guarantor of a safe existence. By contrast, in seemingly “uneventful” crises whose effects are not yet acutely felt by everyone – although, like ecological crises, they already have massive consequences – there is a corresponding lack of pressure to change course.

It almost seems as if in recent years we have become accustomed to crises. The increasing prominence of the notion of “resilience” is an indication of this. The aim of promoting resilience is not so much to change the fundamental structures that trigger crises as to find ways to live with crises by developing the corresponding capabilities. The central message is that in the Anthropocene our most important task is to cope with the self-inflicted chaos around us. Crises are the “new normal” and resilience is the skill required to cope with them. Given that more and more people are affected by acute crises and disasters, there are certainly good reasons to take the question of adaptation more seriously. The pragmatism of notions of resilience also takes feelings and phenomena of crisis seriously by focusing on capacities and resources for dealing with

problems. But resilience is a program born of necessity. In preparing ourselves for the state of emergency, we fail to remedy the causes of the crisis.

In contrast to the 2030 Agenda for Sustainable Development, resilience has an undertone of conservatism. It demands little and does not offer any solution. Moreover, it is mainly focused on reinforcing the capacity of individuals to withstand adversity, something that would require fundamental economic and social change. Although resilience accords central importance to learning how to deal with crises, it ultimately does so within the existing system. And finally, resilience is not a neutral concept. If we examine concrete social contexts, we see that power and interests play a major role and that resilience must face normative questions: Whose crisis resistance is the focus of concern and why? Does the increased resilience of one group lead to the greater vulnerability of the other? And do we want to make certain systems, such as authoritarian structures, fossil industries or socially and ecologically damaging supply chains, more resilient in the first place?

WHAT SHOULD BE PRIORITIZED IN RECOVERY PROGRAMS

As in the aftermath of the financial crisis of 2008, when the discredited structures and interests of global financial markets celebrated a “strange triumph of failed ideas” (Paul Krugman), transformative approaches are again in danger. But the crises we need to manage are not only complicated but also highly complex. In the face of this complexity, we must consciously design new forms of intervention. For example, the devastating impact of the pandemic

on essential health services cannot be addressed in isolation from biodiversity loss, the destruction of natural habitats and ecosystem degradation. The UN’s Sustainable Development Goals (SDGs) do in fact take account of such multiple, cross-cutting issues. However, the Least Developed Countries are facing the prospect of a “lost decade” with no hope of delivering the 2030 Agenda. The Agenda’s “Decade of Action” was launched at a time of crisis.

So the OECD recommends that economic recovery packages should be designed to “build back better.” The UN’s slogan “Building Back Better” is ubiquitous. It was prominently used for the first time in the Sendai Framework in 2015. A decade earlier, it was the tsunami relief effort that had called for a “new kind of recovery that not only restores what existed previously, but ... set[s] communities on a better and safer development path.”¹ The slogan typically referred to disaster relief efforts, as if disasters were isolated events; yet interlinked and concurrent crises aggravate the likelihood and impact of future disasters.

The World Economic Forum started its Great Reset initiative, which underlines the need not only to restore the way things were, but also to address systemic vulnerabilities. It states that we will have to reinvent capitalism, but solutions presented still stress the importance of the connection between the private and public sectors; multi-stakeholder initiatives are supposed to operationalize multilateral solidarity. What is missing is a clear commitment to a human rights-centered economy and a policy agenda to tackle economic inequality.²

Solutions offered by the World Bank and the IMF imagine a “resilient recovery.”

Ironically, the World Bank ranks countries better whose social security expenditures are low.³ International research tells a different story: Large-scale social protection builds resilience. This shows that the data we use to measure progress and monitor implementation of the SDGs is contested and cannot be separated from political considerations.⁴

However, this also represents an opportunity. As Stephanie Kelton makes clear: “I don’t think we can go back to how it was before COVID-19. The fallout has already been too great. The pieces are already falling on the ground. ... [T]he other option is to assemble the pieces in a different and smarter way.”⁵ What we see – and what the 2020 Annual Meetings of the IMF and the World Bank illustrated – is that civil society and specialized UN agencies such as UNCTAD are pushing for green and human rights-centered, anticolonial and feminist recoveries that truly avoid austerity and ambitiously promote the public interest.

COVID-19 accentuates the need for democratic global action and solidarity in order to achieve the SDGs through COVID-19 responses; boost essential health supplies, including vaccines; protect supply chains, especially for food and medicines; establish universal social protection, especially by supporting the Global Fund for Social Protection; and provide adequate development finance, including resources for the global International Financial Institutions and development banks. Solidarity must start with a commitment to fulfilling all rights for all. This will not be achieved without effective governments and a strong public sector.⁶ Not least, global standards and benchmarks, such as

treaties and conventions on human rights and environmental and sustainability, need to be taken seriously.

»Resilience is a program born of necessity. In preparing ourselves for the state of emergency, we fail to remedy the causes of the crisis.«

INEQUALITY

The most pressing of the global challenges prior to COVID-19, and at the same time the most important economic impact of the pandemic, is inequality. Before the pandemic, the contrast between extreme concentrations of wealth and power and ever-growing economic inequality worldwide, shrinking public services, disempowered minorities and declining security for women had become the new normal. Inequality is reinforced by rules of the global economy. Political choices allowed this situation to become the new normal.

Already today, the high levels of inequality are perceived by many as unacceptable

and unjust and as a violation of the “moral economy” (Edward Thompson). The pandemic is not the great leveler any more than globalization is. The effects of COVID-19 are being felt especially by the most vulnerable: people living in poverty, women and children, the working poor, marginalized groups such as migrants and ethnic minorities – i.e. population groups who have poorer access than others to health-care and basic social services.

The worldwide lockdowns had a major impact on workers, but not on wealth. This is why, as Nouriel Roubini notes, we are experiencing a “K-shaped recovery, characterized by a widening gap between Wall Street (representing big firms, big banks and Big Tech) and Main Street (representing workers, households and small businesses). ... That is a recipe for social and political unrest.”⁷ Especially when the idea of austerity returns. A recent report by Isabel Ortiz and Matthew Cummins tracks how developing countries in 2010 moved from fiscal stimulus in response to the global financial crisis to an institutionalization of austerity as “the new normal.”⁸ What the pandemic has shown is that typical austerity measures, such as social security reforms, increasing regressive consumption taxes, and privatizing public assets, left countries with hollowed-out welfare states that had too few resources to respond adequately to the crisis.

Many countries are on the threshold of a new debt crisis or have already crossed it. Rising expenditures on healthcare, along with falling revenues and massive outflows of capital from developing and emerging economies, will exacerbate the situation dramatically. Therefore, a sustainable reduction in inequality is possible

only if, in addition to socially oriented (and above all socially financed), crisis-related economic stimulus programs, key elements of the global economy are revised. This includes an active global tax policy that combats illicit financial flows, drains tax havens, increases corporate transparency obligations, establishes a register of assets, sets global minimum taxes and ensures that developing countries also play a role in international tax policy within the framework of a UN tax body. Moreover, it calls for a global state insolvency procedure that formulates and implements debt relief options for particularly vulnerable groups of countries and includes the various groups of creditors, and it calls for the restructuring of the financial markets, for example through stricter regulation of shadow banks and a functioning separation of investment and commercial banking. Finally, it requires a comprehensive and efficient public service and a trade policy with social and ecological standards backed up by sanctions in all trade and investment partnerships.

DECENT WORK WORLDWIDE

Strengthening decent work worldwide will be one of the core tasks in the light of the consequences of the pandemic. Decent work secures livelihoods, reduces inequality, promotes gender equality, enables participation and communicates the feeling that one is appreciated. At the same time, globalization and the digitalization of economies will continue to transform labor markets and the character of work throughout the world in the coming years. This creates opportunities for quality jobs, greater time autonomy and new forms of employment within a social and solidar-

ity economy. On the other hand, we have good reason to be sceptical about who will benefit from a “digital dividend,” because the enormous surge in technology over the past three decades has been accompanied by an increase in extreme inequality. Implementing decent work worldwide means, among other things, establishing binding due diligence obligations for companies along the supply chain, strengthening the activity and rights of trade unions, introducing basic social protection and living wages, implementing the ILO core labor standards, and regulating labor in safe and responsible ways.

»Interlinked and concurrent crises aggravate the likelihood and impact of future disasters.«

INSTITUTIONAL WEAKNESS

(Almost) all countries are affected by COVID-19, but not all are affected equally, and not all are able to respond equally well. For the developing countries, the level of international cooperation will determine how they cope with the economic repercussions of the crisis. However, the immediate responses to the pandemic were shaped by country-first strategies and uni-

lateral reflexes, beggar-thy-neighbor policies, the renaissance of great power politics and self-declared exemptions from global rules.

As ad hoc measures, efforts to defend and, where possible, strengthen existing multilateral structures will remain important, because international cooperation offers the only prospect of containing the spread of COVID-19. In the medium term, multilateralism has reached a fork in the road in its 75th year of existence. Will we manage to connect up with the multilateral milestones that were also achieved under difficult conditions, such as the Paris Agreement, the 2030 Agenda and the Global Compact for Migration, and strengthen the foundations of democratic multilateral action? Or will the pandemic accelerate the fragmentation and the weakening of multilateral action?

FUNDAMENTAL CHANGES OF PUBLIC POLICY AND HOW THE GLOBAL ECONOMY OPERATES

The need to respond quickly to emerging social and economic upheavals is uncontroversial. But only driving by sight is not enough. The policy of crisis resilience must be embedded in recognizable alternatives in order to show the exhausted societies that the crisis mode represents an opportunity for change. In a narrower sense, this means that through targeted adaptation concepts we can gain time to shape the transition and change to economic and social forms that address the causes of the crises. Taking resilience seriously, in the broader sense of maintaining vital systems for human beings, also in many cases requires questioning, reforming and controlling established orders, such as the

international financial markets, or power structures. Otherwise, resilient societies and individuals will quickly run out of

steam, because the interval between adaptation and crisis aggravation is becoming shorter and shorter.

¹ Key Propositions for Building Back Better: A Report by the United Nations Secretary-General's Special Envoy for Tsunami Recovery, William J. Clinton https://www.preventionweb.net/files/2054_VL108301.pdf

² Global Civil Society Report on the 2030 Agenda and the SDGs 2020: <https://www.2030spotlight.org/en>

³ <https://www.ipsnews.net/2020/09/time-end-controversial-world-banks-business-report/>

⁴ Global Policy Special Issue: Knowledge and Politics in Setting and Measuring SDGs. <https://www.globalpolicyjournal.com/journal-issue/special-issue-knowledge-and-politics-setting-and-measuring-sdgs>

⁵ <https://news.sky.com/story/after-the-pandemic-why-coronavirus-new-normal-could-help-us-repair-economic-inequalities-in-society-11998794>

⁶ Barbara Adams, 2020: Re-inventing multilateral solidarity: rhetoric, reaction or realignment of power?

⁷ Interview with Project Syndicate, reprint: <https://tbsnews.net/world/global-economy/whats-next-global-economy-143626>

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Cities and the future of growth

Towards an economy of well-being?

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The Global Lead of PwC's Cities and Local Government Network includes strategy formulation and implementation for cities and local government entities, the definition of long term and complex project development in both developed and developing market conditions, in the Middle East, Latin America, Asia, the United States and Europe, and work with major global networks and organizations, including the G20, along with expertise on data, competitiveness, smart cities and sustainability.



The Kiel Institute for the World Economy is an international center for research in global economic affairs, economic policy consulting, and economic education. The Institute engages especially in creating solutions to urgent problems in global economic affairs. It advises decision makers in policy, business, and society and informs the broader public about important developments in international economic policy.



The Diplomatic Advisor of the Mayor of Rome is the supervisor of all international activities of the Municipality of Rome. This includes the representation of Rome in international activities and in international fora of cities and local governments, including the Urban 20 engagement group within the G20, and supporting the Municipality of Rome in its international exposure with respect to Embassies present in Rome, especially in cultural activities, and relations with the Ministry of Foreign Affairs.

Keywords:
well-being, disruptions, pandemic, crisis, cities, welfare, infrastructure, G20

“As the global population presses towards 9.7 billion by 2050 and expands into wild frontiers, as agriculture becomes more intensive, as cities of greater density and scale proliferate, and as the earth grows hotter, the threat of new emerging infectious diseases rises steeply. Outbreaks proliferate that can spread swiftly across the globe and become pandemics, disrupting supply chains, trade, transport, and ultimately entire societies and economies.” Center for Strategic and International Studies (CSIS, November 2019)

When he introduced the OECD report on the Economy of Well-Being back in July 2019, United Nations Secretary General Angel Gurría was probably far from imagining the massive blow that the COVID-19 crisis would inflict on the designated pillars of this new economy, on health, social protection and redistribution, on education and skills and gender equality. If their restoration is urgent, global solutions alone will not work, as the crisis is very asymmetrical, with cities at its epicenter. It is also deep, with many warnings neglected. As the G20 Italian Presidency is putting social issues and inclusiveness among its priorities to foster long-term reforms, tackling the pre-crisis and the new inequalities will require an unconventional combination of research and action and substantial leadership.

HOW WE HAVE LOCKED-IN THE COVID-19 CRISIS IN OUR CITIES

As over 55 million people have been infected by COVID-19 across the globe, and over 1.3 million registered dead (WHO, 2020 (1)), the global macro-economic data from fall 2020 confirm the reversal of

global growth, with a projected decline of -4.4% in 2020. The latest prediction from the IMF shows that recovery is expected to be “slow and fragile” and many global experts are debating if the recovery will be “V”, “W”, “L” or “K” shaped. This coincides with record high levels of public and corporate debt, carrying the risk that once the current pandemic-related economic crisis is over, this highly indebted corporate sector will endanger the stability of the international financial system (Snower, 2020), even overshadowing the need to strengthen social infrastructure.

»Economic, fiscal, social and health impacts vary significantly not just between regions, but between local areas, boroughs and neighborhoods.«

There might be even more to it as the current downturn in global prosperity is not just conjunctural. Instead, it appears to mark the end of nearly thirty years of ex-

treme poverty alleviation around the globe (World Bank, 2020 (1)).¹ Careful analysis even shows that global poverty reduction had started to slow significantly by 2015, echoing research underscoring that the COVID-19 pandemic had caught off-guard a planet with many combined, prevailing socio-economic and environmental fragilities. While there is no clear evidence of the political correlates of COVID-19 mortality (Bosancianu et al., 2020), there are very clear indications that “a large share of the new poor will be urban” regardless of national political regimes (World Bank, 2020 (2)). The COVID-19 crisis is not only affecting the global system or countries. It is affecting the global economy through cities and within cities.² Some areas, some communities, some social groups, have been hit disproportionately harder than others. Although most feedback is still largely empirical, communities that largely depend on self-welfare are far more exposed to the pandemic. Even if they are more creative in finding solutions, community resilience remains largely ignored by national or global crisis responses. Economic, fiscal, social and health impacts vary significantly not just between regions, but between local areas, boroughs and neighborhoods, with more severe consequences for informal economic sectors (Bhan, Smits et al., 2020) and on key social activities. As such patterns are repeated locally across the globe, the urban socio-economic consequences of the pandemic have to be addressed globally, otherwise the financial deficits of the post COVID-19 crisis will redoubled by even deeper social losses.³

The impacts and the mismanagement of the COVID-19 crisis illustrate how little the multilateral system during the past

two decades has organized its institutions to take into account the complexity of urbanization. Although cities are a scale of governance that matters globally (UN75, 2020), global macro-economic regulation mechanisms remain largely silent about it, as illustrated by the last issue of the IMF global economic outlook. Post-Cold War agglomeration economics (World Bank, 2009) have largely shaped the global urban landscapes from inner-city design to suburban metropolitan peripheries. The rapid global circulation and asymmetric local distribution of the pandemic mirrors the weaknesses of urban production systems that have been self-reliant on endless growth, regardless of previous warnings (Buchoud, 2020 (1), CSIS, 2019).

When the Club of Rome issued the Limits to Growth report of 1972, its economic

and demographic computerized simulations were that of a rural and loosely interconnected planet, where internet protocols had not yet come out of advanced research laboratories. On the contrary, the growth patterns that prevailed after the end of the Cold War unleashed an unprecedented elevation of the quality of life in all regions of the globe, at the same time triggering and triggered by urbanization, supported by the exponential intensification of digitalization. Since the early 1990s, networked infrastructure systems have built interconnected (mega)regions and formed the backbone of growth (Secchi, Riela, 2019), but since the 2008 global financial crisis, revenue distribution has become increasingly unequal (Buchoud et al., 2020 (2)). In addition, the combined urban and infrastructure systems have increasingly

fragmented major natural habitats, with impacts on all ecosystems worldwide (Coetzee et al., 2020). In this context, the COVID-19 pandemic resonates as a third major wake-up call, following the disclosure of climate and global warming risks by the International Panel on Climate Change (IPCC) and of biodiversity losses by the International Panel on Biodiversity and Ecosystem Services (IPBES).⁴ We have not only reached limits of growth, we have built them ourselves beyond the forecasts of the Club of Rome and we have locked them in cities and their infrastructure (Buchoud et al., 2020 (3)).

WE CANNOT “GO BACK TO NORMAL”

As we have reached sizable limits to growth and the world economy is ailing, acute hunger is rising again, along with poverty (FAO, April 2020). The problem is, we cannot go back to normal. The current reversal of fortune looks recent, but the crisis is more profound. It seems we moved from “A World at Risk” (WHO, 2019) to “A World in Disorder” (WHO, 2020) in just a few months, but the main problem is why none of the many warnings have been heard.

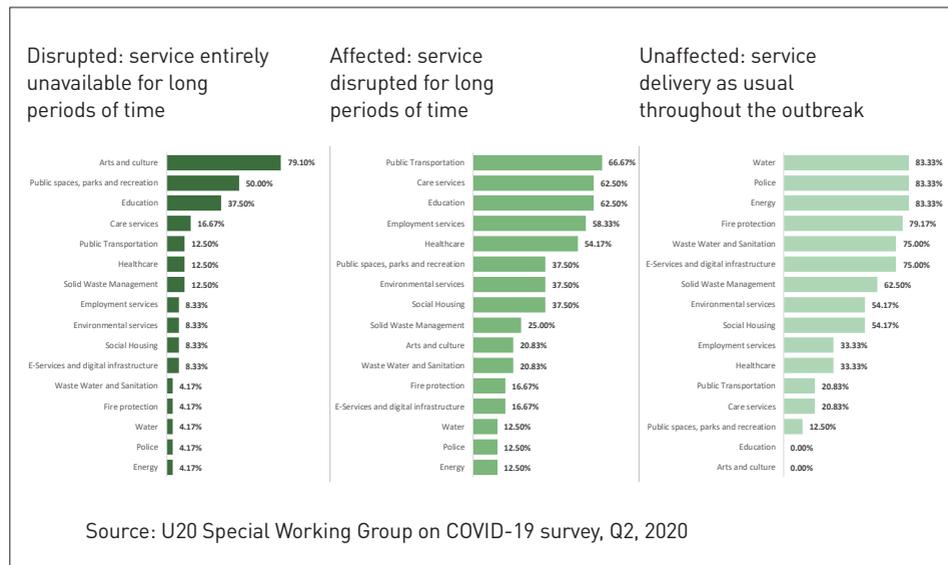
The tentative mapping of the global architecture of health emergency preparedness and response before COVID-19 shows levels of complexity that the multilateral system could probably not manage due to its inherent fragilities. Gross COVID-19-related cost estimates are over USD 11 trillion (and counting) to fund the response, with an additional loss of USD 10 trillion in earnings (WHO, 2020). That is the equivalent of the total gross domestic product of the European Union, or China or the United States in 2019 (OECD, 2020 (1)). By

comparison, investments in preparedness have been dramatically low, including in wealthy countries, with “development assistance an inadequate model for financing this investment” globally (WHO, 2020). It looks like the era of big data is also an era of staggering economic and social losses. This calls for revisiting digital governance (Snower, Towney and Farrell, 2020) and for putting in place the “sensing” capabilities that allow cities to detect early warning signals and to prepare for shocks, as in the field of biodiversity (Devictor, Bensaude, 2016).

»Cities could act as promoters, facilitators and enablers connecting the pieces of a reform jigsaw within the G20.«

While cities are the epidemiologic and socio-economic epicenter of the ongoing COVID-19 crisis, economic, financial and social knowledge consolidation about their role remains weak. Countries too rarely disaggregate social data by geography, and this gap weakens nations’ efficient spatial targeting of national and nationally supported recovery policies (U20, 2020

Figure 1: Profile and typology of services and activities affected by COVID-19 in cities



groups and individuals, the higher the trust and compliance with socially constraining containment policies. Successful examples of community resilience can no longer be ignored by national governments and in the global policy-making arenas, and new tools to assess well-being are now available (Chevalier et al., 2020).

Among international institutions, the OECD has developed advanced comprehensive sets of empirical research tools linked with the COVID-19, analyzing the impacts of the COVID-19 crisis across levels of governments and prioritizing a territorial perspective and SMEs (OECD, 2020, (2) and (3)). It has used the fresh data provided by the World Observatory on Subnational Government Finance and Investment (OECD, 2019). Now, the institution is creating a new WISE center on Well-being, Inclusion, Sustainability and Equal opportunity to devise policy solutions to the global challenges of inequalities, environmental depletion and climate change. The emerging global taxonomy of subnational investment and debt issues, combined with a focus on well-being and inclusion, is a promising way to structure future growth along an enduring recoupling narrative. The leverage provided by the G20 can help build on initiatives such as the Social Progress Index⁶ and “elevate social development to the same priority level as economic prosperity and public health and safety,” supplementing standard statistics with more precise data on agency and solidarity, documenting not only average situations but looking at their actual (territorial) distribution (T20, 2020 (2)).

Using investments to stimulate a green, resilient and inclusive recovery has been a rising theme in global COVID-19-related

literature since spring 2020, with analysis regularly underlining a number of key sectors yielding “substantial economic dividends, creating millions of jobs, with a great potential to deliver quick, durable and inclusive, health and environmental outcomes” in cities (Gulati et al., 2020, U20 2020 (1)).⁷ As we get a sense of the possible components of a “new sustainable economy” (Belladonna, Gili, 2020), there are indications in the global infrastructure conversation of how international finance institutions and multilateral development banks could help tackle local gridlocks. The renewal of infrastructure spillover effects doctrines focusing on local economy support (Yoshino and Hendrietty, 2020), the re-evaluation of infrastructure resilience systems (Kovarik et al., 2020) or the proposed foundations for quality and sustainable infrastructure investment principles focusing on critical infrastructure on land and at sea (Buchoud et al., 2020 (3)), are many ways to connect local and global, public and private assets.

Lessons learned through climate finance, articulating global financial engineering with local and urban perspectives, illustrated by the launch of the City Climate Gap Fund in October 2020 and the work of the Cities Climate Finance Leadership Alliance, could serve as a benchmark in the COVID-19 context. Following this direction, the U20 Special Working Group on COVID-19 set up under the Urban 20 Riyadh Presidency, actively co-chaired by the city of Rome, together with Buenos Aires, has recommended the creation of a Global Urban Resilience Fund, intended to support cities in addressing and mitigating the impacts of future shocks on urban services and key

social functions (Parnell et al., 2020, Birch et al., 2020). Although traditional sources of funding such as transfer of national resources and local taxes remains key, cities can facilitate connections across public and private spheres and provide incentives as well as sustainable procurement programs. While cities will not manage to cut through (hyper)complexity on their own, they are the key places where linkages are experienced to support long-term transformations.

CONCLUSION.

A 24-MONTH PERSPECTIVE

Since the beginning of 2020, the unfolding of the COVID-19 pandemic has sometimes resonated as a compilation of bad news, spurring distrust and a sense that citizens were losing grasp on decision-making pro-

cesses (Nigmatullina, 2020). Instead, cities could act as promoters, facilitators and enablers connecting the pieces of a reform jigsaw within the G20, devising a new range of multilateral solutions protecting the rights of citizens and the foundations of local democracy, in support of prosperity and well-being. The Urban20 could be the anchor for the deployment of a cross-sectoral G20 Urban Platform under the G20 Presidency of Italy (Buchoud, Miranda, Galal et al., 2020). Based upon cooperation and partnership, it could be a catalyst for a new growth narrative, mobilizing macro-economic instruments and international (financial) institutions' expertise and leverage to consolidate cities and communities' social infrastructure in support of the delivery of the global development and environmental goals.

¹ The number of extremely poor people has fallen dramatically from 1.9 billion in 1990 to 689 million in 2017. In *Global Action Urgently Needed to Halt Historic Threats to Poverty Reduction*, The World Bank, Oct; 7 2020 <https://www.worldbank.org/en/news/feature/2020/10/07/global-action-urgently-needed-to-halt-historic-threats-to-poverty-reduction>

² For example, in mid-September 2020, São Paulo, which accounts for 12% of the population of Brazil, had 25% of the deaths; Buenos Aires, 33% of the population of Argentina, 60% of the deaths, and Mumbai, 8% of the population of India, 10% of deaths. Source: *Financing Cities' Recovery from COVID-19 and Preparing for Future Shocks*, U20 Special Working Group on COVID-19 and Future Shocks, Sept. 2020.

³ Survey conducted in the second quarter of 2020 in 21 cities of the Urban 20 engagement group

⁴ “Pandemics such as COVID-19 underscore both the interconnectedness of the world community and the rising threat posed by global inequality to the health, wellbeing and security of all people.” IPBES Workshop on biodiversity and pandemics, Oct. 2020.

⁵ Example of the Vila area in Buenos Aires, in Nicolas J.A. Buchoud (ed.), R. Almarzoqi, M. Cohen, M. Cook, H. Kuhle, J. Meyer, S. Parnell. *A Sustainable urbanization and Infrastructure Response to the COVID-19 Pandemic*. A T20 Policy Brief., T20 Special taskforce on COVID-19

⁶ The Social Progress Index aims at measuring the social and environmental health of societies and intends to accelerate social progress (<https://www.socialprogress.org/about-us>). Reference to the Social Impact Index (SII) <https://impactresearch.center/social-impact-index/#page-content>

⁷ Green construction and retrofits, renewable energy, active transport, nature-based solutions, R&D for clean technologies, clean mobility, waste and resources and circular economy are regularly listed as key sectors. See Gulati et al., 2020, Hepburn, Stern, Stiglitz et al., 2020, U20 (1), 2020...

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Principle of duality for the new normal

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Keywords:

excellence through practice, new normal, principle of duality

In its report “Education at a Glance” of September 8, 2020, the Organisation for Economic Cooperation and Development (OECD)¹ again emphasized the great advantages of vocational education and training (VET) in Germany. Since the end of the 1990s, the OECD has regularly highlighted the importance of dual VET as an important pillar of the German education system and noted its central role in securing skilled workers for companies in Germany.

With a view to the G20 Summit, which will tackle the pressing questions of how we can adapt and improve our societies and economies to make them more resilient, I would like to propose, particularly for the post-pandemic “new normal,” a practice-oriented dualized education approach. This should be established in close cooperation with companies as a supporting pillar of this social transformation for the future. To address the educational challenges of a “new normal,” a paradigm shift towards a “principle of duality” should be introduced into the world’s leading education systems. In this proposal, I will refer to my current host country Italy and thus also to the organiser of the G20 Summit, but the effects tend to be similar in other countries and are therefore transferable.

In recent years, I have successfully established dual vocational training initiatives together with the German Chambers

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of Commerce in several countries on three continents. We have often spoken (and in some cases still do so today) of the “export champion” VET. This is misleading, because the German model, due to its structure and deep cultural roots in the economy, cannot simply be exported. So I do not intend to use this article for missionary work – although a large, almost religious community of reform-minded German dual education devotees has emerged worldwide in recent years – alongside an equally faithful group of counter-reformers of the respective educational establishment (to stay with the concept of religion). In light of the challenges posed by the new normal, there is now a chance to question old beliefs and choose a practice-oriented approach for restructuring our education systems. This is because knowledge transfer in the future must be highly individualized, demand- and market-ori-

ented. It is therefore imperative that small and medium-sized enterprises (SMEs) are actively involved in the process of dual VET, to cultivate a holistic approach to vocational skills and competencies.

The skepticism of the “counter-reformers” towards the dual vocational training model is not new – for decades the duality between theory and practice has been a field of tension among educators, politicians, philosophers and scientists, who either support the idea of academic training or advocate early career orientation and vocational and technical training. There is no such thing as a coexisting, mutually enriching system – and too often national education initiatives end up in a mono-systemic academization approach for society. An analysis using Italy as an example clearly shows that a pure focus on raising tertiary qualifications does not lead to higher employment (see graphs 1 and 2: “Effects

of education on employment”). Rather, the pure output orientation produces a mismatch between the skills of graduates and the real market needs, which is regularly criticized by entrepreneurs.

In my experience, a dual principle brings the educational offer closer to market requirements and increases the corresponding match. This “dualization” is also possible in existing education systems. However, it requires various actors from politics, business and education to work together as a triad with a clear vision to guide a society into a dual change. A duality between theory and practice, i.e. the acquisition of vocational knowledge and skills in conjunction with theoretical knowledge, is a longstanding tradition in Germany. Already back in 1986, the American sociologist Harold Garfinkel asserted that, in the end, every profession must be learned practically.

“EXCELLENCE THROUGH PRACTICE”

Vocational education and training (VET) provides excellently trained skilled workers due to its direct proximity to company practice and is thus the engine of the German economy. The principle of duality applied in Germany lays the foundations for a smooth transition to working life and for excellent career and development prospects. The right mix of knowledge and practical experience thus promotes social mobility in society and contributes to growth and prosperity.

VET is growing into a “community of practice,” as Prof. Felix Rauner from the Research Group for Vocational Education and Training Research at the University of Bremen (i:BB) puts it. As the heart of VET beats in companies, the VET process should also be initiated from there: professional competence is the application of knowledge and the reflection of practical

Figure 1: low employment

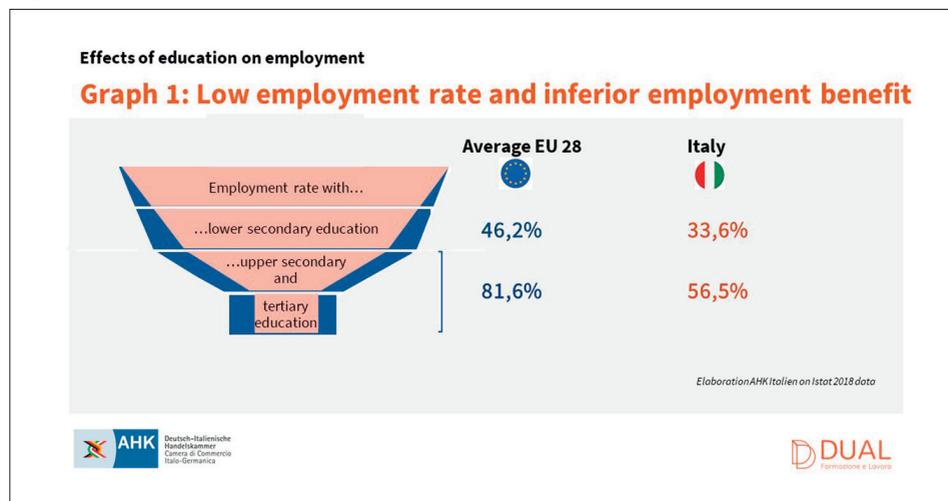
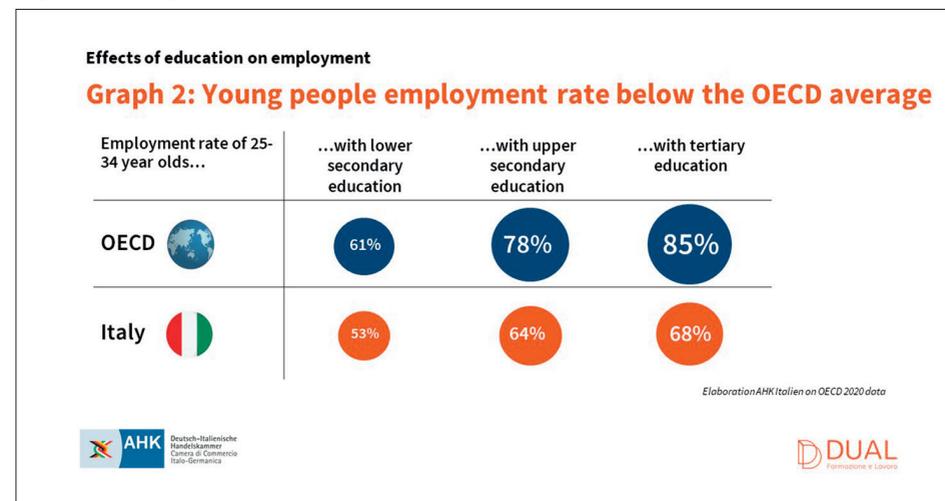


Figure 2: young people employment rate



work experience, which can only take place in companies.

This form of learning, based on the principle of duality has the great advantage of giving young people a high degree of identification with the world of work in a phase that shapes their personal development. It helps develop a strong sense of responsibility outside the usual peer group and fosters professional and personal commitment. In doing so, it also contributes to social mobility and thus to stabilizing our societies – making them more resilient.

Educational systems that are strongly mono-systemically geared towards an exclusively academic approach show that, as in the example of Italy (see graph 3: Education below the European average), a majority of young people ends up on the “education losers side,” with high drop-out rates in the lower educational

levels (ELET – early leavers from education and training). This is critical in terms of social and economic policy, as we are talking about several hundred thousand young people every year who are left unqualified on the labor market; e.g. Italy in 2018: 600,000 young people²). Here, as in Germany, dual VET programmes can have a significant positive effect on youth unemployment, because they organize the transition to work and are thus a guarantee for subsequent employment with good income prospects.

What makes the place of learning – the “company” – special? Dual VET teaches young people at a very early stage – and this is important – to take on responsibility outside their peer group, and it confronts them with the real-world experience of companies. In the process, the young person learns to appreciate the quality of his or her work and also matures holistically

as a person, because he or she can, for example, also present his or her work and the company to colleagues and the customer. The success factors of dual VET are the experienced understanding of the meaning of quality, the trained responsibility in the professional ethical context and the willingness to perform based on meaningfulness. In the process, a professional identity of one’s own is formed and can be the starting point for an excellent professional career. In a permeable education system, for example, permanent further education opens up professional development opportunities, which can even pave the way for a subsequent academic career.

This makes it clear that vocational schools, universities of applied sciences and universities naturally also play an important role in the system. If dualized training were limited to “learning by doing” only, it would be far removed from modern VET. Prof. Rauner of i:BB pointed out that 70 to 80 percent of vocational competence is based on a reflected work experience³.

Consequently, a core task of schools in the dualized education process is precisely this: to reflect and systematize work experience gained in the place of learning, the “company.” But hands-on work experience can only be gained in a vocational context, and this is important because it is the only way to acquire practical vocational skills and competencies. Only in practice, through the young person’s confrontation with colleagues and customers and through discussion also outside standardized work processes, will the young person be enabled to deal actively and successfully with the permanently changing demands of the world of work. This is more

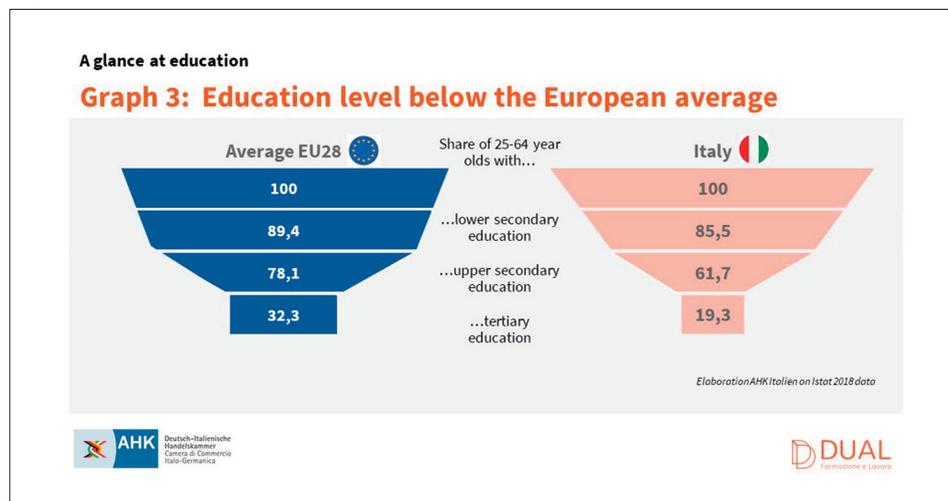
important today and even more so in the “new normal” than ever before.

» The right mix of knowledge and practical experience promotes social mobility in society and contributes to growth and prosperity.«

HELPING TO SHAPE THE PATH TO THE DIGITAL ECONOMY

In the report mentioned at the beginning, the OECD points out that in the pandemic, vocational education and training (VET) in Germany has proved to be an important anchor of stability and will thus continue to play a key role even after a coronavirus-induced economic slump – especially in the “new normal.” Even in the “old normal,” the productivity of German companies is on average 30 percent higher than in comparable companies in the UK⁴. This is largely due to the tradition of mastering skills and dual VET. Added to this is the innovation leverage of the dualized education system. Thus, in many development

Figure 3: education level



centers in industry there are quite a large number of skilled workers (highly qualified technicians) alongside academics, where problems are solved together: with theoretical mathematics and hands-on professional experience of the technicians.

The driving megatrends of the post-COVID-19 era will decisively orient social values or corporate strategies towards more sustainability and digitalization. One framework for this is, for example, the “Green Deal,” which the European Commission has proposed for Europe, or China’s announcement that it will be carbon-neutral by 2060. For a digitized economic model such as “Economy 4.0” in Germany or “Society 5.0” in Japan, for example, professionally qualified people are indispensable.

The tradition of dual VET decisively strengthens the innovative and competitive capacity of Germany’s economy, as in high-tech mechanical engineering, because skilled workers employed in this sector complete a degree in engineering after their actual VET, thanks to the permeability of the education system. It is not unusual for these graduates to be active themselves later as lecturers and scientists in research and teaching and to make an important contribution to the high innovation potential. These are then essential roots for the attractiveness and innovative capacity of dual VET.

CULTURAL SHIFT FOR THE “NEW NORMAL”

In the consistent implementation of “excellence through practice,” the company and the learning place “company” become the core of dual VET models. The basis for this is a clear commitment of the business community to joint responsibility and also the rooted self-conception that companies

(must) actively participate in training the future generation of employees, whether for their own needs or to assume socio-political responsibility (training more than is needed). Successfully implemented models (currently particularly in the German-speaking and cultural area) prove that dual VET strengthens the innovative power and competitiveness of the economy in the long term and thus contributes to the growth and prosperity of the respective country.

In addition to these increases in productivity and innovation in companies, several studies agree that dual VET is by far the most cost-effective form of VET in an education system,⁵ with investment in higher quality training accompanied by a higher return on training. Dual training is not only the cheapest option in terms of VET itself, but also in terms of recruitment costs because of the corresponding positive effects on competence level development and employee retention.

So, what is preventing many nations from initiating the change towards a “community of practice”? Certainly in many societies a corresponding cultural change would require vocational orientation to be anchored in the entire education system at an early stage. For such a holistic “dualization,” politics, companies, trade unions and educational institutions would have to work hand in hand to develop socially valid dual educational opportunities. The permeability of the system, i.e. the equalization of vocational and academic qualifications (e.g. master craftsman becomes a Dual Bachelor) plays a central role in this: because there is no qualification without an integrational approach.

Obviously, the digitalization and greening of the economy will change our en-

trepreneurial thinking and acting in its elementary foundations. Technological innovations are increasingly becoming one of the most powerful drivers of our time. The education sector will have to adapt to the new requirements of the knowledge society. As the trend and future researchers of the Zukunftsinstitut⁶ (Future Institute) show, creativity, contextualization, personality, social skills, and intrinsic motivation are the skills in demand in the labor market of the future.

In my view, this open-minded attitude to change can only be piloted and experienced in the work culture of the learning place “company.” Agility and creativity, but also conflict management and communication techniques are not learned in the laboratory, but only on site in hands-on practice. This makes Garfinkel’s assertion⁷ that every occupation must be learned in practice an imperative for VET – also and perhaps even more so for the “new normal.”

¹ <http://www.oecd.org/education/education-at-a-glance/>

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⁴ https://www.iwkoeln.de/fileadmin/publikationen/2014/206400/TR-4-2014_Schroeder_LSK.pdf; also <https://www.independent.co.uk/news/business/news/uk-workers-less-productive-germany-business-france-american-sir-charlie-mayfield-john-lewis-be-business-a7834921.html>

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⁶ <https://www.zukunftsinstitut.de/artikel/bildung-im-zeitalter-der-wissensexpllosion/>

⁷ https://link.springer.com/chapter/10.1007%2F978-94-007-2272-9_14

A proposal for a global universal basic income

A means to foster global citizenship through progressive global taxation

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The Kiel Institute for the World Economy is an international center for research in global economic affairs, economic policy consulting, and economic education. The Institute engages especially in creating solutions to urgent problems in global economic affairs. It advises decision makers in policy, business, and society and informs the broader public about important developments in international economic policy.



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The Interdisciplinary Center for the Study of Public Policy (Ciepp) is an independent center for research and dissemination of knowledge in Social Sciences, founded in 1989 in Buenos Aires, Argentina.

Keywords:

global universal basic income, global citizenship, global taxation, social cohesion

MANY PEOPLE ARE LEFT BEHIND

Not leaving anyone behind and creating inclusive societies are the overarching objectives of many national and global institutions. Nonetheless, the dramatic disparities in the way countries can address the needs of the disadvantaged risk making these objectives a pure exercise of rhetoric. Many low and middle-income countries do not have the financial means to afford safety nets for their have-nots. This was the case at time of steady global economic growth, and has become even clearer during the COVID-19 pandemic. While rich countries have an adequate “fiscal space” to afford hoarding their workforce for protracted periods of time, low and middle-income countries can do so either limitedly or negligibly. The World Bank has predicted that the COVID-19 pandemic will revert the ongoing trend of decreasing poverty, with an increase in the number of poor people of around 100 million people worldwide.¹ The United Nations Development Program estimates that the number of people dying of hunger because of the COVID-19-triggered economic recession may exceed the number of people dying of COVID-19.²

The sense of dissatisfaction with political institutions was all too clear before the COVID-19 breakout. Four out of five respondents stated to the Edelman Trust Barometer international survey³ that, “the governmental system was not working for them.” In Western countries, the discontent has taken the form of a surge in support for anti-establishment parties, which embrace nativism and xenophobia. This has led to a retreat in multilateralism in global governance. Now that the COVID-19 pandemic is entering a second wave, it is

not difficult to predict that the sense of dissatisfaction will increase – especially as governments must enforce measures to limit citizens' rights.

Global institutions, including the G20, suffer from a perceived lack of legitimacy. They are often portrayed as embodying the interests of rich countries at the expense of poor countries and of perpetuating the interests of multinational companies at the expense of local business. These trends are worrying, and if not thwarted may even lead to institutional collapse. Furthermore, other major global crises are bound to follow COVID-19, starting from the looming climate change crisis that will force many people to migrate. Retreating within national borders may be neither desirable nor effective as these threats become reality.

In a policy brief developed for the Think20's Task Force on Social Cohesion,⁴ we have advocated for the adoption of a Global Universal Basic Income (GUBI) as a way to simultaneously address (a) the need to provide automatic safety nets to the most vulnerable in crises situations; (b) foster a sense of global citizenship, all the more needed at a time of nationalistic entrenchment; (c) improve legitimacy for global institutions.

WHAT IS A GLOBAL UNIVERSAL BASIC INCOME?

According to the Basic Income Earth Network,⁵ a Universal Basic Income (UBI) is a periodic cash payment unconditionally delivered to all on an individual basis, without means tests or work requirements. A basic income has the following five characteristics:

- Periodicity: it is paid at regular intervals – e.g. every month;

- Cash payment: it is paid in an appropriate medium of exchange, typically money, allowing the recipients freedom to decide how to use it;

- Individuality: It is paid on an individual basis rather than, for instance, to households;

- Universality: it is paid to all, without any means test;

- Unconditionality: it is paid under any circumstances, regardless of the recipient's condition in the labor market. In particular, it is not conditional to being unemployed, or to performing public utility work.

A GUBI is a UBI extended to all citizens of the world.

»A Global Basic Income provides safety nets, fosters global citizenship, improves global institutions' legitimacy.«

THE FOUNDATIONS OF A GLOBAL UNIVERSAL BASIC INCOME

A GUBI can be justified on philosophical, political, social, and economic grounds. The philosophical argument rests on the idea that wealth creation is the result of

exploiting natural resources to which, up to a point, no one can claim complete ownership. A GUBI can then be seen as a social dividend for common ownership.^{6,7,8} Moreover, there is wide consensus in justice theories and within the general public that everyone should have the means to live a dignified life. A GUBI would provide a building block to attain this goal, although the income level at which this goal can be achieved is the subject of political deliberation.

The political argument hinges on the consideration that global cooperation has never been as necessary as today, given economic inter-connectedness and the global scale of major challenges such as pandemics and climate change. It is paradoxical that the answer to these challenges has thus far been one of entrenchment into nationalism and protectionism. If anything, this nationalist turn signals a basic failure of the democratic nation-state in coping with systemic challenges.

A GUBI would be a powerful instrument to revert this trend, improving social cohesion and global governance. It would mold a global collective sense of identity in individuals worldwide, regardless of their conditions or provenance. Granting a universal right to a dignified life would endorse the view that nobody should be left behind on the global scale. Instituting a GUBI would be consonant with T.H. Marshall's⁹ concept of "social citizenship," as it would grant every individual in each society at a given moment the material set of resources necessary to lead a dignified life, and would then boost people's sense of their "political citizenship" at the global level. This new sense of global inclusion will reverberate into increased support

and legitimacy for global institutions such as the G20.

The social argument highlights the increased insecurity that many disadvantaged people experienced after the 2008 Great Recession, as the rolling back of the welfare state in Western countries led to reduced social insurance for the very people who most needed it.¹⁰

The economic argument identifies one of the reasons for under-development and the persistence of poverty as the lack of access to credit. A GUBI would be a way to empower individuals economically and give them the necessary tools to break out of the poverty trap. In countries utilizing unemployment subsidies, a GUBI is also a way to prevent unemployed workers from falling into a poverty trap. They can avoid disproportionately high levels of taxation when taking a job. A GUBI is particularly effective under the irregular work contracts brought about by digitalization.¹¹

FUNDING A GUBI

The funding of a GUBI should come from global taxation because this is functional to fostering a sense of global citizenship. If a GUBI were seen as a form of aid from rich to poor countries, this would compromise the goal of fostering a sense of global citizenship. A GUBI should be understood as a right, not as an act of liberality. Our computations show that global taxation at relatively low tax rates would suffice to fund a meaningful GUBI. The tax we propose would combat global public bads and negative externalities: climate change, financial and economic instability, and extreme wealth concentration.

- Global wealth tax. A wealth tax is an annual tax levied on the net wealth that a

household (or an individual) owns above an exemption threshold. There have been recent proposals for a wealth tax not only as a way for the European Union (EU) to fund debt emitted to face fallout from the COVID-19 pandemic,¹² but also at the global level¹³. We make the prudent assumption that a progressive global wealth tax would contribute revenues close to 1% of world GDP.¹⁴

- Carbon tax: A global system of carbon taxation could raise around USD 1.6 trillion per year between 2020 and 2030¹⁵ – equivalent to around 1.86% of current GDP. As the transition toward a decarbonized world proceeds, this carbon tax revenue would decrease and other sources of funding would need to be found. A carbon tax may be regressive, in that it may weigh more on the poorest of the population. In that case,

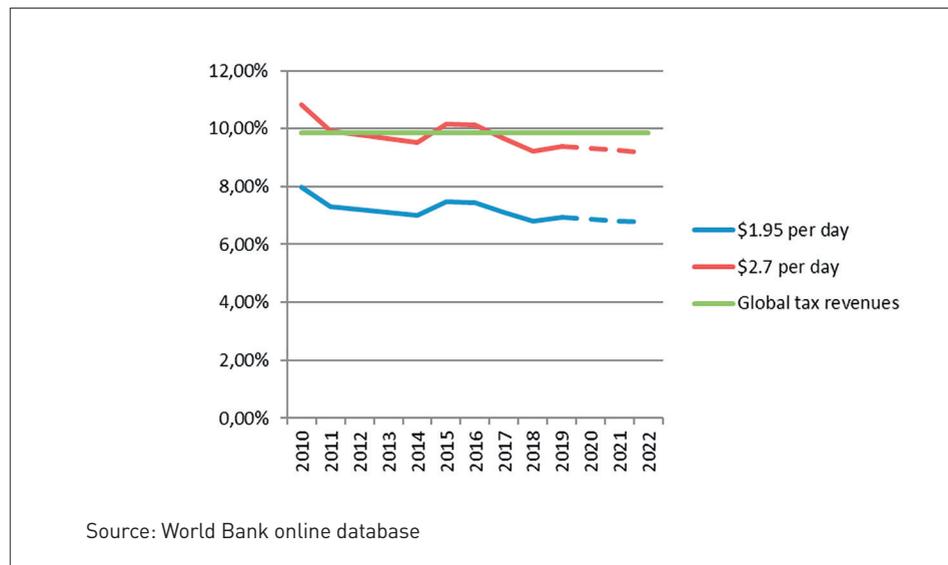
compensatory transfers should be undertaken to overturn the regressive character of the carbon tax.¹⁶

- Tobin tax: The volume of world’s financial transactions is worth around USD 12 quadrillion. Taxing these transactions at the rate of 0.1%, would generate around 7% of global GDP as revenue, even allowing for tax base erosion by half due to either elusion or evasion. Other forms of taxation, such as a digital tax, may be used to complement the revenues from a GUBI.

COSTS OF A GUBI

A reasonable target is that every citizen in the world receives enough to overcome the absolute poverty threshold of USD 1.95 per day. Without adjusting this sum for Purchasing Power Parity (PPP), the GUBI would be equivalent to around 6.3%

Figure 1: Evolution of GUBI costs as percentage of world GDP



of world GDP. Adjusting for PPP, the GUBI would cost around 3.12% of world GDP. Relying on a specifically created UN agency for the management of the GUBI, and for the World Bank, the IMF, and regional banks to be involved in revenue collection and handing out the benefit, the marginal administrative can be estimated to be 0.5% of global GDP.

The revenue capacity examined above would then be more than sufficient to finance a GUBI set at the poverty threshold of USD 1.95. In fact, a prudent estimate is that the GUBI could be set at a level of USD 2.7 and still be below the available financial resources. Figure 1 shows the evolution of a GUBI as a percentage of GDP for these two thresholds.

We favor the idea that the GUBI may be integrated by additional schemes of UBI in richer countries to make it a significant policy tool in rich as well as poor countries.

»A GUBI should be understood as a right, not as an act of liberality.«

A ROADMAP TO ESTABLISH A GUBI

The process of establishing a GUBI will include an initial stage of building consensus at the political, social, and economic level. The G20 is one of the most effective global institutions, thus it would be a natural

agency to lead this process. Civil society movements, such as the Global Basic Income Foundation and the World Basic Income organization, have advocated directly for the institution of a GUBI and have campaigned for the implementation of global taxation in the three domains indicated above. These organizations will have to be involved to build consensus and promote support.

The GUBI could be first established in a club of “virtuous” countries, forming a “coalition of the willing” under the aegis of the UN. This would be formed by a group of economically developed countries that agree to implement international forms of taxation in at least one of the three domains illustrated above and use the related revenues to fund a GUBI. A group of economically developing countries would also be part of the coalition. They would have the obvious advantage of being net beneficiaries of the GUBI. The club could be extended to a broader, potentially universal, set of countries. For developed countries who did not subscribe to the GUBI in the first place, the major direct incentive would be to comply with their voters’ demand to have the GUBI established. The willingness to have a positive global reputation might be sufficient for this purpose. Additional incentives may also be considered, such as the possibility of subscribing to preferential trade agreements with the countries participating in the GUBI.

The institution of a GUBI will undoubtedly require time and effort. Nevertheless, many past reforms looked like utopian prospects before eventually becoming established, and it is precisely at times of crisis that reforms have a more concrete chance to be shaped.

Towards a new paradigm for sustainable infrastructure

A call to action by “The Solutions Lab: Scaling for Sustainable Infrastructure”

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¹⁴ Such would be a tax structure of marginal tax rates of 1%, 2%, and 3% for net wealth above €2 million (close to the top 1% threshold for wealth), €8 million (close to the wealth top 0.1% threshold), and €1 billion, respectively.

¹⁵ Jacob, Michael, Claudine Chen, Sabine Fuss, Annika Marxen, Narasimha D. Rao and Ottmar Edenhofer. 2016. “Carbon Pricing Revenues Could Close Infrastructure Access Gaps.” *World Development* 84: 254-65. <https://doi.org/10.1016/j.worlddev.2016.03.001>.

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Institutions:



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The Global Solutions Initiative (GSI) is a global collaborative enterprise to envision, propose and evaluate policy responses to major global problems, addressed by the G20, through ongoing exchange and dialogue with the Think20 (T20) engagement group. The GSI is a stepping stone to the T20 Summits and supports various other G20 groups. The policy recommendations and strategic visions are generated through a disciplined research program by leading research organizations, elaborated in policy dialogues between researchers, policymakers, business leaders and civil society representatives.

Keywords:

sustainable infrastructure, transformation, resilience

The outbreak of the COVID-19 pandemic brought health systems even in advanced economies to the brink of collapse. From Italy to the US, images of people collapsing outside hospitals and stories of busy emergency hotlines left scars on the psyche of many communities and shook their confidence in the resilience of public services. In developing countries, the situation is often compounded by a fundamental lack of infrastructure services: the absence of health and sanitation facilities as well as inadequate communication, transport and energy networks still affect the well-being of billions of people. To close this infrastructure service gap and thus to lay the very foundation on which societies can build the prospect of a more prosperous, resilient and inclusive future, additional investments of around USD 18 trillion must be mobilized by 2040.

At the same time, it is becoming increasingly clear that infrastructure can also incur negative effects on people and planet. Unsustainable and uncontrolled infrastructure expansion too often turned a blind eye to involuntary resettlements, has contributed profoundly to human-made climate change and the associated destruction of ecosystems, and facilitates the spread of zoonotic diseases like Ebola or COVID-19. In both ways positive and negative, infrastructure touches upon all dimensions of sustainability: economic, institutional, social and environmental. It was therefore a milestone for the G20's Osaka Declaration to emphasize that the world does not simply need "more infrastructure," but "quality infrastructure." In other words, sustainable infrastructure is now recognized as key to realizing the Sustainable Development Goals (SDGs) and the Paris Agreement.

To help turn promise into reality, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has been facilitating sustainable infrastructure development, including through support for project preparation and innovative solutions such as the Sustainable Infrastructure Tool Navigator.¹ The latter helps public and private stakeholders navigate the complex universe of sustainability solutions and works to uphold their commitment to improved sustainability integration. Yet, the public and private sectors still struggle to put in place infrastructure that serves the goal of recoupling economic and social progress within our planetary boundaries. To tackle this problem, a consortium of three GIZ programs and the Global Solutions Initiative launched "The Solutions Lab: Scaling for Sustainable Infrastructure" in October 2019.

The Solutions Lab was a 10-month co-creative journey that brought together 28 experts from academia, policy, finance and infrastructure development to identify sustainable infrastructure approaches that can be scaled across regions. The kick-off took place in Berlin (November 2019) followed by a second meeting in Mexico City (February 2020) and the collaboration has continued virtually. To facilitate social innovation, the organizers borrowed from the "Social Lab" methodology, which, rather than taking a linear approach, is participatory and responsive to the changing nature of the challenge addressed. At the time of the Berlin meeting, for instance, participants could not have predicted the outbreak of a pandemic that would fundamentally reshape our understanding of resilience. Yet the format allowed them to collaborate flexibly and produce mean-

ingful interventions, including a panel on "COVID-19 & the Reinforced Case for Sustainable Infrastructure"² at the 2020 Global Solutions Summit. The community since established several workstreams including (1) Upstream Policy Considerations, (2) Sustainable Infrastructure Project Preparation, and (3) Gender-Responsive Infrastructure. What is more, its recommendations have been taken up in various T20 policy briefs available at GSI's G20 Insights platform.³

»Unsustainable infrastructure expansion has contributed profoundly to climate change and facilitates the spread of dangerous zoonotic diseases like COVID-19.«

In this paper, The Lab presents to you a Call to Action for a global shift towards a new, holistic paradigm for sustainable infrastructure delivery. Please note that the

thematic deep dive in Part II mirrors the abovementioned workstreams and does not disregard the importance of other areas.

»Put sustainability at the center of COVID-19 recovery measures and invest in infrastructures that set our societies on a resilient pathway towards zero-emissions and ecological regeneration.«

I. DECLARATION

We,

the twenty-eight participants of the Solutions Lab: Scaling for Sustainable Infrastructure, drawn from a diversity of geogra-

phies and organizations, came together in a 10-month collaborative process to identify and overcome barriers to sustainable infrastructure development at scale;

Believing in

the central role of sustainable infrastructure for attainment of the SDGs as well as for the sustainability of the natural environment and climate, and in the urgent need to scale up impact to enhance the sustainability of infrastructure investments everywhere, especially in the developing world;

Concerned

that converging global crises in climate, biodiversity, and health as well as widening social inequalities call for a fast and concerted pivot away from the current unsustainable trajectory of infrastructure delivery that consumes ever more natural resources and exacerbates fragility and the risks of future crises;

Having convened

in different parts of the world with experts from various disciplines to deliberate how sustainability considerations can be more systematically integrated throughout the full infrastructure lifecycle [from strategic planning all the way to the decommissioning/repurposing of an asset];

Cognizant

of the fact that sustainable infrastructure dividends range from the jobs created and its ability to generate greater connectivity, productivity and economic activity (economic), through the regeneration of natural resources and restoration of biodiversity and ecosystem services to the mitigation

and adaptation to climate change (environmental), to enhancing equity of public service delivery and empowerment of all segments of society (social), thus playing a decisive role across all dimensions of sustainability; and...

the need for improved synergy across the increasing number of initiatives, tools and information available to support the integration of meaningful sustainability criteria into the infrastructure lifecycle, so that together they can drive the transformative change needed to meet our Global Goals, including the SDGs, Paris Agreement, Sendai Framework and Convention on Biodiversity;

Noting

the multitude of constraints to sustainable infrastructure provision, including the inability to transform needs into investment opportunities, inadequate mobilization of private capital, stakeholders working in silos culminating in a lack of integrated upstream planning and coherent downstream implementation, as well as the need for capacity-building to empower public sector officials and infrastructure practitioners to overcome technical and financial implementation barriers;

Agreed

through consensus on the following definition of sustainable infrastructure:

“Sustainable Infrastructures are built or natural systems that provide services in a manner that ensures economic and financial, social (including gender), environmental (including climate resilience), and institutional sustainability in line with the Global Goals and over the entire infrastructure lifecycle”;

Committed

to contributing our collective insights toward improved delivery of sustainable infrastructure, we issue the following Call to Action:

II. CALL TO ACTION

- Adopt a new, holistic paradigm of infrastructure delivery that integrates meaningful economic and financial, social, environmental and institutional sustainability and risk criteria throughout the full lifecycle, is rooted in long-term strategies for sustainable development and which is flexible and resilient enough to respond to interlinked global challenges, including climate change, biodiversity loss, public health crises, growing social and economic inequality, rapid urbanization, and new technologies.

- Work with public and private stakeholders to give traction to this new paradigm, including by strengthening sustainability criteria in upstream policy and institutional foundations, in project preparation (platforms), in scaling up finance for sustainable investments, not least from the private sector, and by shifting finance away from unsustainable infrastructure.

- Move beyond traditional ESG risk management approaches at the asset level and embrace a holistic, systems-level view of the long-term positive and negative impacts of infrastructure development through integrated planning approaches that begin “upstream” and include proper valuation of ecosystem services, biodiversity and of interlinked human and ecological health as public goods.

- Develop better indicators for measuring the sustainability of infrastructure at the aggregate level, based on its ability to

meet public need for services sustainably and inclusively. These indicators are needed to effectively measure progress towards SDG target 9.1 and to inform integrated long-term infrastructure planning that accounts for impacts at the landscape scale.

- Facilitate inclusive and transparent public participation processes in infrastructure development to enhance social benefits and leave no one behind. Special efforts should be made to include the most vulnerable groups like women and girls, the rural poor, and Indigenous peoples.

- Systematically collect, share and use data to enable informed decisions along the infrastructure lifecycle including on service gaps and investments, biodiversity, emissions, data for material passports, including gender-disaggregated information on needs and use patterns.

- Mobilize financial and technical assistance to build the technical and institutional capacities necessary to tackle the sustainable infrastructure challenge, from integrated upstream planning, to the sustainability of individual assets, to the mobilization and transformation of finance.

- Align fiscal policies and incentives with sustainability to create an enabling environment that is conducive to leveraging the necessary private capital to close the USD 18-trillion infrastructure service gap by 2040.

- Put sustainability at the center of COVID-19 recovery measures and invest in social, environmental and economic infrastructure that promotes job creation, expands access to critical services, strengthens natural systems, increases the resilience of our societies and economies to future shocks and puts them on zero-emission, ecological-regeneration pathways.

III. UPSTREAM CONSIDERATIONS & INTEGRATED PLANNING

- Increase funding for integrated upstream planning through existing multi-lateral platforms and dedicated national integrated financing frameworks.

- Create policies and capacity-building programs that incentivize regional and local scale risk-based integrated planning and strengthen planning functions at all governance levels through multidisciplinary teams.

- Promote the use of digitalization and systems modelling at all scales from global to local to improve data collection across the infrastructure lifecycle, support evidence-based decision-making, and implement performance-based procurement.

- Apply integrated approaches that explicitly consider nature-based solutions and evaluate climate risks while connecting to project-level sustainability and resilience standards.

IV. SUSTAINABLE INFRASTRUCTURE PROJECT PREPARATION

- Follow the lead of forward-leaning project preparation institutions in integrating sustainability up- and midstream to attract private capital at the asset level.

- Engage in cross-stakeholder coordination to ensure that the push from the private sector and the pull from the public sector for improved sustainability are aligned and responsive to market demands.

- Support harmonization of sustainability criteria among Multilateral Development Banks and other initiatives to provide a clear definition of a sustainable asset as well as guidance on quantitative and qualitative indicators for project preparation

and investment communities.

- Ensure that expertise and knowledge are made readily available and digestible to guide project preparation on the ground.

V. GENDER-RESPONSIVE INFRASTRUCTURE

- Acknowledging that infrastructure is not gender-neutral, systematically collect and analyze gender-disaggregated data to cater to the differentiated needs and use-patterns of girls and women and set-up gender-sensitive platforms for consultation with end-users.

- Promote the implementation of national policy, legal and regulatory frame-

works for gender equality that are linked to long-term strategic development plans.

- Systematically identify positive spillover effects of gender-responsive infrastructure and act on its centrality to delivering all 17 SDGs.

- Apply relevant frameworks, tools and standards to ensure that gender is mainstreamed across all stages of the infrastructure lifecycle.

- Empower women and disadvantaged groups to partake in infrastructure decision-making, including at leadership levels, through equal employment measures, capacity-building and gender-sensitive procurement among other measures.

¹ <https://sustainable-infrastructure-tools.org/>

² <https://www.global-solutions-initiative.org/global-table/covid-19-and-the-reinforced-case-for-sustainable-infrastructure-development/>

³ <https://www.g20-insights.org/>

A new architecture for global governance

Local systems solutions are essential for solving systemic global problems

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Economies everywhere have been severely shaken by COVID-19. The only “vaccine” medical experts have been able to prescribe, until a vaccine safe for humans is developed, is enforced physical separation of people to prevent the virus spreading. Meanwhile, extensive trials of vaccines are underway to ensure they will not have harmful side-effects.

Tragically, the side-effects of the untested treatment already prescribed – lockdowns and physical separation – have damaged many systems on which humans depend for their well-being. They revealed the fragility of public health systems in many countries. Supply chains to provide essential supplies, even for medical needs, were broken. Diversion of medical resources for COVID-19 prevented treatment of patients with other ailments. Livelihoods were disrupted when people could not go out to work, and business stopped. Many, living on the edge, slipped into starvation.

The damage is not over. Malnutrition of children will stunt their development. Schools have not been able to open properly. The disruption of education may affect the further development of well-off children too. Less well-off people have suffered the most. Inequalities within soci-

eties, which were already high, have been exacerbated.

Many pre-existing conditions that GDP growth numbers did not reveal required treatment before COVID-19. Realizing this, the UN already adopted 17 Sustainable Development Goals (SDGs) in September 2015. These cover a wide range of problems – inequalities in economies, persistent poverty, poor education and health services, as well as an environmental crisis. The goals describe the morbidities that societies and economies were suffering from before the pandemic struck. They were too weak to tolerate the shock of the lockdown medicine.

Global institutions created after World War II to solve global problems cooperatively, such as the UN, which led the adoption of the SDGs, and the WTO, which morphed from GATT, have been struggling to keep the world united. As “globalization” has accelerated with larger flows of trade and finance across national borders since the 1990s, these institutions have been unable to keep the world united. The WTO is in limbo. The WHO, required now to coordinate responses to the pandemic, is caught in the crossfire between the US and China. Mismatches between the capabilities of institutions and the global problems they must address in this century have been starkly revealed.

A new way must be found. Economists are searching for a “new normal.” To paraphrase Albert Einstein, it is madness to try to solve intractable problems with the same approach that caused them. Clearly, a pandemic is the time to consider why the prevalent approaches to problem-solving are inappropriate for solving complex global problems.

»The problem policymakers (and experts) have in the 21st century is that there are many problems, and all must be solved simultaneously.«

AN EPISTEMIC CRISIS: THE BREAK-DOWN OF “SYSTEMS THINKING”

Before jumping to any solution, one must first understand the problem. The problem policymakers (and experts) have in the 21st century is that there are many problems, and all must be solved simultaneously. The problem cannot be simply broken up into easier-to-solve pieces. Solutions to environmental problems that aggravate problems of livelihoods cannot be good solutions. The same goes for solutions to economic problems that aggravate environmental problems. Solutions to increase GDP that also increase inequity

Institution:



HelpAge International is the secretariat to a global network of organizations promoting the right of all older people to lead dignified, healthy and secure lives.

Keywords:

systems solutions, community action, economic resilience, social cohesion

will not help to make the world better for everyone.

»Components of systems must be in harmony with each other for the system to remain healthy.«

Scientific advances since the European Enlightenment have multiplied the number of specialists. An abundance of experts now available to solve diverse problems should be a blessing. However, their abundance has become a problem because experts are too narrowly focused on separate pieces of the system: they are not able to comprehend the whole system. Specialists in diseases of the heart do not understand sufficiently the effects of their interventions on other systems in the human body, and patients must turn to other specialists for treatment of the side-effects of the solution to their heart problems. Often, they end up with a mental health specialist to help them manage their confusion and depression, and their anxiety about the cumulative cost of their wonderful treatments.

The economy, society and ecology are integrated in a system. Changes in any one of these components will affect the others.

Components of systems must be in harmony with each other for the system to remain healthy. Lockdowns to prevent COVID-19 are an example of the unintended consequences of a good solution that were not foreseen because the whole system was not kept in view. Two examples from India also illustrate the harms that can be caused to systems by policies designed by specialists.

Clean air

An unintended benefit of the economy's wheels grinding to a halt, with the severe lockdown imposed in India, was that Delhi's residents saw clear blue skies in the day and stars at night, which they had not seen for years. The severe air pollution Delhi has been experiencing in the last decade is an example of good policies combining to produce bad effects. Ever since mechanization was introduced in the 1980s to improve farm productivity, farmers in Punjab have burned the paddy stubble the machines leave. Later, alarmed by the impact thirsty paddy growth was having on dwindling ground water resources, the government passed the Preservation of Subsoil Water Act in 2009. It stipulated that farmers postpone by one month the sowing and transplanting of paddy so that it was closer to the onset of the monsoon. This reduced the need for drawing water from underground for the transplanted paddy.

However, the burning of the stubble post-harvest was also postponed by one month. It now coincided with the onset of winter in the North when wind movement is low and atmospheric moisture content is also high. Thus, two good things together: the improvement of the productiv-

ity of agriculture with mechanization, and the management of water resources, have produced the unintended consequence that Delhi has become the most polluted city in the world! Sadly, as the wheels of the economy have begun to turn again, pollution is back in Delhi's air. The old normal may be returning.

Education of girls

The other example is from rural Rajasthan. The education of girls gives many benefits to society. Retention of girls in schools in Rajasthan's poorer, water-scarce districts has increased in the last ten years, with concerted efforts by the government and NGOs to improve education. Also, water conservation programs reduced the distances women have to carry water to their homes, thus reducing pressures for adolescent girls to stay home to help their mothers. Two good things together – better education and better water management – produced the desired outcome. However, in the last two years girls have noticeably begun to drop out of secondary school. Investigations reveal that the addition of another good program, Swachh Bharat, to provide toilets in homes, was the cause. The toilets required more water to be brought home, so mothers needed their daughters at home again.

One property of complex systems is that many good things interacting with each other may unwittingly produce bad outcomes. The epistemic problem is that experts mentally break complex systems into parts and then try to improve them separately. Thus, economists worry about the economy, sociologists about society, and ecologists about ecology. And they quarrel with each other. Economists

think ecologists are standing in the way of growth. Sociologists say economists do not understand that people are human beings and not commodities in labor markets.

In the prevalent paradigm of managing complex systems in governments and large corporations, each part of a complex system is managed by specialists reporting up to the top. There, they try to coordinate the whole system. All have their programmes and their budgets and each passes down instructions to its subordinates in the localities who are responsible for only a part of the system.

A CRISIS IN GOVERNANCE: EXPERTS TAKING POWER AWAY FROM THE PEOPLE

Recovery from COVID-19 is an opportunity to create economies that are more resilient and fair. Two architectural principles must apply.

The first principle is, economies of "scale" should be replaced by economies of "scope." A complex global economy in which local producers obtain scale (and lower costs) by supplying products for global markets is vulnerable to shutdowns anywhere. Local economies that have a variety of capabilities within them, albeit on smaller scales, are more resilient. Therefore, local economic webs must be strengthened, in preference to global supply chains.

COVID-19 has settled, for now, the debate between free-trade evangelists and advocates of industrial policy. The "Make in India" program of the Indian government, which was dismissed by free trade economists as a reversion to protectionism, has become a necessity – to maintain supplies of essentials and to create employment for

the hundreds of millions of Indians with fragile incomes who have been badly shaken by the lockdown of the Indian economy.

The second principle is, local systems solutions are essential for global systemic problems. Garrett Hardin coined the expression, “The Tragedy of the Commons,” in 1968, for the proposition that a resource belonging to everybody will not be cared for by anybody. This supported policies to privatise public property, ostensibly for the benefit of everybody and became the dominant school of economics from the 1970s onwards. “Capitalists” often cite Hardin in their quarrel with “socialists.”

Elinor Ostrom, who was awarded the Nobel Prize for economics in 2008 (the first woman economics laureate, after 62 men), offered a different explanation for the tragedy of the commons. She argued that common resources are well-managed when those who benefit from such resources the most are in close proximity to them. For her, the tragedy occurred when external groups exerted their power (politically, economically or socially) to gain a personal advantage. She was greatly supportive of the “bottom-up” approach to issues: government intervention could not be effective unless supported by individuals and communities, she asserted.

THE “NEW NORMAL”

The economics profession rules the shaping of public policies around the world. Since the financial crisis in 2008, which economists could not predict, and which was evidence that their models were incomplete, economists have been searching for a “new normal” for the global economy. After the pandemic it is clear that, even if they could find a new model to sus-

tain economic growth, their model would be incomplete.

Hardin’s “Tragedy of the Commons” leads to the conclusion that human beings are incapable of managing something that does not belong to them personally. It is an extension of the belief that humans are purely rational and self-interested actors, although it has been known to poets and politicians for ages that humans have passions and emotions too. Moreover, what the world needs now is humans who care about their global commons.

Economists explain that welfare is produced for everyone by an “invisible hand,” even when everyone is purely self-interested. Ostrom made visible some principles by which the invisible hand works. The rules by which humans agree to govern their affairs, and the powers they assign to institutions to implement the rules on their behalf, are systems of governance created by humans. Institutions of electoral democracy and concepts of limited liability corporations are creations of the human imagination made concrete. Now institutions must change rapidly to improve the health of societies, economies and the environment to achieve the SDGs.

Changes must be made in the design of business institutions: their purpose must not be purely the business of making profits for investors; they must also account for their impacts on the environment and social conditions.

“Government of the people, for the people, and by people” is the essence of democratic governance. However, even where there is constitutional democracy with equal voting rights for everyone, rich and poor, men and women, whatever

their religion, as India has, governance is not by the people. People are managed by experts, who are supposed to know what is best for the people, and who must apply their expert knowledge to find solutions for the people. This is the common approach, whether the government is a totalitarian one as the Soviet Union was, or a democratic one like the US, where the President’s councils of expert advisers design policies.

»Local economies that have a variety of capabilities within them, albeit on smaller scales, are more resilient.«

As explained before, this is the wrong approach for solving complex problems, which manifest in different shapes in different places. For example, environmental problems combine with livelihood problems in different ways in the Himalayan mountains in the North of India, in the dry lands of Rajasthan in the middle, and in the lush coastal regions of Kerala in the South. Therefore, local systems solutions are

necessary for such global systemic problems. The solution is, responsibility for the governance of complex systems must be devolved to communities in their localities. However, not only politicians, but also experts at the top, are reluctant to let go of their power. They claim that the locals will not have the capability to manage, and so the centre must take on the burden of managing the locals.

REDESIGNING THE ARCHITECTURE OF GLOBAL GOVERNANCE INSTITUTIONS

Resentment of elitist experts who look down on them as they govern them is a reason for the rise of populist movements in many countries. It caused Brexit in Britain and the election of Donald Trump in the US. In India, Prime Minister Modi declared, “We need hard work, not Harvard.”

The Indian Constitution requires power to be devolved to elected bodies in towns and villages. It has not happened in practice even in seventy years since the Constitution was adopted in January 1950. India’s economy has been growing quite well since the 1990s, after India joined the global economy which was also growing well. For many years India’s economy was the fastest growing large economy following China’s. However, India’s track record of improvement of social and environmental indicators has not been good. For India to achieve the SDGs, India’s approach to governance must change. Solutions must be found and implemented by communities, and not by experts in Delhi or in the state capitals.

India changed the charter and name of its central planning institution in 2014. The old Planning Commission was replaced by the National Institution for Transforming

India (NITI Aayog). The top-down budget-controlling powers of the Planning Commission were withdrawn. NITI was chartered to build capacities for governance in the states and in local bodies, and to promote cooperative federalism.

»Responsibility for the governance of complex systems must be devolved to communities in their localities.«

Names are easy to change, behaviors more difficult, and it is never easy to give up power. It has taken a while for transformations in NITI to show up. Its innovative “Aspirational Districts Program” (ADP) gives great hope. Two years ago, NITI focussed on 112 of the country’s 640 districts. These are the furthest behind in terms of the SDGs, and economically poorest too. Partnerships were formed in each district between local government functionaries, NGOs, and corporate philanthropies. The districts were provided score-cards of where they stood with respect to conditions that mattered to the people – health and

nutrition, education, agriculture and water resources, financial inclusion and skill development, and basic infrastructure. NITI is playing the role of cheerleader and score-keeper, and also provides a platform for sharing lessons learned.

An evaluation of progress so far by independent Indian and US think tanks has shown the efficacy of this approach of partnerships on the ground to solve complex systemic problems. The aspirational districts are improving much faster all around than they were with the previous top-down, expert-driven approach. The reasons for some of them improving even faster than others are found to be: the facilitative role played by the local government leaders; and the willingness of experts from the philanthropies to trust the people to find the best solutions rather than forcing best practices from elsewhere onto them.

This turns on its head the belief that when problems are large and global they need an expert-driven, central organization to solve them “at scale.” Governance within countries must devolve further down, not move up, to solve complex problems. And freedoms to govern must move down to countries from international bodies.

The role of central bodies within countries, and internationally too, must be to help locals build their own capacities for solving their problems. Central bodies can convene the locals to share learnings, and to deliberate on rules for governing their collective commons. They must resist the temptations of power – both political power as well as expert power.

The G20 is in a special place among global institutions. It does not have a long history, it is young. It does not yet have a

rigid structure nor a large body. It can shape itself to be a catalyst of change in global governance – even guiding changes in other global institutions like the WTO, the

UN, and the Security Council. Because, as Einstein said, humanity will not be able to find a new, harmonious and a sustainable normal with old mind-sets of governance.

Bridging the gender gap in leadership: A strategic approach

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The Institute of Public Administration is a body-corporate, autonomous government agency with the purpose to increase the efficiency and education of public employees in order to raise the level of administration and support the foundation of national economic development. In addition, the IPA contributes to the administrative organization of government departments, offers consultations on administrative problems referred to it by government ministries and agencies, undertakes administrative research works, and enhances cultural ties in the field of public administration.

Keywords:

gender, gap, leadership, strategic, approaches.

Women’s equality with men in leadership positions presents a unique challenge in all Group of 20 countries. This issue requires a multidimensional approach, including updated policies and redesigned programs that target and empower women. This policy brief recognizes the importance of gender equity for women, as well as its value as a crucial driver of social cohesion, economic prosperity, and national income growth. The brief proposes a strategic approach to gender equality in leadership that is based on five approaches: implementing gender quotas in decision-making; designing policies to target gender stereotypes; developing work-life balance policies; developing gender-equity policies and practices for the assessment process; and designing specific leadership training programs. Saudi Arabia’s government is committed to fostering gender equality and promoting women’s empowerment across the G20 agenda, which provides an opportunity to bring this issue forward in the G20 2020 discussions.

CHALLENGES

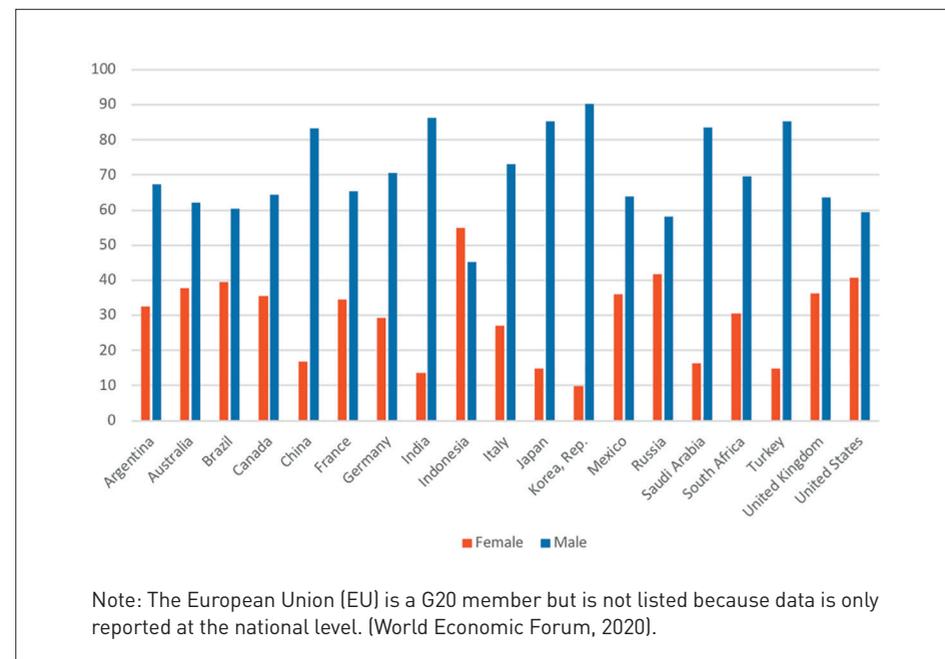
Women across the world are gaining visibility and recognition as professionals. Yet they remain underrepresented in top

leadership positions in the G20 countries, to varying degrees. According to the World Economic Forum (2020), only 24.7% of the global political empowerment gap was closed in 2020. This means that the gender gap in leadership positions still exists in many countries within the G20 (Indonesia reaches 55%; Russia and the United States reach 40%; China, Japan, Republic of Korea, Saudi Arabia, and Turkey are below 20%; the remaining G20 countries range between 26% and 39%). See Figure 1.

A well-developed body of literature indicates three levels of interrelated factors behind the gender gap in leadership: individual, organizational and societal. At the individual level, these factors include

family obligations, a lack of appropriate experience in management and a lack of competencies among women as a result of their absence in leadership positions. Several researchers note that during the last three decades women have significantly increased their human capital and acquired experience in management positions. However, this has not significantly increased their presence in top leadership positions because it is linked to structural factors (Ren & Caudle, 2020). The organizational level presents invisible obstacles like “glass ceilings,” segregation, a lack of access to training, networks, and mentors, and gender-based discriminatory hiring methods. The societal level holds values

Figure 1: Female-male share in legislators, senior officials, and managers



and beliefs about gender-based social roles and expectations (Abalkhail, 2019). The subsequent allocation of specific social gender roles indirectly supports gender stereotyping because the types of activities women commonly perform in their allotted social roles are not seen as reflecting the personal qualities that are necessary for leadership. This social stereotyping, in turn, creates and encourages discriminatory attitudes toward women in the workplace (OECD, 2018).

The gender gap in leadership positions is a prominent obstacle that limits women from reaching their full potential. Therefore, tackling the gender gap in leadership is a challenging topic that requires a joint effort to achieve a positive effect on organizations, institutions, the overall economy, and women themselves, as well as meaningful outcomes for society as a whole.

POLICIES

Given the existing gender gap in leadership positions, there is a corresponding need for comprehensive, multi-dimensional, long-term strategic approaches to attain gender equality.

Developing policies to accelerate the process towards gender equality is a top priority in G20 countries. This priority has become more fundamental since they adopted the Brisbane goal to reduce gender inequality in employment by 25% by 2025. In order to bridge this gender gap in leadership, the G20 should address structural barriers women face (e.g., gender bias and stereotypes). Governments must apply a gender lens in their legislation, policies, and programs as they reform relevant laws and regulations. Also, it is important to acknowledge and address wom-

en's mindsets on leadership (e.g., family choices or a desire to avoid politics). Addressing these issues will benefit women, society and the economy.

Therefore, tackling the determinants of the gender leadership gap requires five interconnected policy recommendations, which are implementing a gender quota, tackling embedded gender stereotypes in the workplace, considering work-life balance, ensuring that the evaluation process in organizations is fair, and designing specific leadership programs for women. These recommendations will support G20 countries in fostering gender equality in leadership and achieving strong, sustainable, balanced, and inclusive growth.

IMPLEMENTING GENDER QUOTAS IN DECISION-MAKING

To achieve an impetus for quota policies, the 1995 United Nations (UN) Beijing Conference on Women called for governments to ensure equal representation of women at all decision-making levels in national and international institutions (UN Women, 2020). Gender quotas refer to reserving a certain number or percentage of leadership positions for women. In many countries, policymakers have introduced gender quotas in politics. For example, Norwegian quotas are established in politics, and they were later implemented in the private sector. Norwegian law has required that public-limited companies have a minimum of 40% representation of each gender on their board. Other European countries also have government-mandated quotas for women on corporate boards. In the UK and the US, neither the state nor companies are inclined toward the introduction of gender quotas for decision-making posi-

tions. (Catalyst, 2018). In the Arab world, specifically Saudi Arabia, a 20% quota for women in the country's legislative branch, the Shura Council, was imposed in 2013. Yet, women remain underrepresented in leadership in politics worldwide.

»Governments must apply a gender lens in their legislation, policies, and programs as they reform relevant laws and regulations.«

Every G20 member should commit to introducing gender quota policies by 2025, because gender quotas can increase female representation in leadership positions by eliminating invisible obstacles like the glass ceiling, overcoming discrimination by mandating that certain positions be reserved for women, and correcting negative beliefs about female leadership style. In addition, it improves men's perceptions of women as leaders and helps eradicate self-imposed stereotypes. Therefore, a

call for action could include the following measures:

- Provide guidance on the effective and beneficial enforcement of gender quotas.
- Ensure the ratio between women and men is 40:60 or 50:50 (and appropriate sanctions for failure to comply).
- Gain support for the introduction of quotas among senior managers.
- Ensure women's participation in all levels of leadership and in a range of institutions like parliaments, political parties, public administration, and the judiciary and private sectors.

DESIGNING POLICIES TO TACKLE GENDER STEREOTYPES IN THE WORKPLACE

As seen in Figure 1, the share of women in leadership roles is still low. In fact, only modest growth has been made in most G20 countries since 2012 (OECD, 2019). A well-developed body of literature suggests that persistent gender stereotypes are the root of unequal representation and evaluation of women. Women in the workplace are traditionally seen as being responsible for the household, and therefore men are often considered more suitable for leadership roles. The ascription of different roles to each gender may affect women in several ways. First, it can be argued that women's characteristics may conflict with the demands of a leadership role. As such, they will be excluded from leadership positions. Also, the assignment of certain roles may create internal barriers for women managers, which will influence their confidence, commitment, and motivation (UN Women, 2020).

In 2020, the UN Women reported that gender stereotypes in the workplace harm

women because stereotypes justify gender discrimination more broadly and reinforce and perpetuate historical and structural patterns of discrimination. The World Bank suggested that, along with removing legal barriers for women, more interventions need be implemented to eliminate the influence of stereotypes on women's career choices. One way to address gender stereotypes is through education. The educational system should promote gender-free subjects and encourage all students to break down gender expectations when it comes to career choices. Hence, G20 policymakers can play a vital role in tackling gender stereotypes in areas like language, laws and practice, justice systems, media and education. These stereotypes should be addressed with different organizations, public authorities, enterprises and individuals (UN Women, 2020). Consequently, the following recommendations are put forward:

- Allocation of adequate resources for programmes targeting gender stereotypes through advocacy and awareness-raising campaigns to change mindsets concerning the “appropriate” role of men and women.
- Use gender-neutral language for job descriptions to reduce gender biases and stereotypes.
- Provide career education and counselling at work that challenges gender stereotypes among workers.

DEVELOPING AND IMPLEMENTING WORK-LIFE BALANCE POLICIES

To achieve work-life balance (WLB), the following interconnected components should be considered:

1. Time Balance: Equal time for both work and family roles.

2. Involvement Balance: Equal levels of psychological involvement in both work and family roles.

3. Satisfaction Balance: Equal levels of satisfaction in both work and family roles.

»Persistent gender stereotypes are the root of unequal representation and evaluation of women.«

All G20 countries are promoting better WLB through paid maternity leave and at least four months' parental leave (for care of the child up to a certain age). This social arrangement aims to provide a better WLB for parents, as well as useful labor market opportunities for women. More efforts should be undertaken in the context of long-term care, including care leave provisions (OECD, 2019). Also, evidence suggests that paid parental leave that lasts at least a year is a threat to a woman's career promotion (Ren & Caudle, 2020). Women, due to the pressures of social norms and expectations, tend to take on the greater part of the burden of caring for children. In addition, women, due to increased life expectancy, are of-

ten required to care for elderly parents. Therefore, WLB policies alone will not be effective without addressing the embedded values and assumptions that underpin the workplace culture. Also, more is needed to ensure that fathers take on a bigger responsibility for unpaid work (Ren & Caudle, 2020).

WLB policies (e.g., paid maternity leave, paid and unpaid childcare leave, flexible scheduling, on-site childcare, eldercare) have been shown to be beneficial to an individual's health and well-being, and to lead to positive outcomes for the employing organization (e.g. increased job satisfaction and productivity) (Hideg et al., 2018). WLB policies have been proven to reduce work-family conflict and strengthen family relationships (Wayne, et. al., 2007). Hence, this can be a vehicle for social unity or solidarity because social cohesion is learned and experienced through families (Eurofound, 2018).

G20 policymakers must accelerate the development of measures and policies that support gender equality and help all employees balance career and family life. Therefore, the following measures are put forward for the WLB policy:

- Ensure the inclusion of flexible work schedules to allow employees to choose when they work (designing their work schedules or being able to choose from several options).
- Ensure off-site working options (for example, work from home some or all of the time), setting particular days or times at the worksite and/or via platforms like telephone, e-mail, or Skype, for communicating with colleagues and/or supervisors.
- Ensure at least 14 days per year of maternity leave on a “non-transferable basis.”

- Ensure on-site childcare or the payment of all or some part of approved off-site arrangements.

- Ensure at least 14 days per year of carer's leave to provide personal care to a relative (e.g., elderly).

DEVELOPING GENDER-EQUITY POLICIES AND PRACTICES FOR ASSESSMENT PROCESSES FOR LEADERSHIP POSITIONS

Hidden gender discrimination, which is embedded in organizational practices, has been internalized as “normal” and “natural.” Examples are the process of job evaluation and practices for selecting and promoting candidates for senior positions. Gender bias in assessment processes in organizations is a major reason for the scarcity of women in top management positions. This includes recruitment, performance evaluation, appraisal processes, and processes that operate to identify “fast-track talent.” Evidence of gender bias was found in several G20 countries (Gupta, 2020). The argument states that women and men have different leadership styles. In addition, men and women value different styles of management. As such, the style valued by women is not favored in organizations. Therefore, women are not selected and promoted to top positions. It has been reported that masculine models of leadership still feature heavily in the workplace (Abalkhail, 2019).

The Organisation for Economic Cooperation and Development (OECD) highlighted that having gender balance in public decision-making is considered a key governance success metric because it is related to fairness, transparency, and inclusive policy outcomes. This is because

gender equality and different policymakers can have the “know-how to” tackle the different needs of citizens (OECD, 2015).

»G20 policy-makers can play a vital role in tackling gender stereotypes in areas like language, laws and practice, justice systems, media and education.«

G20 countries should amend their laws to support women’s access to top management levels. This, in turn, would foster women’s economic empowerment and achieve gender equality. Therefore, the following measures are proposed:

- Use fair criteria during evaluation processes (i.e., recruitment, selection, and promotion) to limit the influence of decision makers’ conscious and unconscious biases.
- Train senior managers on gender-related issues like hidden and overt discrimination and bias that may occur during the evaluation process.

- Integrate women’s career development to leading positions as part of mainstream human resource development.
- Use open-recruitment tools (e.g., advertising and employment agencies vs. informal social networks or referrals to fill positions).

DESIGNING SPECIFIC LEADERSHIP TRAINING PROGRAMS FOR WOMEN

Leadership development programs are an important tool for preparing men and women for leadership roles because they can increase their human capital (knowledge and skills). However, many leadership training programs are traditionally designed around the male-career model (a linear career path), which does not address women’s needs for skills or professional knowledge (Chuang, 2019). A one-size-fits-all approach may not be appropriate in training different genders.

A customized gender-specific training program (women-only training program (WOTP) for leadership may be a reasonable solution to promote gender equality and address related gender issues in the workplace (Chuang, 2019; Clarke, 2011). The WOTP for leadership can have numerous benefits as evidenced by the Cranfield School of Management in the UK (Cranfield University, 2019), Stanford Graduate School of Business in the US (Chuang, 2019) and the Institute of Public Administration in Saudi Arabia (IPA, 2020). Literature suggests that WOTP for leadership could provide women with specific skill-development (for example, decision-making), increase their confidence, encourage them to apply the strength of their feminine qualities in their work, and enhance their knowledge on organizational power and politics, gen-

der differences in working styles, and the nature of career development (Abalkhail, 2019). However, without proper development and implementation, WOTP for leadership could fail. Therefore, WOTP should be implemented within a framework of suggested career-development initiatives for women leaders, such as mentoring and coaching. Also, training programs must be fully embedded in the organization and engage men as strategic partners. For these reasons, G20 nations should commit to supporting women’s needs in training and provide more opportunities for them to unleash their potential and promote gender equality. Therefore, a call to action could include the following measures:

- Ensure human resource development practitioners design WOTP that promotes gender equality in the workplace, empowers women, and increases their participants’ placement in leadership positions.

- Ensure WOTP are tailored to meet women’s specific developmental needs.
- Integrate mentorships and coaching programs alongside WOTP to improve women’s competencies and boost self-confidence and self-efficacy.

CONCLUSION

G20 member countries have to take action in alleviating gender imbalances in leadership through accelerating their efforts towards the achievement of the Brisbane 25 % by 2025. This is for several benefits. First, it would lead to better outcomes for women by recognizing their talents and promoting inclusion, social mobility, and empowerment. Second, it is a crucial driver of social cohesion, economic prosperity, and national income growth. For these reasons, the suggested policies for bridging the gender gap in leadership are important for all G20 countries to achieve.

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Jobs, growth and sustainability

India's recovery needs a new social contract to square the "impossible" trinity

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Keywords:

India, COVID-19, economy, agriculture, industry, energy, sustainability

Almost eight months have passed since India imposed one of the world's strictest nationwide lockdowns to control the spread of the COVID-19 pandemic. The caution was warranted, as 1.35 billion citizens were at risk of contracting the deadly, contagious disease with no vaccine or cure. The Government of India, amid deep uncertainty and with limited resources, chose to save lives over livelihoods.

As weeks of economic inactivity turned into months, millions of formal and informal workers lost their jobs, leading to a humanitarian crisis during the health emergency. Migrant workers trudged hundreds of kilometers from urban hubs to their native places in the searing Indian summer. Between May and October 2020, over 4,600 trains were deployed to transport 6.3 million migrants to their home states¹ and over 2.7 million citizens² stranded abroad were repatriated by flight.

In parallel, starting in March, the government rolled out a phased economic and comprehensive package worth USD 263.5 billion (10% of 2019-20 GDP) with measures for immediate relief, liquidity, and payment deferrals.³ The first stimulus included USD 23 billion to provide food, cooking gas and cash to the poor, and interventions by the

Reserve Bank of India worth USD 86 billion to support businesses, especially micro, small and medium enterprises (MSMEs).

Medium- and longer-term structural reforms paving the path to economic recovery followed, with the ambition to build an Aatmanirbhar Bharat (Self-reliant India) upon the five pillars of economy, infrastructure, technology-driven systems, demography and demand. Major schemes include landmark reforms to deregulate the agriculture sector and formalise MSMEs, prioritising public spending in infrastructure, promoting policies to enhance market liquidity and drive foreign direct investment (FDI inflow from April to August 2020 grew by about 13% year-on-year⁴), and incentivising states to deliver reforms.

The choice to direct the nation's efforts and resources to protect the people has limited the number of cases to 8.1 million (0.6% of the population) cases as of October-end, with 7.37 million recoveries (91.2% recovery rate) and 121,100 casualties.⁵

The crisis galvanized and united diverse stakeholders to adapt to the lockdown and innovate to meet its unique demands: by September, India, earlier an importer of PPE kits, had become the world's second largest manufacturer, producing over 500,000 kits daily,⁶ and thousands of rail coaches were turned into fully equipped COVID-19 isolation wards to serve rural areas.⁷ Factories and workplaces adopted strict sanitation protocols and upskilled employees to work remotely, while service providers rallied to meet the steep rise in demand for e-payments, e-learning, e-commerce and e-governance services.

To sustain, and build upon, these green shoots of recovery, India needs a new social contract between the state, the citizen

and the enterprise, built on a commitment to jobs, growth and sustainability, and a razor-sharp focus on tail-end risks.

»India's economic recovery hinges on its millions of small businesses and their workers.«

During an economic crisis, sustainability tends to lose priority; however, it is a powerful lever to access new areas of growth. Achieving the trinity of jobs, growth and sustainability depends on evolving the economic structure from being exclusionary to much more people-centric and boosting resilient economic activities to maximise output.

CEEW's report, *Jobs, Growth and Sustainability: A New Social Contract for India's Recovery*, released in June 2020, illustrates many pragmatic pathways for India to shift sustainability – across sectors – to the economic mainstream. Here, we will touch upon four areas: reforming agriculture, rejuvenating small businesses, using the energy transition to power an economic transition, and managing tail-end risks.

The agriculture sector employs 41.5% of India's workforce⁸ and contributed 16.5% to its Gross Value Added in 2019-20.⁹ However, decades of intensive cultivation have led to water stress, chemical fertilisers have damaged soil health, and draconian regulations have impoverished producers and stunted agri-market development.

The lockdown crashed farmgate prices, disrupted supply chains, and ruined millions of tonnes of produce due to inadequate offtake and storage facilities. The government stepped in with the world's largest food security program,¹⁰ doubling the monthly allocations of staples for 800 million poor, and in September, passed new agri-trade and farmers' welfare bills¹¹ to bring in deep reforms.

The new policies aim to deregulate the sector – while assuring minimum crop prices – by giving farmers and traders open access to inter- and intra-state agri-produce commerce, and the option to market directly to end-consumers, thus removing the need for intermediaries. Also on the anvil are a national e-trading platform; a support network of 10,000 farmer producer organizations; provisions to access new types of private investment and markets, and scaling up of processed food and ancillary product value chains.

Efforts are also on to grow sustainable farming practices through scientific monitoring and evaluation of two levels of interactions: between the economic and the ecological, and the agricultural and the social.¹² These include annual yields; impact of crop diversification on prices; availability and affordability of natural fertilisers; crop resilience to extreme weather, building circular economies such as natural farming powered by distributed renewable

energy (DRE) and prudent water use, and assessing the impact of reforms on farmers, on-farm labor workforce, and rural-to-urban migration.

India's economic recovery hinges on its millions of small businesses and their workers. The MSME sector comprises 90% of India's unincorporated industrial units and contributed to 45% of its total industrial value addition and almost half its exports – 48%, worth USD 147.4 billion, in 2018-19. About 96% of the estimated 63.4 million MSMEs¹³ are proprietary, and most operate outside formal trade and banking systems. About 90% of India's estimated 450 million-strong workforce is also informal; MSMEs employ about 40% of these workers.¹⁴

The MSME sector was in distress even before the lockdown, mostly due to a perceived lack of creditworthiness. While short-term inputs can ease working capital constraints, sustained revival will depend on formalizing them through structural and regulatory reforms.

On July 1, the government launched the Udyam online system to register and classify MSMEs; as of October 1, it had about 700,000 registrations – just over 1% of the enterprises.¹⁵ Despite the slow start, Udyam is in line with CEEW's recommendation to build a centralised, digital database of MSMEs by linking Aadhaar identity profiles with tax databases and the banking network. Access to real-time, credible information will bring the MSMEs into the formal ecosystem; ensure efficient delivery of incentives and aid, and help track compliances such as goods and services quality and environmental metrics.

The MSME sector is often seen as homogenous, while in fact the enterprises

differ widely in exposure to risk, profitability and resilience. CEEW has created a vulnerability assessment framework of MSME sectors based on criteria such as financial health, markets, demand trajectories and workforce, to help prioritise them as per their economic importance and sectoral vulnerability.

Operational sustainability is also vital. MSMEs consume 30% of the energy delivered to formal industry and improving their energy efficiency (EE) will streamline their consumption, reduce expenses, increase productivity and enhance competitiveness, especially in global markets. A 2018 CEEW study noted that accurately measuring energy use raises the odds of investment in EE nearly six-fold, and MSMEs competing with larger companies are 3x more likely to do EE audits and 3.5x more likely to invest in EE technologies.¹⁶ Barriers include weak regulations, and lack of awareness, technical knowledge and capital, which could be addressed by Udyam.

India's economic growth and drive for safe and affordable energy access, justice and security could double its energy demand by 2040, with electricity demand likely to triple due to rise in appliance ownership and cooling needs.¹⁷

India imports almost 84% of its oil despite efforts to lower import dependence to 67% by 2022. To alleviate geopolitical shifts that often cause supply and price distortions for industry and transportation and to increase the clean energy share, India has targeted a 450 GW renewable energy (RE) capacity (currently 89.3 GW,¹⁸ 135 GW with 45.7 GW large hydro¹⁹) and a 15% share of natural gas in the energy mix (6% now) by 2030, and is on track to overachieve its

2°C-compatible Paris Agreement commitment of a 40% non-fossil fuel power capacity by 2030.

In recent years, India has transformed the way it generates, distributes and consumes power. Since 2000, about 800 million people have gained electricity access; CEEW's Indian Residential Energy Survey 2020 found that 97% of households are grid-connected and on average receive 20.6 hours of power daily.²⁰ India's energy transition augurs well for its economic transition, through rapid electrification of power-starved MSMEs; adoption of cleaner, energy efficient appliances; increase in distributed electricity and enhanced resilience of grid-based systems.

After the lockdown, aggregate national power generation slumped, especially in coal plants, but renewables were less impacted due to their low operational complexity and must-run status. CEEW estimates that even if half the generated RE power replaces imported coal, India could save forex worth USD 89 billion in 2021 – 2030. India also needs solar modules worth USD 2 billion annually to meet the 10 GW/year domestic demand; locally producing even half of this can avoid forex outflow of USD 1 billion.

Utility-scale renewables already employ 99,000 people, and current targets of 100 GW solar and 60 GW wind capacity could generate 1.3 million direct jobs on a Full-Time Equivalent (FTE) basis,²¹ i.e. a 330,000-strong workforce. DRE is also a huge prospect, with only 4 GW of the planned 40 GW installed so far. Rooftop solar installations could create 50,000 skilled and unskilled jobs per 4 GW, while each 20 GW micro-grid could employ 110,000 workers by 2025.

CEEW estimates a USD 50 billion market for clean energy products such as solar ovens, cold storages and food processors. The government has recently proposed a market-oriented framework for private players to develop and deploy DRE livelihood appliances in rural areas. This can transform energy access from a consumption paradigm to an economic driver, more so when combined with the agriculture and MSME reforms.

In parallel, India must invest in resilient physical and digital infrastructure, strong governance frameworks, and community preparedness to respond effectively to low-probability, high-impact tail-end risks.

Pandemics are just one of many threats; others include food and water shocks, infrastructure collapse, and extreme climate events. India weathered several climate crises this year: super-cyclone Amphan battered the east coast, causing an estimated USD 13.2 billion in damage,²² locusts destroyed 50,000 ha of cropland,²³ and floods in Assam impacted 3.5 million people in 3,000 villages, swept over 128,000 ha of cropland and displaced over 3 million animals.²⁴

The UN Office for Disaster Risk Reduction estimates that between 1990 and 2019, India lost USD 79.5 billion and USD 100 billion, respectively,²⁵ due to extreme climate events and vector-borne diseases. Extrapolating the UN-IASC's ratio that every USD 1 invested in preparedness saves USD 2 in response,²⁶ India could have saved almost USD 90 billion with proper systems. Resilient infrastructure, however, is up to 30% more expensive and will need solutions like resilience bonds, low insurance premiums, and public-private partnerships.

At the 2019 UN Climate Action Summit, India launched the Coalition for Disaster Resilient Infrastructure (CDRI) with several countries, UN agencies, multilateral banks, the private sector and academia, covering ecological, social and economic systems.²⁷ This June, India published its first Assessment of Climate Change over the Indian Region,²⁸ covering global and national climate patterns such as temperatures, monsoons, cyclones, droughts and sea levels.

»India's energy transition augurs well for its economic transition.«

In this context, we recommend a national Environment and Health De-Risking Mission, comprising a Climate Risk Atlas covering critical vulnerabilities, national and state-level de-risking strategies, and a centralised, real-time Integrated Emergency Surveillance System for methodical and sustained response to emergencies.

Globally, the axioms of free movement of capital, energy and free trade are at risk as countries reduce over-reliance on single sources or markets and move towards localised value and job creation. International cooperation amid this de minimis multilateralism must move from the dilemmas of common interests such as

trade, finance and technology, to common aversions such as chronic health, environmental, or financial risks.

A Global Risk Pooling Reserve Fund²⁹ could provide an insurance cushion to lower the cost of financial recovery through a risk-resilience framework. Similarly, a Common Risk Mitigation Mechanism could aggregate the financing needs of developing nations and create a global market for clean energy investment.

India is weathering the pandemic relatively well due to its vast size, political stability, and low exposure to external crises, and is set to reclaim its place as one of the world's fastest-growing economies in 2023, when it will host the G20.

India has demonstrated global leadership by co-founding sustainable development-oriented international platforms such as Mission Innovation, the International Solar Alliance and CDRI, and leading the Leadership Group on Industrial Decarbonisation with Sweden. Nationally, it is shaping its economic recovery through informed decisions despite scarce traditional data sources; new drivers of investment, socioeconomic equity and inclusive

growth, especially in smaller towns and rural areas; and greenfield opportunities to build resilient agriculture, industry, energy and infrastructure activities.

»India must build resilient infrastructure, systems and communities to manage low-probability, high-impact tail-end risks.«

In this Decade of Action, India remains steadfastly committed to squaring the triangle of jobs, growth and sustainability.

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The role of foundations during a pandemic

The German Federal Environmental Foundation's funding measures at the nexus of COVID-19 and sustainability

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The Deutsche Bundesstiftung Umwelt (DBU) funds innovative, exemplary and solution-oriented projects for the protection of the environment, with special consideration of small and medium-sized enterprises. The funding activities focus on environmental technology and research, nature conservation, environmental communication and protection of cultural heritage.

Keywords:

COVID-19 pandemic & sustainability, socio-ecological transformation, resilience, role of foundations

The COVID-19 pandemic has had a massive impact on our world and has radically altered the lives of everyone in it. Soon after the initial outbreak, it became clear that the social and economic consequences would be enormous. Drastic measures were introduced in an attempt to cushion the blow. In western European countries in particular, the state as crisis manager and regulator became significantly more visible.

But what role can foundations play as civil society actors with regards to managing and coping with the pandemic?

Foundations see themselves as enablers, trendsetters, instigators or as laboratories for the development of new ideas. One of their strengths is their ability to identify windows of opportunity in which they can act quickly and mobilize their networks and funds. Foundations complement the actions of the state. They cannot and do not want to replace state actions.

As independent institutions, foundations can establish trustworthy platforms for communication and act as mediators between contrasting viewpoints. They can bring a wide range of different stakeholders

to the table and help to ensure that communication can take place between societal groups with opposite stances. And they allow the “best-practice” examples that they fund to be disseminated and imitated. As such, they play a decisive role in the search for solutions to societal challenges.¹

»Foundations complement the actions of the state. They cannot and do not want to replace state actions.«

In early March 2020, it became clear that Germany would be going into lockdown and that this would result in major economic consequences, which the government intended to counteract through economic stimulus. At this time, the German Federal Environmental Foundation (DBU) adopted a formative role and took advantage of its opportunities. As one of the largest foundations in Europe with the aim of promoting exemplary projects in the area of environmental conservation, one of the main drivers for the DBU to take action was to ensure that the ongoing ecological crisis was not ignored despite the challenges of the COVID-19 pandemic. Quite

the opposite: from the DBU's perspective, both aspects must be taken into consideration equally – and with a view to seeing socio-ecological transformation as an opportunity to demonstrate the ways in which we can reach a new normal.

MOBILIZATION AND NETWORKING

Thanks to its extensive history of funding innovative, exemplary projects in the areas of environmental and natural conservation, the DBU boasts an extensive network of relevant stakeholders. This network allowed the DBU to quickly bring together representatives from key institutions and advisory councils to participate in a digital discussion platform shortly after the lockdown went into effect.

The platform provided the relevant stakeholders with a safe space to take stock of the current situation and identify key areas of action. During this initial evaluation, a number of areas of action crystallized, including the following: the need for a sustainable stimulus package, resilience and alternative economic approaches, digitalization, and the unique opportunity to research the sociological aspects of the current situation. Moreover, against the backdrop of a looming “competition” between COVID-19 and the climate crisis, the group advised on ways in which the pandemic could be used to positively shape the path to a more sustainable society.

As the result of two intensive digital platform conferences with experts, in a matter of weeks, the DBU had already helped launch eight projects that address various perspectives on the nexus between COVID-19 and sustainability, as well as a representative forsa survey on the impact of COVID-19.

PROJECT FUNDING

The projects funded by the DBU pursue two main targets: they are either short-term political-consulting projects aimed at helping to shape and introduce economic stimulus measures in Germany, or longer-term projects that empirically study the current situation from a sociological perspective and compare the data with existing datasets from the time before the start of the pandemic. In both cases, the parties involved had to act fast. In order to be able to exert an influence over the economic stimulus measures or research societal developments and individual behaviours in situ and extrapolate the impact of the current crisis on the “great transformation” (WBGU, 2011), the projects had to be conceptualised, approved and implemented quickly. Further studies address topics such as the resilience of urban areas and value chains, but also take into account larger questions of economic strategy and alternative economic approaches as well as concrete digital solutions.

ECONOMIC STIMULUS MEASURES

In the project “Sustainable Economic Stimuli in Response to the Economic Impact of the COVID-19 Pandemic,” the Öko-Institut Freiburg analyzed sustainable design elements of the German economic stimulus package in the context of the pandemic and introduced the results into the public discourse in a variety of formats. The goal of the study, which was primarily aimed at political decision-makers, was to push the design of this type of stimulus package further in the direction of sustainability. To this end, the project first looked back at and analyzed major international stimulus packages that had been introduced in recent

years in terms of ecological sustainability, then analyzed the unique conditions posed by the current crisis, and finally formulated concrete recommendations for sustainable economic stimuli.² In the meantime, the German Environment Agency has comparatively analyzed a number of studies on green economic stimulus programmes – including the study carried out by the Öko-Institut.³ As a whole, all of the studies agree that the economic crisis resulting from the COVID-19 pandemic can only be overcome with green stimulus packages and structural reforms. The central fields of action identified were renewable energies and the renovation of existing buildings, sustainable mobility, ecological transformation of the industry, communal funding programmes, and nature-based solutions.

The German Industry Initiative for Energy Efficiency’s “Green Recoverthon” is focused on actively supporting and commenting on the adopted measures with a thematic focus on energy policy. As part of a collaborative and interactive event which included political decision-makers among the participants, the design of the economic stimulus measures was constructively reviewed in terms of opportunities for increased sustainability. During three online events, experts from a variety of networks come together to develop targeted recovery measures. The aim is mainly to provide SMEs with a voice in this process. The fact that Federal Minister of the Environment Svenja Schulze was willing to take on patronage of the project demonstrates that politicians are interested in this form of dialogue.

BEHAVIOR AND HEALTH

Since the start of the pandemic, we have all found ourselves involuntarily taking

part in a large “real-world experiment.” At the beginning in particular, both fears and positive expectations regarding the nexus between COVID-19 and sustainability were expressed. On the one hand, many people loudly expressed their concerns that the implementation of measures against climate change could be hindered by the impending recession. On the other hand, during this time we observed a never-before-seen sense of solidarity – and the realization that the COVID-19-related restrictions also had some positive effects (such as the reduction in carbon emissions). All of this was tied in together with the hope that we will see a shift towards a more sustainable lifestyle in the future. As we began to enter the “second wave” in autumn 2020, we once again saw increased discussion about questions of solidarity between the generations.

In order to evaluate the potential of changes in behavior and attitudes in terms of a socio-ecological transformation, it is important to research these societal processes of change as they occur. The first results of the DBU-funded study “The COVID-19 Pandemic as a Game Changer for the Transformation to Sustainability?” at the University of Magdeburg (Prof. Dr. E. Matthies) have shown, “as expected, a reduction in individual mobility for all means of transport from April until the end of June. For the switch from cars to bicycles and the shift in future holiday planning (air travel), [...] external factors have been identified that could stabilise this change in behaviour over the long term. The importance of a number of political topics has changed significantly compared to 2016 and 2018; perception of the urgency of climate protection was not reduced by

the COVID-19 pandemic, and acceptance of restrictive environmental measures even increased slightly.”⁴ For example, multiple studies show that “acceptance for climate protection measures was relatively high at the height” of the first wave of the COVID-19 pandemic (April 2020).⁵

»One of the main drivers for the DBU to take action was to ensure that the ongoing ecological crisis was not ignored despite the challenges of the COVID-19 pandemic.«

Answering the question of whether the pandemic has changed people’s environmental awareness is also one aspect of the study “Environmental Awareness and Risk Perception during the COVID-19 Pandemic” from the University of Bielefeld (Prof. Dr. C. Hornberg). The study is particularly concerned with health perspectives as well as the perception of environmental risks,

taking into account the concept of planetary health.⁶ The primary focus is the question of whether the pandemic has changed the relevance of the topic of the environment as well as individuals' personal perception of environmental risks among the German population. Topics covered include how much participants have been personally affected by the pandemic; their awareness of the links between global environmental issues and health risks; their knowledge of and attitude towards environmental problems and risk perception; their trust in politics, science and the economy; and their assessment of the political measures taken during the pandemic.

»Foundations can establish trustworthy platforms for communication.«

This project addresses the central nexus between the environment and health both during and outside of the pandemic. The climate crisis is the greatest threat to human health in this century. However, until now, the topic of climate change was only considered to be of marginal importance in the health sector. This is slowly changing thanks to the Fridays for Future and Health for Future movements, which emerged in summer 2019. The challenge remains, however, to develop a climate-neutral and resource-efficient healthcare

system, to prioritise prevention and lifestyle changes for health and climate protection, to reduce healthcare inequality, and to become (more) resilient to the impacts of climate change.

RESILIENCE AND ALTERNATIVE ECONOMIC STRATEGIES

In many countries around the world, the pandemic has overwhelmed the healthcare systems and made us painfully aware of the breaking points of our socio-economic structures: while we recognized the fragility of an extremely differentiated economic system that has been streamlined for maximum efficiency before the pandemic, we had not yet experienced it first hand to this extent. Discussions about widely ramified and highly specialized value chains are now once again gaining momentum. This goes hand in hand with debates about globalization, re-regionalization, and reshoring, as well as issues such as resilience to extremely risky dependencies, in particular with a view to "system-relevant" goods.

This tension between efficiency and resilience is the starting point for the research project "Looking For a New Balance Between the Market/State and Civil Society for a Resilient Society" by the Institute for Ecological Economy Research (U. Petschow). It pursues two aims: to systematically record and analyse the current discussion on resilience, a recalibration of value chains and the market/state and civil society, and alternative economic approaches, while at the same time documenting current activities with a view to the question of resilience/sustainability and the solutions that are actually being implemented at the moment in response to our current challenges, and identifying

potential for sustainability transformations within these activities and solutions. The project will empirically study the activities of alternative economies and SMEs on location and digitally with a view to public service goods (or partial aspects of foundational economies⁷).

In a project carried out by Cusanus Hochschule, "New Economics Education for Designing Complexity in Crisis Times," (Prof. Dr. S. Graupe), these kinds of alternative economic approaches are integrated into academic teaching and thereby into economics education on the whole. The aim is to motivate students to understand the current crisis as an opportunity for re-orientation of the economy and society, in particular in terms of sustainability. This, in turn, is intended to strengthen their design skills when dealing with uncertainty and complexity.

PANDEMIC RESILIENCE IN URBAN AREAS

The often repeated slogan of the so-called "first wave" of the pandemic in spring 2020, which was permanently broadcast by nearly all German television stations, was "Wir bleiben zuhause" – "We're staying home." For people with enough space and a comfortable, pleasant living environment, this wasn't much of a problem. But what about people living in cramped quarters and those whose neighborhoods are less pleasant and inviting? And what does that look like for vulnerable sections of the population, such as seniors, people living alone, refugees, immigrants who do not speak German, or the homeless? What does a pandemic-resilient urban area need and what can be done (also in the short term) to increase this resilience?

Two additional projects have chosen to focus on these questions.

The aim of the study "The stress-test-resilient urban area" at the University of Bremen (Prof. G. Bolte, Prof. S. Baumgart) is to identify strategies and measures on the spatial, socio-economical and organizational levels that increase the resilience of urban areas, such as the maintenance and qualification of green and open spaces and targeted compensation for pandemic-related disadvantages. However, the main area of study is the role that urban-planning tools play in conjunction with public health measures. As part of a stress test, selected urban areas will be continually analysed in terms of which urban-planning strategies and tools help to promote positive trends and reduce the negative impacts of the pandemic.

The project "Public-interest-oriented approaches for pandemic-resilient urban areas" at the Wuppertal Institute (Dr. F. Stelzer) is more heavily focused on rapid implementation of concrete measures. The project idea seizes on the examples of solidarity that arose during the COVID-19 pandemic in urban areas⁸ in order to reinforce them with additional offers through an app that has already been established in a pilot neighborhood (e.g. lunch offers from local restaurants, help and swap offers, etc.). New digital forms of participation, communication and interaction are currently in development. The aim is to generate positive perception of the situation through the help and solidarity offers in the app and to strengthen the self-efficacy of the residents of the neighborhood in question. The digital platform is a unique opportunity to take up ongoing transformation processes in an urban area and to expand upon these

processes after the crisis in order to address the resulting issues of sustainability. These platforms are to be offered in multiple languages in order to reach the widest possible target group in the neighborhood.

SUMMARY AND OUTLOOK

As the result of the COVID-19 pandemic, we have experienced massive restrictions in terms of our everyday lives, which has correspondingly impacted the current climate and environment goals. As a civil-society actor, the German Federal Environmental Foundation therefore acted quickly and initiated a number of projects that address the impact of the pandemic, its consequences for environmental and

climate goals, and possible solutions. The projects were launched in April 2020 with durations ranging from 3 to 13 months. The (intermediate) results will be communicated as quickly as possible. With these efforts, the DBU can make a contribution to the validation and understanding of the human behavioral response to the pandemic and the psychological effects that have been caused as a result of these radical changes. Moreover, the results of these projects may provide us with answers as to how we can strengthen the resilience of our society in the face of future socio-ecological crisis and how the pandemic itself can help to usher in a socio-ecological transformation.

¹ cf. Große-Ophoff, M., Soetbeer, C., "Corona und nachhaltige Entwicklung: Zwischen Restauration und Transformation?" (working title), in an upcoming special edition of *politische ökologie* 163.

² Schemmel, J.P., Schumacher, K., *Zukunftsfähige Konjunkturimpulse zur Bewältigung der wirtschaftlichen Folgen der Corona-Krise*, Öko-Institut, 30 June 2020. cf. https://www.dbu.de/2985ibook82913_38647_.html.

³ Burger, A., Kristof, K., Matthey, A., German Environment Agency, Background Paper *The Green New Consensus*, September 2020.

⁴ Matthies, E., Sieverding, T., Schmidt, K., & Wallis, H. [2020], *Stärken die Coronamaßnahmen den dringenden notwendigen Wandel zu einer nachhaltigen Mobilität und einer stärker regulierenden Klimaschutzpolitik? Eine parallele Querschnittserhebung zu Mobilitätsverhalten und Politikunterstützung drei Monate nach Beginn der Krise*. Otto-von-Guericke University, Magdeburg, p. 5. Translation of the original German quotation into English.

⁵ *ibid.*

⁶ cf. Horton, R., Lo, S., "Planetary health: a new science for exceptional action", in: *The Lancet* 386, 2015, p. 1921f and Müller, O., Jahn, A., Gabrysch, S.: "Planetary Health: Ein umfassendes Gesundheitskonzept". In: *Deutsches Ärzteblatt* 2018; 115 (40): A 1751–2.

⁷ cf. Arcidiacono, D. et al., *Foundational Economy*, Manchester University Press, 2018, and *Foundational Economy Collective: Die Ökonomie des Alltagslebens. Für eine neue Infrastrukturpolitik*, Berlin, Suhrkamp, 2019.

⁸ cf. the third ad-hoc statement from the Leopoldina "Coronavirus-Pandemie – Die Krise nachhaltig überwinden", 13 April 2020, p. 8.

Building resilience against future crises

The role of Multilateral Development Banks in providing a crucial global public good

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As a federal enterprise, GIZ has over 50 years of experience in a wide variety of areas, including economic development and employment promotion, energy and the environment, as well as peace and security. GIZ works in demand around the globe – from the German government to European Union institutions, the United Nations, the private sector and governments of other countries. The main commissioning party is the German Federal Ministry for Economic Cooperation and Development.

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RESILIENCE TO FUTURE CRISES: A CRUCIAL GLOBAL PUBLIC GOOD

Multilateral Development Banks (MDBs) play a key role in adapting and improving our economies and societies to support the global transition toward greater resilience. Transnational challenges, from climate change to humanitarian and economic crises, increasingly threaten development prospects, placing mounting pressure on MDBs to address these risks effectively. Moreover, regional and global interconnectedness means that shocks like pandemics, financial, economic and food crises spread further and faster. The outbreak of the COVID-19 pandemic and the ensuing global recession is the most recent and unprecedented example of profound multiple crises. If unmitigated, such crises thus pose a significant risk to past achievements in poverty reduction and development.

These challenges underscore the importance of preparedness and transformative changes at the country level — including sustainable and inclusive infrastructure, human development and social protection — and the ability to coordinate and cooperate effectively at regional and global level. For the purpose of our argument, we consider resilience as the ability to absorb shocks and adapt, recover quickly and positively transform after a crisis (see e.g. Béné et al. 2012, BMZ 2013, IPCC 2012 and UNU-EHS 2013). The unfolding health crisis has proven that resilience has significant positive spillovers. Not only a country or region that has been affected benefits from a greater ability to handle a shock, but also the larger global community, predominantly through the prevention of a global transmission and the ability to

address systemic instability in the global economy. Consequently, global resilience should be considered a global public good (GPG). Viewing resilience as a GPG allows for a comprehensive approach to incorporate economic, financial, health, environmental and conflict-related parameters for countries' preparedness for future crises. Underproviding GPGs such as global resilience will most certainly exacerbate the impact of global crises. At the same time, building resilience on the global level is dependent on the collective action of the international community.

The international agreements on global agendas such as the 2030 Agenda, the Paris Climate Agreement, the Addis Ababa Action Agenda, and the Sendai Framework for Disaster Risk Reduction have put the global challenges of our time at the forefront of today's policymaking. Rebuilding after the damage of the COVID-19 pandemic will be a litmus test for these international commitments. Now more than ever, the question is whether the international community can join together to build forward better with limited national budgets in the face of one of the most synchronized crises ever. We argue that MDBs are uniquely positioned to shape this endeavor. In the following sections, we identify MDBs' roles that are crucial to strengthening the provision of resilience as a GPG. We end with recommendations on how these can be further developed to build longer-term resilience for future multifaceted crises.

CHARACTERISTICS OF GPGS

GPGs are commonly referred to in the literature as international public goods characterized by non-rivalry in consumption and non-excludability (see e.g. Kaul

et al. 1999). Public goods imply externalities – i.e. benefits (or costs in the case of negative externalities) that are not limited to the provider of the good but a larger community. This implies the problem of free-riders, as in theory they could benefit from a public good without contributing to it, as long as there is one or several providers caring for its production. Resilience to crises or shocks shows such public good characteristics, as the benefits of its provision clearly extend to the individual country or region, and its under-provision, in the worst case, could undermine the stability of the whole planet.

»Not only a country or region that has been affected benefits from a greater ability to handle a shock, but also the larger global community.«

The provision and protection of GPGs thus presents a collective action problem, as actors might not provide them individu-

ally due to the implicit spillovers and positive externalities and the related option to free-ride on the efforts of other countries. This conundrum leads to the question of what adequate institutional designs for optimal provision and protection of GPGs could look like (Estevadeordal/Goodman 2017). It has often been pointed out that the provision of GPGs lacks an international governance structure (Kindleberger 1986). Precisely this is where MDBs as global or regional institutions with a broad membership and multiple interlinked functions come into play.

MDBS' COMPARATIVE ADVANTAGES AND ROLES FOR PROVIDING RESILIENCE AS GPGS

MDBs such as the World Bank Group (WBG) and the regional development banks (RDBs), for example the African, Asian and Inter-American Development Banks (AfDB, ADB and IDB), are uniquely positioned to become important multipliers to facilitate GPG provision. Even if RDBs do not operate on the global level, they contribute to the provision of regional public goods (RPGs) that often constitute critical intermediate public goods of GPGs. Resilience, provided at country or regional level, contributes to global resilience. Yet, global resilience is arguably more than the sum of its parts. Due to its multifaceted nature and systemic interdependencies, building resilience in multiple areas preempts domino effects from weakest link public goods. Vis-à-vis other actors in the international development system, MDBs have several comparative advantages, as they combine different focus areas and roles (see e.g. World Bank, IFC, and MIGA 2016): They have both a country and a global or

regional presence, they channel both public and private finance, they work in single sectors and with multi-sector approaches, and they are characterized by a unique combination of different roles.

»Multilateral development banks such as the World Bank and regional development banks are uniquely positioned to become important multipliers to facilitate a global public good provision.«

We distinguish four general roles for MDBs, which are also relevant to their engagement regarding GPGs and RPGs: (1) financing, (2) knowledge provision and dissemination, (3) convening power/ acting

as honest brokers and (4) standard-setting (see e.g. Estevadeordal et al. 2004; Ferroni 2002, 2004; Rufin 2004; Schmaljohann et al. 2015; Tres/Barbieri 2017).

Financing

MDBs' premier role is to provide loans and grants to developing countries (for discussion see Schmaljohann et al. 2015; Ferroni, 2002, 2004). This occurs through leveraging their capital on international capital markets and providing support to countries in different forms of non-concessional and concessional finance, as well as with different instruments like investment loans, development policy loans and, more recently, results-based financing.

Due to the positive externalities it might not always be in the interest of a country to borrow MDB money for a project whose benefits will also accrue to neighboring countries (Ferroni 2002). Therefore, an important instrument to finance GPGs and RPGs are grants, channeled through regionally and/or thematically specialized trust funds. The Global Facility for Disaster Reduction and Recovery (GFDRR) at the World Bank, for instance, is a global partnership that helps developing countries better understand and reduce their vulnerability to natural hazards and climate change. Targeted non-concessional funding for client countries have also proven to be an important instrument to incentivize client countries to strengthen public goods. For example, the World Bank's Global Concessional Financing Facility provides development support on concessional terms to middle-income countries impacted by refugee crises.

A special window for GPGs for the WBG is an innovation that has been repeat-

edly called for (see e.g. CGD 2016; Kanbur 2002; Kaul 2017; Reisen/Garroway 2014; Schmaljohann et al. 2015) and was finally approved with the recent capital increase.¹ The RDBs already have specialized or earmarked funds for regional operations that, in some cases, are explicitly labelled as RPG windows or initiatives.²

Knowledge

Creating, consolidating, and disseminating knowledge and analytics is a second fundamental role of MDBs for the provision and protection of GPGs and RPGs. The arguments for producing knowledge on a regional and global level, rather than at the national level, is based on scale and positive spillovers through the connection of a critical mass of knowledge producers, consumers and users (Estevadeordal et al. 2004). The World Bank, for instance, has recently published several flagship reports on fostering resilience in a variety of areas, such as the "Lifelines" (Hallegatte et al. 2019) and the "Unbreakable" (Hallegatte et al. 2017) reports. The IDB has recently developed a guidance on how nature-based solutions can be fostered to increase climate change resilience and ensure the delivery of sustainable infrastructure services.³ Regional and global efforts on joint analytics, moreover, offset significant costs connected with the regular generation and production of reliable data. This role includes also the public provision of data – such as the World Development Indicators compiled by the World Bank.⁴

A crucial aspect to contributing to the provision of GPGs/RPGs through knowledge is dissemination through open access policies and regional conferences and workshops. With digitalization, web-based

learning formats, such as the World Bank's Open Learning Campus, provide the opportunity to disseminate development knowledge more broadly than ever before.⁵ This year's digital African Economic Conference, jointly organized by the AfDB, the Economic Commission for Africa (ECA) and the United Nations Development Programme (UNDP) focuses on "Africa beyond COVID-19: Accelerating towards inclusive sustainable development".⁶ Initiatives such as the WBG's Global Crisis Risk Platform, which "aims to strengthen complementarities across the units working on risk mitigation and crisis management" and "seeks to fill gaps in the Bank's institutional architecture on crisis management,"⁷ provide first examples of an MDB approach to strengthen resilience as a GPG.

Convening power

Due to their multi-country membership, MDBs are ideally placed to convene and coordinate stakeholders to build consensus on priorities, incentivize country commitments and facilitate agreements on cross-border policies and standards (Estevadeordal et al. 2004). They are especially well-equipped to bring together government officials and specialists from several countries (Rufin 2004). In addition, their relationships with government counterparts allows them to support national-level convening of stakeholders, including citizens, NGOs and the private sector. For example, the biannual Fragility Forum convened over 1000 participants from various sectors at their last in-person event in 2018 on "managing risks for peace and stability."

In order to avoid duplication of efforts, MDBs can exercise donor coordination in a

particular region. Activities comprise simple information sharing and brainstorming, co-financing a particular project, and joint strategic programming in a country or region. For example, the ADB assists the Greater Mekong Subregion Program, which includes six countries on their sub-regional collaboration on sectors spanning from environment, transport to health.

»In order to fully utilize the comparative advantage of multilateral development banks vis-à-vis other international organizations to enhance global resilience, the institutions must work as a system.«

Standard -setting

A fourth MDB role, which is often not as explicitly spelled out as the previous three, is their contribution to regional and global standard setting. Tres and Barbieri (2017) argue that, contrary to the idea that regional cooperation is mostly based on weakest-link provision of RPGs, cooperation projects often produce regional standards that are even above the national norms. Analyzing the example of the Central American pharmaceutical procurement mechanism, the authors conclude, however, that this might be realized only in limited circumstances – in that case, the specific supranational and intergovernmental institutions characterizing the Central American regional integration. Efforts to that effect are central to strengthening resilience as a GPG. They will constitute central elements to successfully building forward better for a post-COVID-19 world. Initiatives would include regional or global standards on preparedness and prevention of risks factors such as on climate adaptation and mitigation.

CONCLUSION

MDBs are uniquely positioned to harness their comparative advantages to optimize GPG and RPG provision and to significantly contribute to a more crisis-prepared post-COVID-19 world. The increase in debt, tightening of donor budgets and starkly limited resources of international donors urgently calls for doing more with less. The financing-strapped context is coupled with the pressing need to build forward better after the crisis. The future sustainability of economies will in hinge in large part on how resiliently the countries can rebuild. Such an ambitious agenda can

only be reached through creating more efficient synergies among the financing institutions, mainstream their role as important GPG providers and pushing for an inclusive, equitable and sustainable recovery. But how can this potential be realized? In order to fully utilize the MDB's comparative advantage vis-à-vis other international organizations to enhance global resilience, the institutions must work as a system (also see e.g. Bhattacharya et al. 2018). They should:

- Coordinate and collaborate on analysis of global crisis risk factors through sharing of data and a joint analytics agenda (off-sets costs on generating data inputs on a regular basis)
- Develop and scale-up financial tools and pooled funding to finance RPGs and GPGs, respectively, e.g. developing multi-country loans, differentiated pricing, concessional and grant-financing through RPG/GPG funds
- Jointly and in coordination with each other, strengthen the cooperation with international actors such as the United Nations agencies, regional organizations

and bilateral partners, facilitate through targeted and collaborated joint capacity-building approaches

- Consider systematic linkages with the sustainable development goals and align RPG and GPG provision with SDG targets
 - Coordinate on cooperation with client countries to construct inclusive, equitable, and sustainable preparedness and prevention plans
 - Convene, raise standards and operationalize on prioritizing key aspects supporting countries' resilience such as systematically addressing drivers of fragility.
- Finally, the full potential to optimize the provision of GPGs/RPGs can only be achieved if the challenges are seen as parts to a sum of MDBs. Synergies can at the best realized if the MDBs develop a comprehensive and consolidated action plan for their approach to providing GPGs and RPGs. In such an action plan, MDBs should go about utilizing their toolkit in financing, knowledge, convening power and standard-setting to sequence, focus and prioritize the provision of GPGs such as global resilience.

¹ See Nance Birdsall "On Global Public Goods: It's Not Big Money but It's a Big Breakthrough." <https://www.cgdev.org/blog/global-public-goods-not-big-money-but-breakthrough>.

² At the ADB, 10% of the Asian Development Fund (ADF) is earmarked for regional and subregional projects. The AfDB's African Development Fund (ADF) has a specifically called "Regional Public Goods Window." The IDB has a Regional Public Goods Initiative, which annually provides grants for proposals that have been selected as a result of a call for proposals. The WBG's International Development Association (IDA) has a Regional Sub-Window, for the implementation of regional transformational projects that have significant spillover benefits at the regional or continental level. In part, such funds also allow for co-financing (or buy-downs) of loans, i.e. mixed forms with grant funding combined with concessional or non-concessional loans.

³ IDB/Aclimatise. 2020. Increasing infrastructure resilience with Nature-based Solutions (NbS). A 12-Step Technical Guidance Document for Project Developers.

⁴ See for a complete overview of the WBG's datasets: <https://datacatalog.worldbank.org/>.

⁵ See <https://olc.worldbank.org/>.

⁶ See <https://aec.afdb.org/en>.

⁷ <http://documents1.worldbank.org/curated/en/660951532987362050/pdf/GCRP-Board-Paper-26-June-FINAL-06272018.pdf>.

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Citizens want more multilateralism

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Pew Research Center is a nonpartisan fact tank that informs the public and policymakers about the issues, attitudes and trends shaping the world. It conducts public opinion polling, demographic research, content analysis and other data-driven social science research.

Keywords:

multilateralism, public, UN, U.S., China

As countries around the world strive to contain the coronavirus pandemic and its economic fallout, they must also contend with challenges such as climate change, cybersecurity, and a shifting geopolitical environment. Against this backdrop, some politicians have called for their countries to turn inward, away from international obligations and entanglements, in order to put national interests first. Others say international cooperation is the only way to address problems that do not respect national borders, and that global engagement can in fact serve the national interest. Recent international public opinion surveys reveal that ordinary citizens tend to subscribe to the latter, multilateralist view.

People want to see their countries working with other states to solve global challenges, and they believe in the values and objectives that guide multilateralism and multilateral institutions. However, many feel distant from multilateral organizations and uncertain that international cooperation delivers on its promises. If leaders and institutions are going to successfully mobilize public opinion to back multilateral approaches, they will need to show that these efforts can have a real impact on everyday lives.

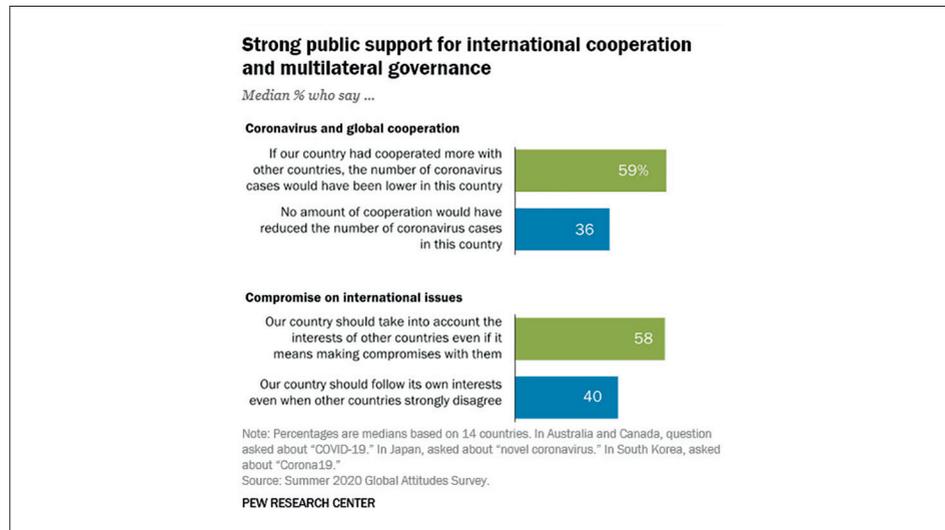
MOST EMBRACE INTERNATIONAL COOPERATION

Numerous Pew Research Center surveys over the years have shown that publics support the fundamental principles of multilateralism and international cooperation. A survey in 2020 among 14 of the top 20 donor countries to the United Nations shows most people believe nations should take other countries' interests into account when making foreign policy, even if that means making compromises, rather than acting purely in their own national interest.¹ Across the 14 nations, a median of 58% hold this view. Most also believe more international cooperation would have helped their country deal more effectively with the biggest challenge of 2020, the coronavirus pandemic. A median of 59% believe cooperation with other countries

would have reduced the number of infections in their own country, while only 36% say that no amount of cooperation would have reduced infections.

When asked whether nations should act as members of a global community, rather than as independent nations pursuing their own interests in a global competition, majorities around the world prefer cooperation. Across 34 nations surveyed in 2019, a median of 65% said nations should act as part of the global community to solve problems. Majorities or pluralities held this view in nearly every country surveyed across sub-Saharan Africa, the Asia-Pacific region, Europe, Latin America, and the Middle East, as well as the United States and Canada. The value of multilateralism is deeply ingrained in the minds of people worldwide.

Figure 1



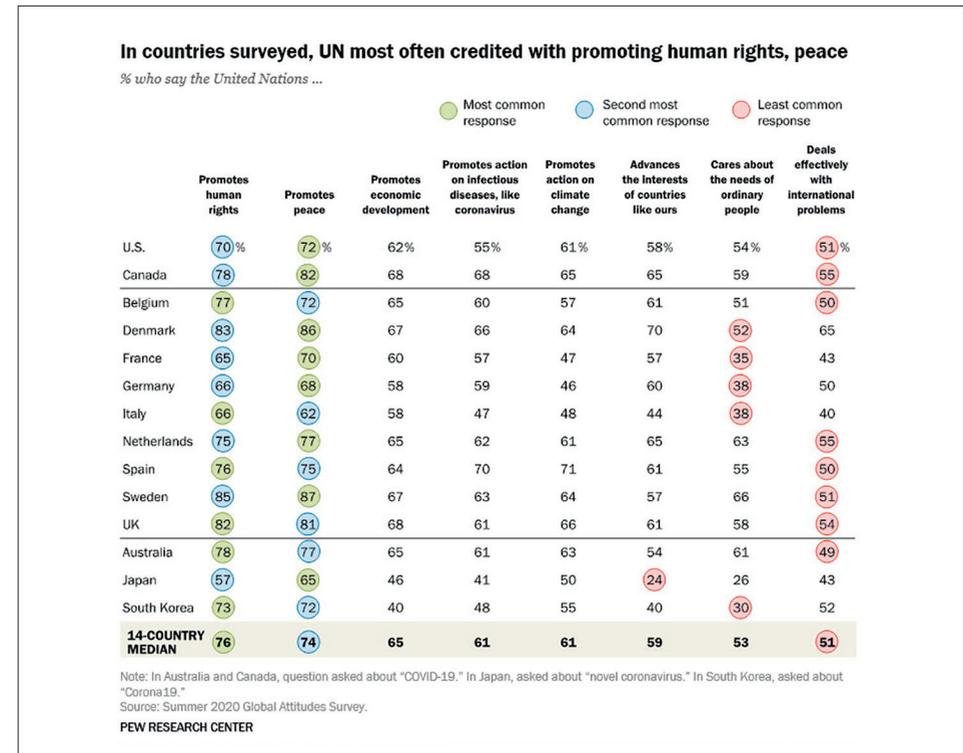
MULTILATERAL INSTITUTIONS GET MOSTLY POSITIVE REVIEWS, BUT SOME SAY THEY ARE INEFFECTIVE, OUT OF TOUCH

In addition to the principles of multilateralism, multilateral institutions are also generally seen in a positive light. For instance, across the 14 countries surveyed in 2020, a median of 63% expressed a favorable opinion of the UN. Majorities in every nation except Japan rated the organization favorably, and in Denmark, Sweden, the UK, South Korea and Canada, roughly seven-in-ten or more gave the UN a positive review.

However, while people support the principles and primary international bodies that enact these ideals, they often question whether those same organizations really listen to their needs or are effective in their actions. In the 2020 survey, majorities in every country² praised the UN's promotion of human rights and peace. But far fewer, and in some cases only minorities, say the UN cares about the needs of ordinary people or deals effectively with international problems.

And as previous Pew Research Center studies have shown, attitudes toward the

Figure 2

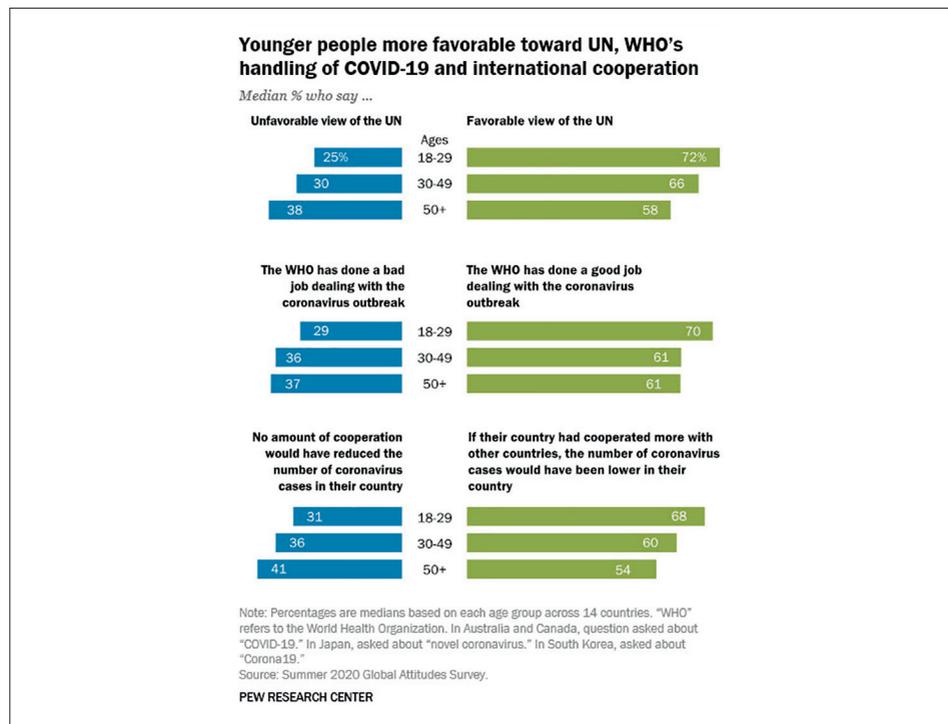


European Union follow a similar pattern: Europeans tend to believe in the ideals of the EU, but they have complaints about how it functions.³ Most think the EU stands for peace, democracy and prosperity, but half or more also believe it is intrusive and inefficient and that Brussels does not understand the needs of average Europeans.

Recent qualitative research by the UN highlights the extent to which ordinary citizens want multilateral organizations to be more inclusive and more engaged at the grassroots level. To help mark its 75th anniversary, the UN conducted a series of

more than 1,000 dialogues – informal or moderated conversations with members of the general public – in 82 nations, exploring perceptions of the UN and attitudes toward major international priorities.⁴ A key finding from the dialogues is that people around the world want the UN to be more inclusive, listening more intently to the voices of women, youth, local leaders, and civil society organizations. And they want the UN to communicate more regularly and effectively with publics across the globe about UN programs and initiatives, while also seeking feedback from average citizens.

Figure 3



GENERATIONAL AND IDEOLOGICAL DIVIDES REGARDING MULTILATERALISM

While overall attitudes toward multilateral organizations and the principles of international cooperation are generally positive, there are important demographic and ideological differences within nations. Young people, those on the ideological left, and more highly educated people are more likely to endorse multilateral organizations and international cooperation, as are people with higher levels of social trust. Across the 14 countries surveyed in 2020, people ages 18-29 are far more likely to have a favorable view of the UN than those 50 and older. Young people are also more positive towards the World Health Organization's coronavirus response and believe that cooperation with other countries would have resulted in fewer COVID-19 diagnoses.

More educated people are also more likely to have a positive opinion of the UN and are more likely to say the institution supports peace and human rights than those with less education. Similarly, people who express high levels of social trust are more favorable towards the UN and tend to be more willing to support compromise in international relations than those who are less trusting.

Ideology also plays a major role in views of internationalism and its principles. People who place themselves on the left of a self-reported ideological scale are much more likely to say that nations should act as part of a global community than those on the ideological right. Furthermore, those in Europe who support right-wing populist parties, such as the AfD in Germany or National Rally in France, are much less supportive of multilateral approaches.

»People around the world want to the UN to be more inclusive.«

In the US, public opinion on these issues is sharply divided along partisan lines. While 78% of Democrats and Democratic-leaning independents believe the US should take into account the interests of other nations even if it means making compromises with them, just 31% of Republicans and Republican-leaning independents agree. Democrats are also significantly more likely to have positive views of the UN, believe the WHO has handled the coronavirus pandemic well, and believe countries around the world should act as part of a global community that works together to solve problems.

More than eight in ten Democrats (83%) think the US would have had fewer coronavirus cases if it had worked more closely with other nations on this problem; only 27% of Republicans hold this view. A recent Chicago Council on Global Affairs survey also illustrates the huge partisan divide over the pandemic: when asked whether the outbreak makes it clear that it is more important for the US to "coordinate and collaborate with other countries to solve global issues," or that it is more important to "be self-sufficient as a nation so we don't need to depend on others," 80% of

Democrats choose the former, while 58% of Republicans choose the latter.⁵

So while multilateralism is a broadly popular concept, many do have reservations about it, and these reservations are often linked to fears about being “left behind” by the immense changes associated with globalization. A five-nation 2018 Bertelsmann study of attitudes toward the G20 found that people who believe they have not benefited from globalization are less likely to embrace international organizations and cooperation.⁶ A recent Pew Research Center focus group study in the US and UK highlighted how skeptics of globalization often see international organizations as too powerful and as a threat to national sovereignty. In these two nations, skeptics believe their own country’s standing in the world can be weakened through collaboration with other nations.⁷ Even though the principles of multilateralism are broadly popular, it’s worth remembering that, in the minds of some, what international cooperation really means is allowing other countries to take advantage of you.

DOUBTS ABOUT UNITED STATES, CHINA AS WORLD ACTORS

In addition to the concerns some have about multilateral institutions, many also question the role and influence of major powers, such as the US and China. In the case of the former, Donald Trump’s presidency led to a sharp downturn in America’s international image. In the 2020 survey, a median of just 16% across 13 nations said they have confidence in Trump to do the right thing in world affairs and just 34% had a positive view of the US overall.⁸ The contrast with his predecessor is striking. While one-in-five or fewer in Canada

(20%), the UK (19%), and France (11%) had confidence in Trump, the share of the public expressing this view about Obama never fell below 70% in these three nations during his two terms in office.

»Citizens around the globe believe multilateral approaches can have an impact on their well-being.«

Many factors have driven this decline in America’s reputation, but a big part of the story is opposition to Trump’s policies, in particular his disdain for international engagement and multilateralism. The Trump administration’s withdrawal from the Paris Agreement on Climate Change and the Iran nuclear deal⁹ were unpopular among international publics¹⁰. His policies on immigration – such as building a wall on the border with Mexico and making it more difficult for immigrants to enter the US – also met with widespread opposition. When the US pulls out of international commitments and when it puts up barriers between itself and the rest of the world, foreign publics react negatively, and that has had a deleterious impact on the country’s overall reputation.

However, the US is not the only superpower to receive poor reviews from international publics. Favorable ratings of China are also at an all-time low in many of the nations polled in 2020, including the US: 73% of Americans have a negative opinion of China, by far the highest percentage registered since the Pew Research Center started asking this question in 2002.¹¹ During a period characterized by numerous major international challenges – including public health, economic, and climate crises – citizens around the world expressed little confidence that the world’s two major superpowers are capable of successfully addressing those challenges.

The leaders who received the most positive reviews in the 2020 survey are the two often associated with international cooperation and multilateral approaches to global challenges: Germany’s Angela Merkel and France’s Emmanuel Macron. Across 13 nations, 76% voiced confidence

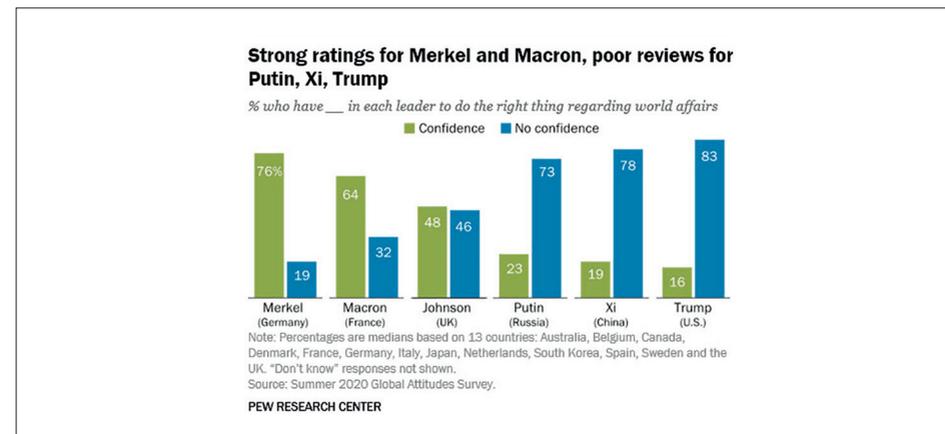
in Chancellor Merkel, while 64% say the same about President Macron.

As this is being written, Joe Biden, who has promised to take a much more multilateral approach to foreign affairs than his predecessor, has just become US president-elect. The Biden administration will no doubt hope to restore America’s battered international image. Doing so will require convincing international publics that the US is committed to working with others to solve global problems.

PRIORITIES THAT CALL FOR MULTILATERAL ACTION

Writing about the future of multilateralism, Homi Kharas, Dennis Snower, and Sebastian Strauss call for multilateral agreements that are “formulated clearly in terms of public interest,” and that “enhance the well-being of people living under diverse national circumstances.”¹² It is clear that ordinary citizens around the globe believe multilateral approaches

Figure 4



can have an impact on their well-being, and when asked about the top challenges facing their country, people consistently name issues that can only be solved through international cooperation. Respondents in the 14 nations we polled in 2020 identify climate change and the spread of infectious diseases as the top international threats to their countries, issues that require multilateral action.¹³ Climate change has consistently been cited as the top threat across the world¹⁴ over the past several years and worries are growing.¹⁵

However, many citizens have strong doubts about how effectively key actors in the international system can deal with current challenges. Confidence in the US and

China is low, and even though institutions like the UN and EU are generally well-liked, they are often seen as out of touch. To deal effectively with global challenges, leaders will need to demonstrate how the lofty principles of international cooperation can translate into actions that have a real impact on everyday lives.

When tackling today's most pressing problems, leaders and experts would do well to consider the voice of the people. Understanding people's priorities, how they perceive the advantages and disadvantages of international cooperation, and their willingness to trust multilateral institutions can help leaders identify paths to enduring, inclusive solutions – at the national and global scale.

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Revisiting the public debt stability condition

Rethinking the Domar condition after COVID-19

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TOKYO METROPOLITAN
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Tokyo Metropolitan University is the only comprehensive public university of the Tokyo Metropolitan Government, and is one of the top public universities in Japan. With a top-level education and research environment, it provides an educational opportunity for strongly motivated students, and aims to become a university representing Tokyo to lead and contribute to the world.

Keywords:

domar condition, fiscal sustainability, demand for government bonds

After COVID-19 hit countries around the world, many introduced massive fiscal support programs, together with a strong easing of monetary policy. Budget deficits began rising in many places, and monetary authorities started purchasing huge amounts of government bonds on the market. Fiscal deficits are being covered by easy monetary policy for the moment. However, the accumulation of budget deficits means that reducing these deficits will become big issues for many countries. Stability of government budgets will be very important.

The Domar condition is used to check the stability of the budget deficits by comparing interest rates and the growth rate of the economy. This paper will discuss that the Domar condition is derived from the supply side of government bonds (i.e. the government budget deficits) without taking into account the demand for government bonds. By considering the demand for government bonds together with their supply, this paper finds that public debt sustainability depends on the sensitivity of interest rates to changes in government bond supply and demand. Data shows that the prediction of our model is consistent with the case of Greece and Japan on public debt sustainability.

INTRODUCTION

Fiscal sustainability has been a central consideration in fiscal policy analysis. The recent coronavirus pandemic pushed many countries to provide government emergency spending to those affected by business shutdowns. Huge spending means huge increases in government debt, which brings the danger of debt explosion.

To examine whether public debt is sustainable or not, the literature often uses

the Domar condition. The Domar condition determines fiscal sustainability by comparing the interest rate of government bonds and the growth rate of the economy. Recently, Paul Krugman (2020) used the Domar condition, claiming that fiscal explosion could be avoided since many countries face very low interest rates and negative interest rates that are lower than growth rate of the economy.

»Public debt sustainability depends on the interest rate sensitivity to changes in the supply and demand of government bonds.«

This paper revisits the Domar condition by considering the demand for government bonds. As the Domar condition is obtained from the government budget constraint, it focuses only on the supply of government bonds and does not take into account the demand for government bonds. Since the US uses a key international currency and

the demand for government bonds comes from all over the world, using the Domar condition to examine the fiscal sustainability in the US could be justified. Especially faced with economic crisis, many investors are attracted to US government bonds as a safe haven. However, many countries do not issue USD-denominated government bonds, and local currency bonds face limited demand. Thus, it may not be appropriate to use the Domar condition in those countries.

This paper shows that the stability condition for government budgets will be different from the Domar condition once demand for government bonds is taken into account. We find that public debt stability depends on the sensitivity of interest rates to changes in the supply and demand of government bonds. If an increase in the interest rate to the supply of one more unit of government bonds is higher than that of demand, the interest burden of the bond supply becomes larger than the demand side. Thus, the government has to pay a higher interest rate, which leads to an explosion of budget deficits. In contrast, if an increase in the interest rate from the demand side is higher than that of the supply side, buyers pay more to purchase one unit of the government bonds than suppliers, and the interest burden for the government declines. Thus, the stability of budget will be achieved.

We also examine whether the prediction of our model is empirically plausible by looking at the case of Greece and Japan. We choose these two economies because they both have high debt-to-GDP ratios but differ in their fiscal sustainability. We find that the prediction of our fiscal sustainability condition is consistent with the fact

that, while Greece nearly went bankrupt, Japan's fiscal situation is still sustainable, even though its debt-to-GDP ratio is higher than Greece's. This result is explained by the fact that the difference between the two countries lies in the demand side of their government bonds.

»The differences between Japan and Greece lie in the demand for government debt, rather than the supply of government debt.«

DOMAR CONDITION SHOWS SUSTAINABILITY OF GOVERNMENT BUDGET DEFICITS

The Domar condition is well-known method by which to judge whether the budget deficit is sustainable. The Domar condition is obtained from the government budget constraint:

$$G_t + r_t^B B_{t-1} = \Delta B_t + T_t,$$

where G_t is government spending, B_{t-1} is the stock of public debt, T_t is total tax revenues, r_t^B is the interest rate for public debt

and ΔB_t is the issue of government bonds. By dividing (1) by GDP Y_t , we can obtain

$$b_t - b_{t-1} = g_t - t_t + \frac{r_t - \eta_t}{1 + \eta_t} b_{t-1},$$

where $b_t \equiv B_t/Y_t$, $g_t \equiv G_t/Y_t$, $t_t \equiv T_t/Y_t$, and $\eta_t \equiv \Delta Y_t/Y_t$.

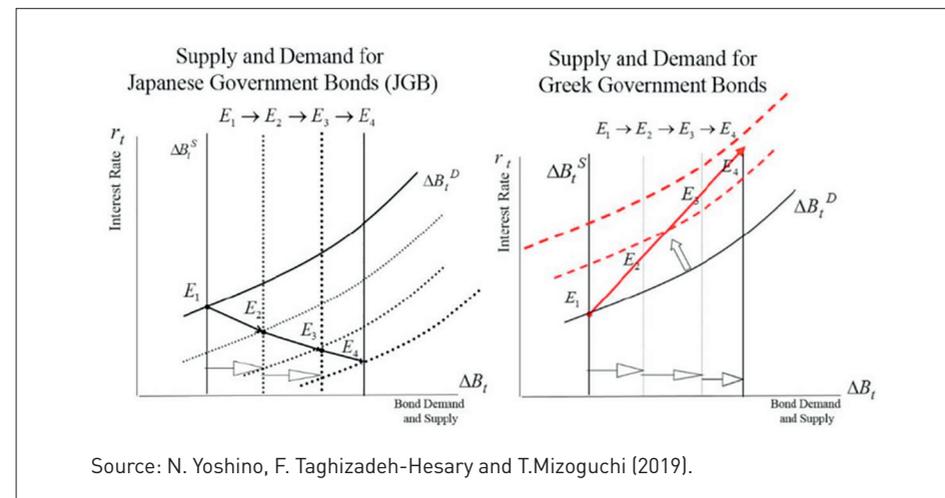
Under the condition where the primary balance is in equilibrium, if the interest rate exceeds growth ($r_t > \eta_t$), the budget deficit will increase. In contrast, if the interest rate is lower than the growth rate ($r_t < \eta_t$), the budget deficit will converge in a stable manner. However, as the government budget constraint focuses only on the supply of government bonds, the Domar condition does not consider the demand of government bonds.

Japan's debt-to-gross domestic product (GDP) ratio will be close to 300% after

COVID-19, the highest among Organisation for Economic Cooperation and Development (OECD) countries. The interesting point is that Japan's debt is still sustainable, while the southern European countries Greece and Cyprus all but went bankrupt due to their high government deficits, although their debt-to-GDP ratios were lower than Japan's.

Despite its huge budget deficit, the Japanese economy can sustain the stability of the bond market. Many Europeans ask why Japan is still stable while Greece and other European countries are in serious trouble. The differences between Japan and Greece lie in the demand for government debt, rather than the supply of government debt. More than 90% of the Government of Japan's debt is held by domestic investors in banks, life insurance, and pension funds. The Japanese government issues various kinds of bonds based

Figure 1: Government Bond Markets of Japan and Greece



Source: N. Yoshino, F. Taghizadeh-Hesary and T. Mizoguchi (2019).

on demand from differing sectors, and the government bond market has been quite stable in Japan. Japanese investors have continued to hold government bonds since the Basel capital requirements set the risk of government bonds at zero. Recently, the BOJ purchased a huge number of government bonds. In contrast, more than 70% of investors in Greece's bond market were foreign, and they had been quick to move out of the market at times of risk.

Figure 1 depicts the supply of government bonds and the demand for government debt in Japan and Greece. The vertical line shows the supply of government bonds in the primary market; no matter what the rate of interest, the government has to finance its budget deficit. The demand for government bonds increases when the interest rate rises. Thus the demand curve for government bonds is upward sloping in the figure.

Both Japan and Greece have increased their sales of government bonds, meaning that the supply curve of government bonds has shifted to the right in the primary market. The demand for Japanese government bonds from banks, insurance companies, and pension funds has been increasing as the sluggish economy has reduced demand for corporate loans. Monetary easing has increased bank deposits and these funds have often been invested in government bonds. Japanese interest rates, therefore, remain low.

The behavior of holders of Japanese and Greek debt is distinctive (Table 1). Overseas investors who hold 70% of government bonds in Greece are quick to sell them if they feel that risk is increasing. As demand for Greek bonds has diminished, the demand curve of the bonds has shifted to the left (see Figure 1, right-hand graph), which has progressively raised the inter-

est rate on Greek bonds. The Greek interest rate increased to more than 20%, while the Japanese interest rate has remained at about 1% or less. Since only 5% of the total bonds issued by the Japanese government are held by overseas investors, there is much less likelihood of capital flight, since domestic holders tend to retain their investments (Yoshino, Taghizadeh-Hesary and Mizoguchi 2019).

Japan has achieved the highest life expectancy in the world and the Japanese economy is facing an aging population. As a result, social welfare costs have started to increase and currently one-third of government spending is allocated to social welfare, while the government budget deficit is rising every year. In the general account budget for 2020, social security accounted for 33.6 % of the total. This is the major reason for the increase in the amount of outstanding government bonds. The second reason for this continuous

budget deficit is the high payments from the central government to local governments. Around 15.8% of total government spending is allocated for transfer from the central government to local governments and this is the second largest government expense after social security. Many local governments rely on central government transfers without making efforts themselves to revitalize their regional economies (Yoshino, Taghizadeh-Hesary and Mizoguchi 2019).

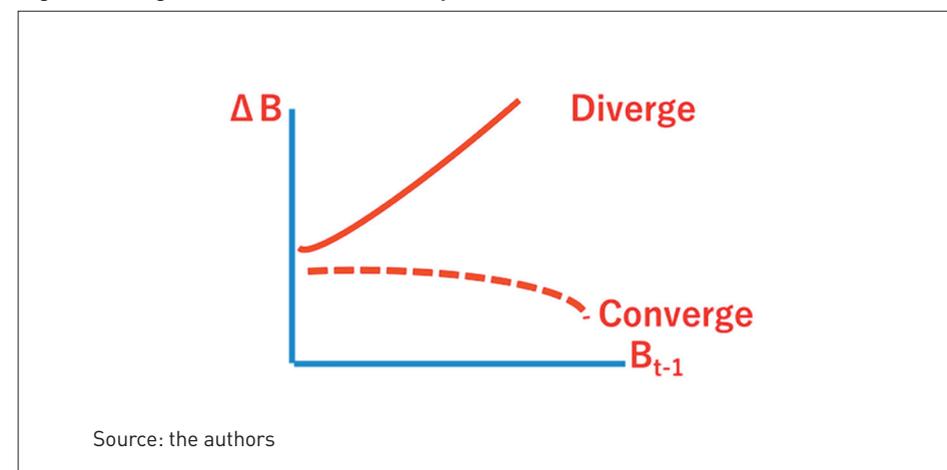
The Greek government bond interest rate increased suddenly when the country's budget deficit was in a serious state and could not be redeemed by taxpayers' money. Foreign investors asked for a risk premium for Greek government bonds and started to sell, which increased the interest rate even further. In contrast, the bottom line in the figure shows the Japanese government bond interest rate, which is the lowest among the selected OECD

Table 1: Holders of Japanese and Greek Government bonds

<i>Holders of Japanese Government bonds</i>	<i>% of total</i>	<i>Holders of Greek Government bonds</i>	<i>% of total</i>
Bank and postal savings	45	Overseas investors	33
Life and non-life insurance	20	Domestic investors	21
Public pension funds	10	European Central Bank	18
Private pension funds	4	Bilateral loans	14
Bank of Japan	8	Social pension funds	6
Overseas investors	5	International Monetary Fund	5
Households	5	Greek domestic funds	3
Others	3		

Note: In Greece, 70% of debt is held by overseas investors, compared with 5% for Japan. Data are for 2011.

Figure 2: Diagram of fiscal sustainability



Source: the authors

countries for the reasons explained in relation to Figure 1.

Japan's demand for government bonds is increasing and the demand curve for government bonds is shifting to the right as is shown in Figure 1, mainly on the part of the BOJ and also because banks, insurance companies, and pension funds have not found other alternatives for investment. Banks have continued to receive deposits and are looking to invest in government bonds as these are regarded as safe assets. Therefore, the demand for government bonds has been increasing, illustrated in the demand curve, and this has kept the Japanese interest rate low.

REVISED DOMAR CONDITION FOR FISCAL SUSTAINABILITY

The supply of government bonds is described by the government budget constraint and the demand for government bonds coming from private investors and the central bank. A detailed mathematical derivation can be seen in Yoshino, Taghizadeh-Hesary and Mizoguchi (2019) and Yoshino and Miyamoto (2020).

Figure 2 shows a comparison of fiscal divergence and fiscal convergence. The diagram shows the divergent situation of fiscal deficits where government bonds (ΔB) becomes larger and larger. On the other hand, the dotted declining line denotes the convergence of budget deficits where government bonds become smaller and smaller.

By taking into account of both demand for government bonds and supply of government bonds, the stability condition is the comparison between the existing amount of government bonds (B_{t-1}) and the interest sensitivity of demand (b_1) for government bonds as follows.

$$\frac{\partial \Delta B_t}{\partial B_{t-1}} \lesseqgtr 0 \Leftrightarrow 1 \lesseqgtr \frac{B_{t-1}}{b_1}$$

This result is interpreted as follows. The left-hand side shows the stability situation of fiscal sustainability, which can be compared by B_{t-1} (existing stock of government bond) and b_1 (interest rate sensitivity of demand for government bond).

EMPIRICAL ANALYSIS OF REVISED DOMAR CONDITION APPLIED TO GREECE AND JAPAN

This section empirically examines the validity of our fiscal sustainability condition by looking at the case of Greece and Japan. We choose these two economies because they both have high debt-to-GDP ratios but differ in their fiscal sustainability. While Greece nearly went bankrupt, Japan's fiscal situation is still sustainable, even though Japan's debt-to-GDP ratio is higher than Greece. We compare the value of b_1 and B_{t-1} for these two economies.

Figures 3 shows that over the sample period, the estimated b_1 is less than the lagging outstanding government debt in Japan. On the other hand, Figure 4 shows that the estimated b_1 was higher than the

Figure 3: Application of the revised Domar condition to Japan

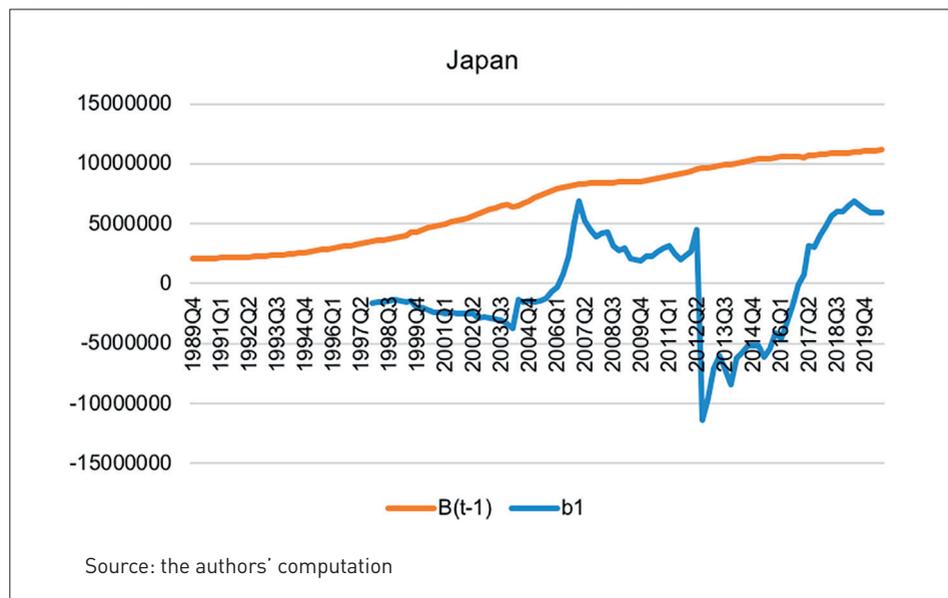
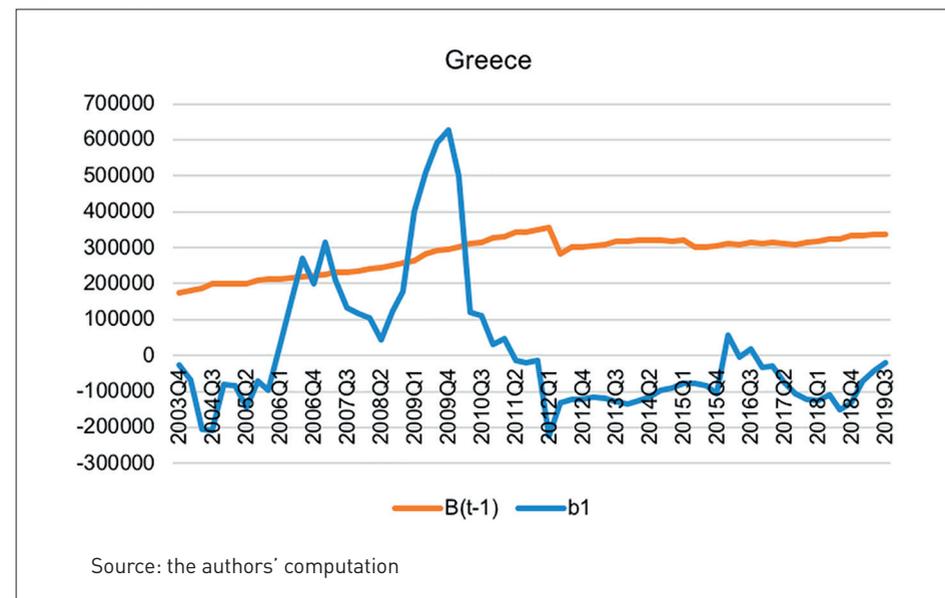


Figure 4: Application of the revised Domar condition to Greece



outstanding government debt in Greece in 2009–2010. This result is consistent with the fact that Japan's fiscal situation is still sustained while Greece all but went bankrupt.

The key difference between Greece and Japan is the demand for government bonds. While more than 90% of Japan's government bonds are held by domestic investors, more than 70% of investors in Greece's bond market were foreigners. This high ratio of overseas investors was the cause of the increase in the interest rate of government bonds in Greece, which led to the Greek government debt crisis.

CONCLUSION

This paper revisits Domar's fiscal sustainability condition by considering the demand for government bonds. Once the demand for government bonds is taken into account, the stability condition for the government budget will be different from the Domar condition. Public debt sustainability depends on the interest rate sensitivity to changes in the government bond supply and demand. Our empirical analysis finds that the prediction of our model is consistent with the case of Greece and Japan on public debt sustainability.

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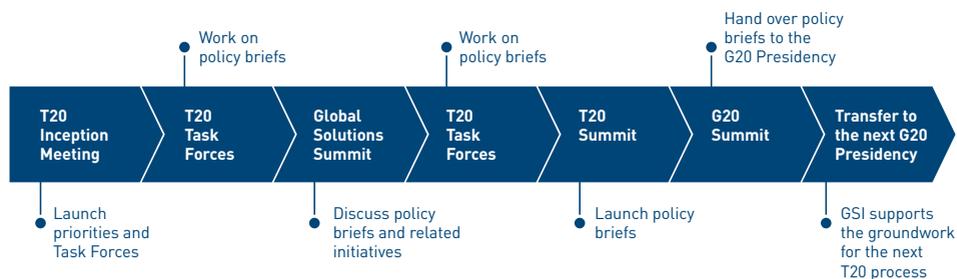
The Global Solutions Initiative

The Global Solutions Initiative is a global collaborative enterprise to envision, propose and evaluate policy responses to major global problems, addressed by the G20, through ongoing exchange and dialogue with the Think20 engagement group. The GSI is a stepping stone to the T20 Summits and supports various other G20 groups. The policy recommendations and strategic visions are generated through a disciplined research program by leading research organizations, elaborated in policy dialogues between researchers, policymakers, business leaders and civil society representatives.



European Commission's Frans Timmermans, German Environment Minister Svenja Schulze, Global Solutions President Dennis J. Snower, then-OECD Chief of Staff Gabriela Ramos, German Vice Chancellor and Finance Minister Olaf Scholz, Saudi G20 Sherpa H.E. Fahad Almubarak, G20 Sherpa Argentina Pedro Villagra Delgado, and T20 Co-Chair Japan Naoyuki Yoshino at the 2019 Global Solutions Summit.

The Global Solutions Initiative's Involvement in the T20/G20 Timeline



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