Overcoming Negative Spillover Effects: The G20’s Role in Support of Global Sustainability

Research Paper

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In recent years, the G20’s importance as an international forum to promote the implementation of the 2030 Agenda for Sustainable Development has become increasingly evident. In 2016, the G20 leaders adopted a G20 Action Plan on the 2030 Agenda for Sustainable Development, which shall guide the actions of the G20 as a whole (Scholz & Brandi, 2018). The Action Plan has been updated by subsequent presidencies. Not surprisingly, India, which holds the G20 Presidency in 2023, has put sustainable development as part of the LiFE (Lifestyle for Development) concept on top of its agenda. As a forum of high-level policymaking, the G20 can help to achieve the SDGs through actions at the level of its member states, through international policy coordination and by supporting non-G20 countries.

Despite the focus on the SDGs, the G20 neglects one important factor that hinders other countries, especially countries of the Global South, from achieving the SDGs: negative spillover effects. Negative spillover effects are understood as undesirable external economic, social, environmental and security effects on other countries that can undermine efforts to achieve sustainable development (SDSN, 2023).

Although negative spillover effects may be a rather new concept in discourses on global sustainability, the problem itself is not. These relationships are described as “negative externalities”¹ in economics, “ecological footprint”² in environmental sciences or as a “Do-No-Harm” principle³ in the context of development cooperation.

Concrete examples of negative spillover effects include the outsourcing of emission-intensive production processes; the demand for raw materials (e.g., palm oil) whose cultivation can endanger local biodiversity; the toleration of poor labor standards in global supply chains; or detrimental effects of tax havens and banking secrecy (SDSN, 2023).

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The G20 should be concerned about these effects: While high-income countries are at the top of SDG rankings (Germany was 6th out of 163 in 2022), countries of the Global South are rather at the bottom (Sachs et al., 2019). This ranking is upended when focusing on spillover effects (Figure 1). Here, industrialized countries repeatedly perform poorly (Germany was 149th out of 163 in 2022), while countries from the Global South lead the ranking.

The year 2023 marks the halfway point in the implementation of the 2030 Agenda and its SDGs. As a result of the pandemic, armed conflicts and financial crises, the global community is far from achieving the SDGs. With this year’s High-Level Political Forum (HLPF) on Sustainable Development⁴ and the SDG Summit⁵ taking place in New York in July and September respectively, an important political window of opportunity exists to realize the
While we still have a long way to go to comprehensively address negative spillover effects, the G20 can draw on some best practice examples, both on the level of strategies and concrete legislative initiatives. For example, while the EU Due Diligence Regulation is a powerful approach in principle, member states such as Germany inhibit its implementation and call for a lighter version. The German Due Diligence Act is criticized in terms of its effectiveness, in particular with regard to insufficient consideration of negative environmental impacts in supply chains. It is described as “a law disputed for being too much of a compromise with little consequences” (Elbel & O’Reilly, 2023, p.3). To address these problems, it is important to adopt more stringent regu-
In order to design new legislative and regulatory initiatives to address negative spillover effects, it is highly important to consider the perspectives of affected countries. So far, policy making in high-income countries to regulate negative spillover effects is usually not accompanied by dialogue and consultation processes involving relevant partners from the Global South. Without such dialogue processes, the implementation of due diligence laws over effects is usually not accompanied by enough to set legislative initiatives at the national or regional level without participating in multilateral negotiations. One such initiative, currently negotiated, is a legally binding instrument on business and human rights that goes beyond the present non-binding United Nations Guiding Principles (Luthango & Schulze, 2023).

Collaboration is also important when it comes to improving data to measure negative spillover effects. Even though there is, for example, the Spillover Index already mentioned above, the data on which countries produce spillover effects in what ways and where is still very poor. Thus, the index currently maps negative spillover effects using fourteen indicators (e.g., measuring victims of modern slavery or CO₂ emissions embodied in imports), but still offers room for further development and refinement. Above all, it must be complemented by more and improved data, because only with concrete knowledge can appropriate solutions be found. Measures for realization include better equipment and closer cooperation with federal statistical offices, but also with other institutions that collect data. In doing so, the ability to collect relevant data must be improved not only among polluters, but also among those affected. There should also be further incentives and obligations for companies to provide detailed data on their activities. In addition, creative ways – such as the involvement of civil society in the polluting and in the affected countries, for example Citizen Science – also offer an opportunity to improve the data situation.

Citizens also play an important role, especially as consumers, when it comes to reducing negative spillover effects. While there are already sector-specific approaches that act on the demand side, such as the use of quality labels and certificates, they should lead to more conscious purchasing decisions. Here, the political and scientific community along with civil society also have the responsibility to raise awareness. Not only individual behavior must change, but above all a political and collective rethinking of our understanding of prosperity must take place. The prevailing understanding that takes GDP as the main indicator of progress and considers further economic growth as a systemic necessity is outdated, and has also led to current global resource consumption exceeding ecological limits. Promising approaches to measuring the well-being of societies beyond GDP, such as the Global Solutions Initiative’s “Recoupling Dashboard” that illustrates the correlation of economic prosperity, social prosperity and environmental sustainability, need greater political attention.

WHAT IS THE ROLE OF THE G20?

Without the G20 countries, the 2030 Agenda and the 17 SDGs cannot be achieved. Collectively, the G20 countries are responsible for 80 per cent of greenhouse gas emissions and 75 per cent of world trade. As an informal yet powerful forum, the G20 brings a diverse set of economically significant countries together that both cause and have to suffer from negative spillover effects. While the G20 itself does not adopt international regulations, it serves as a leaders’ forum that has the power to set agendas, coordinate national-level policy making and set strategy goals that are later implemented by international organisations. The G20 can also support multilateral decision-making processes such as the United Nations negotiations on a binding treaty on business and human rights.

As it is clear that existing policy approaches are not sufficient to address all the multiple aspects and issues related to negative spillover effects, it is essential for the development of effective solutions to take into account different perspectives, especially of countries in the Global South. Furthermore, it is necessary to develop governance strategies, draft and implement laws, address data issues and mo-
tive society to participate in the necessary changes. The best way to implement and achieve these basic requirements is through global dialogues and multilateral cooperation, tasks that fit the mandate of the G20.

However, in order to be effective as well as inclusive in contributing to setting a global agenda on tackling negative spillover effects, the G20 needs to reach out to the countries not sitting at the table. The Indian G20 presidency should, for example, reach out to countries located in South and South-East Asia, like Bangladesh, Cambodia or Vietnam, and include them in deliberations on avoiding negative spillover effects.

This year, marking the half way point on the way to achieving the SDGs in 2030, provides an important opportunity to advance such an agenda. In light of set-backs in reaching the SDGs, the international community and especially the G20 need to accelerate action to support sustainable development not only at home but also in other countries. Tackling negative spillover effects is an important step in this direction.

REFERENCES


Global Summitry


1 A negative externality is a cost that is suffered by a third party as a consequence of an economic transaction.
2 In a transaction, the producer and consumer are the first and second parties, and third parties include any individual, organisation, property owner, or resource that is indirectly affected. Externalities commonly arise in situations where property rights over assets or resources have not been allocated, or are uncertain [Economics Online 2020].
3 The Ecological Footprint is the impact of human activities measured in terms of the area of biologically productive land and water required to produce the goods consumed and to assimilate the wastes generated. The Ecological Footprint can be calculated for a single individual, city, region, country and the entire planet [Global Footprint Network 2016].
4 In development cooperation the so called “Do-No-Harm” principle specifies that possible negative consequences of development cooperation should be identified, avoided and mitigated at an early stage (BMZ 2023).
5 The HLPF is the central United Nations platform for the follow-up and review of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) at the global level [UN HLPF 2023].
6 The SDG Summit marks the mid-point of the implementation of the 2030 Agenda. It will bring together political and thought leaders from governments, international organizations, private sector, civil society, women and youth and other stakeholders in a series of high-level meetings. They will carry out a comprehensive review of the state of the SDGs, respond to the impact of multiple and interlocking crises facing the world, and provide high-level political guidance on transformative and accelerated actions leading up to the 2030 deadline for achieving the SDGs [UN SDG Summit 2023].