THINK20 INDIA 2023

CRITICAL, CONSTRUCTIVE, CONCLUSIVE

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Editors' Note

The world is grappling with a myriad of simultaneous challenges including the enduring consequences of the COVID-19 pandemic, the Russia-Ukraine conflict, rising inequalities, and the existential threat of climate change. Great-power competition has led to a crisis of multilateralism itself, resulting in the stagnation of the global governance agenda. These render the G20, as the world's most influential and representative platform, more paramount than ever in its 24-year history. Created in response specifically to the Asian financial crisis, the G20, with its unique membership embracing the developed and developing worlds, has proven itself capable of rising to the occasion when needed. This year its presidency is in the hands of India—a country keen to offer solutions by championing novel ideas, innovative solutions, and inventive approaches to the world's seemingly intractable challenges.

That ideas have the power to change the world is a truism. Indeed, ideas are key in shaping policy. Equally important, however, is for those ideas to be informed by sound research and analyses. The Think 20 or T20 engagement group, therefore—as the 'Ideas bank' of the G20—plays a crucial role in the G20 ecosystem. Through deliberations and discussions, as well as the publication of Policy Briefs, the T20 brings together scholars, academics, policymakers and think tanks from countries of the Global North and Global South to ideate plausible solutions to the current challenges facing the global community.

Under India's G20 presidency, the T20 process commenced in January 2023 and culminates in the T20 Summit in August. This compendium, *Think20 India 2023: Critical, Constructive, Conclusive,* attempts to capture this engagement which is at once wholesome and provocative. Bringing diverse perspectives from G20 countries, these 15 essays explore the core themes of India's presidency, highlighting the challenges and framing pathways to sustainable solutions.

The essays seek to shore up more meaningful conversations around the various task forces and their work streams, addressing the critical questions of not only 'what' and 'why' but also the 'how'. If there is a theme that threads these essays, it is that all of our current challenges—whether worsening climate change or the ramifications of digital transformation, uneven economy recovery, or weakened multilateralism—require global cooperation. Adding depth to ongoing debates across the globe, each chapter in this forward-looking compendium encapsulates this spirit of exchange and collaboration. It has been our privilege and pleasure to curate these contributions and savour their engaging perspectives.

The subject of this volume's first section is 'Macroeconomics, trade and livelihoods'. *Mia Mikic* opens the volume with an essay that analyses the crucial issue of supply chain resilience in a global economy that is highly interdependent. *Deborah Elms* then outlines the experiences of Asian countries and underlines the benefits of economic integration over protectionism. *Hyung-gon Jeong* lays out policy measures to ensure the security of supply chains and mitigate risks for critical sectors such as semiconductors, pharmaceuticals, core minerals, and raw materials.

The second section tackles the subject of the world's digital future. In her piece, *Mathilde Forslund* recommends concrete implementable steps to the G20 and partner countries to expand healthcare access through digital transformations and increase progress towards universal health coverage. *Alison Gillwald*, for her part, makes a case for harnessing data for development and using digital public goods for economic transformation.

The sixth and seventh essays confront the subject of 'Clean energy and green transitions'. *Paula Ellinger* and *Nathália Rezende* emphasise the need for a holistic approach towards just transition that mainstreams gender, recognising how women are both a vulnerable group and key agents of change in their communities. *Shuva Raha* cautions against one-size-fits-all prescriptions to measure lifestyle and consumption patterns; she argues for the adoption of country-specific approaches that consider the unique circumstances and drivers of each.

The global financial architecture—in need of upgrades and reforms—is the subject of the next set of essays. *Annalisa Prizzon* describes the challenges confronting multilateral development banks in fulfilling their role to finance solutions to global issues, and proposes a model to overcome these obstacles. While the next essay, authored by *Diana Cardenas Monar, Chloé Boutron, Sarah Bendahou* and *Louise Kessler*, is grouped in this section, it in fact straddles three themes—they write about the need to synergise SDGs finance and climate finance and offer a framework for overcoming gaps in funding through an integrated approach.

Continuing on the subject of SDGs, the authors of the next set of essays emphasise the need for policies to be designed in ways that ensure that "no one is left behind". *Martin Koehring* highlights the potential of marine natural capital and the blue economy to accelerate the journey to the 2030 Agenda. In their contribution, *Victoria Y. Fan, Janeen Madan Keller*, and *Abha Mehndiratta* outline ways to advance global health cooperation by offering a synthesis of India's role in global health. Meanwhile, *Pramit Verma* recommends innovative approaches to achieving the SDGs.

Rounding off the volume are three essays that ponder the question of 'reformed multilateralism'. Indeed, while global challenges continue to multiply, multilateral institutions such as the United Nations and the World Trade Organization (WTO) are struggling to keep pace. Amidst structural shifts and a dire need to transform our global institutions and frameworks, *M. Sait Akman* outlines concrete actions to revive the functions of the WTO in a rapidly changing global economy. *Melissa Conley Tyler* and *Tom Barber* then offer a fresh perspective to minilaterals and their ability to complement multilateral structures and contribute to stability at multiple levels. The last essay, again on the WTO and written by *Christian Bluth*, considers Joint Statement Initiatives as a promising route to revitalise the system.

As India passes over the G20 baton to Brazil, a peer in the Global South, we hope that the insights enunciated in these essays will inspire and enrich the debates ahead.

-Harsh V Pant and Shairee Malhotra

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Macroeconomics, Trade, and Livelihoods: Policy Coherence and International Coordination

Supply Chain Resilience: Built-in, not Commandeered

Mia Mikic

Risk is an element of every human activity—an integral component of any transaction that crosses economic and political borders. When these borders are traversed multiple times for one product to be converted from its raw material to its final commercialised form, risks grow disproportionately. They stop being linked to a localised occurrence and are instead transformed into a series of incidences, each adversely affecting the next within a short time span. Imagine a complex domino blocks structure. A butterfly landing on one block may cause the whole structure to collapse. Yet it does not have to.[1]

Global and national economies, industries, firms, households, and individuals have experienced frequent and severe shocks over the last two decades, including the COVID-19 pandemic and the increasing threats from climate change, and geopolitical tensions caused by conflicts and the war in Ukraine. At the same time, there has been effort to minimise the impacts of this turbulence and create shock absorbers. Such 'resilience seeking' has affected decision-making and policymaking at both micro and macro levels in all spheres of life.

The concept of economic resilience[2] is not singular. It is dynamic rather than static, and importantly, it is typically taken to mean different things depending on whether it is pursued by a firm or a government.

Globalisation proponents believed that the protectionist reactions[3] of many governments in the early months of the pandemic would dissipate and trade would rebound strongly in mere months.[4] However, the desire to not be dependent on foreign supply for essential goods to fight the pandemic expanded to other sectors and into policy priorities.[5] The focus on extensively decoupling domestic markets (of the US and some other advanced economies) from suppliers in far-away foreign countries (most often, in China and some other Asian economies) has all but replaced other policy options.[6]

The benefits of easy access to goods and services in a greater variety, often of a better quality, and importantly, at lower prices than it was possible to produce domestically—viewed as a positive impact of globalisation—are being re-evaluated. Companies that built their supply chains based on efficiency and so-called ‹just in time' operations were 'advised' to reorganise their suppliers to minimise or eliminate the risk of distance and crossing multiple borders. In other terms, they were expected to enhance their resilience to shocks from disrupted productions, transport, and delivery to local markets by switching their business model.[7]

Restructuring Supply Chains

Resilience, also known as contingency business planning to address risks, is not a foreign concept for businesses. The primary reasons for such risk assessments are often related to natural disasters or political crises. Such shocks used to happen in a geographically localised space and as isolated incidents (for instance, the tsunami in Japan or the flooding in Thailand in 2011). Until recently,[8] there was little economic research on the long-term consequences of significant shocks (such as catastrophic natural disasters), on the reconfiguration of global value chains, and changes in trade patterns. Natural disasters destroy physical infrastructure in addition to causing other disruptions, and the responses are thus necessarily driven by different priorities. One important lesson, however, is that the relocation of production and changes in supply chains continued to be driven by fundamentals and not policies.[9] In other words, distance, size, and the level of development were the crucial factors in determining new places of production and sources of supply—the same factors that played a key role in decisions on offshoring. Significantly, the 'nearness' of countries did not give them any advantages over those further away when relocation decisions were made.

The COVID-19 shock did not cause a destruction of production and trade infrastructure. However, disruptions due to closed factories, and transport and trade routes across many countries caught many businesses operating as part of the supply chains unprepared. The same goes for governments and shortfalls in the public health sector. Local consumers of final and intermediate goods faced shortages,[10] forced substitution, and steadily increasing prices.[11] The calls to ‹bring production back home' began getting converted to policy programmes.

A number of governments, including those of advanced economies like Japan, the European Union, the US, the UK,[12] and South Korea,[13] have started to develop elaborate legislation and financial packages to provide incentives to companies to reconsider offshoring. The simplest way to reverse offshoring is to relocate or reshore production or business processes back home. Notably, the decision to reshore follows the same decision-making process as offshoring; it requires a lot of data and information, as the process of reshoring is mostly long, costly, and linked to additional risks. Furthermore, it is an investment decision that requires a predictable and stable business environment, and not uncertainty and turbulence, which has more or less been present since the 2008 global financial crisis.

The difficulty of reshoring certainly differs across sectors, if not products, but the fundamentals are essential to the decision-making process. Even if the size of the market, distance, quality of infrastructure, and automation (which drives labour and other cost advantages) work in favour of reshoring, if the home government does not offer monetary or other incentives, the business might decide to remain overseas. Moreover, a significant proportion of research published early during the pandemic indicated that there were no guarantees that reshoring would produce any better results in terms of resilient supply chains compared to offshoring.[14] After all, reshoring does not address the issue of single sourcing, which has been ranked as a top cause of vulnerability. Indeed, recent findings based on a global and European survey of firms with supply chains, demonstrate that just about 27 percent businesses globally and 24 percent in Europe intend to shift their operations to the same country as the final market.[15] A better way to enhance resilience is to combine relocation with the diversification of sources of supply.

One option, based on the need to control costs while diversifying, is to focus on the proximity between the source and destination. This alludes to the possibility of shortening the supply chain by near-shoring to a location closer to home. In other words, move the production of source components or final products to the near vicinity of their final markets in the hope of having shorter, more reliable, less risky, and increasingly sustainable supply chains.

From ‘Near-shoring’ to ‘Friend-shoring’

Another option is to focus on ‘political’ proximity or ‘likemindedness’ instead. The segregation between likeminded, trustworthy, or ‘friendly’ countries and those not considered as such converts the near-shoring into ’friend-shoring,’ which implies the relocation of the offshored process or business to a friendly country.

But who is a ‘friend’ in the context of relationships between countries? Is it the people, the government, or both that define the ‘common interests and values’ that are often used as the defining element of likemindedness? Moreover, it appears that being likeminded does not automatically carry the label of trustworthy or friendly. The focus is on risks to national security that potentially arise from a high dependence on foreign suppliers for essential goods and services, critical infrastructure protection, data protection, and similar. This is dependent on the perception of a national security risk by a country; for instance, will close political allies such as Canada or South Korea face entry barriers to the US market for products like steel and aluminium?

Despite the hype built up around national security and friend-shoring, it is difficult for firms to incorporate this type of risk into their decision-making. Many years of operating in an increasingly globalised world has conditioned firms to consider this type of political and security risk only from the perspective of the target market for offshoring and investment. Their analyses must now include changing goalposts in their own country as trade and investment policies may sway widely upon reconsidering the ‘friendliness’ of a trading partner. While businesses appear to be ready to adjust even at the cost of losing some profitability, it will be advantageous to not jeopardise economic efficiency too much while integrating national security and non-economic components into decision-making. Governments have options that they have not fully embraced in the last three years or so. In the context of a still highly interdependent global economy—one that is confronted by the serious threat of climate change—what is clear is that resilient global supply chains require cooperation both between the public and private sectors, and government and citizens, across countries. Cooperation builds and requires trust, and transparency is a critical first step in this process.

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The G20 Strategy for Global Growth: Connecting Trade with Investments

Deborah Elms

Southeast Asia provides an excellent laboratory for considering the relationships between macroeconomics, investment, trade, and livelihoods. Although countries in the region vary significantly on nearly every metric—from population and geographic size to demographic trends and per capita income levels—each of them has seized on the opportunities for driving economic growth that can be unleashed through investment and trade flows.

There is robust economic literature that examines the linkages between trade, investment, economic growth, and jobs. However, governments often respond more directly to evidence drawn from their own experiences.

The Case of Singapore

In 2022, the *Year in Review* document of Singapore's Economic Development Board (EDB) noted that the country brought in S$22 billion in new fixed asset investments that year.[1] This record haul took place despite extremely challenging economic conditions, largely caused by the continuing drag of COVID-19 pandemic disruptions and shutdowns or movement restrictions across Singapore and many of its important trading partners.

The EDB, a government agency under the Ministry of Trade and Industry, has a mission to create sustainable economic growth. The 2022 report card highlighted the 17,000 jobs created in Singapore which were tied to new inbound investments.

Singapore has long been a destination for foreign firms. The total trade of slightly more than 20,000 foreign affiliates reached S$1.4 trillion in 2021, which constituted roughly 60 percent of nominal value added, 75 percent of total trade, and just over one quarter of total employment.[2] Singaporean firms also had S$1.2 billion invested abroad in 2021, with total inbound foreign investment reaching nearly S$2.5 billion.[3]

Much of the investments into Singapore do not remain permanently in the country, but are further reinvested across the region. For example, in 2022, Singapore was Vietnam's second largest source of new investments after Japan, with newly registered capital of US$2,120 million.[4] Links between investment and reinvestment form a tight economic web. Economic interdependence also extends to trade in goods and services. Singapore's total merchandise trade in exports and imports reached S$1.365 billion in 2022, with total trade in services adding another S$757 billion.[5]

The government of Singapore has clearly put a high priority on creating the right economic conditions domestically to support increased investment and trade flows. Part of the payoffs for doing so has been an ever-rising change in per-capita income levels. According to World Bank statistics, Singapore's gross domestic product (GDP) per capita grew dramatically from S$421 in 1960 to S$82,807 in 2022.[6]

Recording high levels of sustained economic growth in a country with a land area of 710 sq km and a total resident population of just over 4 million has not been an easy task.[7] The domestic economy will always be limited, and thus Singapore opted early to link its economy to others. This includes neighbours in Southeast Asia: In 1992, Singapore signed its first free trade agreements with its fellow original members of the Association of Southeast Asian Nations (ASEAN)—namely, Brunei, Indonesia, Malaysia, the Philippines, and Thailand.

Since these beginnings, Singapore has gone on to negotiate and sign more than 27 different trade agreements with partners around the globe. Many of the original trade deals, including with other ASEAN members, have been upgraded to expand coverage and include additional commitments. Most of Singapore's trade in goods, services, and investment is now covered by one or more trade agreements with key global partners.

Cambodia's Experience

While Singapore is at the leading edge of leveraging investment and trade commitments to power its domestic growth and jobs, it is not the only one that has recognised the importance of trade and investment to future opportunities.

Cambodia, for example, has also leveraged trade and investment flows to grow from one of the poorest countries in the region (per capita GDP of US$247 in 1993) to preparing for graduation from the Least Developed Country (LDC) status and a per capita GDP of US$1786 in 2022.[8] The World Bank data shows that Cambodia's inflow of foreign direct investment has expanded from US$33 million in 1992 to US$3.58 billion in 2022.[9] These investment flows have been nearly matched by a similar rise in trade flows, from US$314 million in exported goods and services in 1992 to US$22.5 billion in 2022.[10]

Cambodia joined ASEAN in 1999 and has been part of ASEAN economic integration since then, including participating in the six existing ASEAN + One agreements with China, Japan, South Korea, Australia/New Zealand, India, and Hong Kong. Cambodia has also joined its ASEAN counterparts as one of the first full members of the Regional Comprehensive Economic Partnership (RCEP) on January 1, 2022, which now includes all 15 participants. The country has also begun a journey to signing additional bilateral free trade agreements with deals signed with China and Korea that came into force in 2022. More are under discussion as part of a broader plan to continue to diversify the Cambodian economy as it approaches LDC graduation and faces the erosion of its existing trade preferences.

The experiences of Singapore and Cambodia might be seen as unrepresentative, with domestic conditions that have made it easier to support trade and economic openness than in other parts of the world. However, this would be a misreading of events. Countries like Singapore and Cambodia that have maintained open trade and investment lanes have often had to do so in the face of stiff opposition from domestic stakeholders.

Economic Integration Over Protectionism

The lure of protectionism in the wake of changing economic conditions can be strong. The downturn from Asia's 1998 financial crisis, increasing competition because of bilateral and regional liberalisation through trade agreements, the 2008 economic decline, the rising consequences of a US-China strategic competition, and the impacts of COVID-19 pandemic disruptions have all created incentives for domestic audiences across Asia to ask for protection from outside competitive forces.

Despite these challenges, Singapore, Cambodia and 13 other governments in Asia agreed to create another investment and trade integration framework—the Regional Comprehensive Economic Partnership (RCEP). Coming into force at the start of 2022, RCEP includes market opening commitments for goods, services, investment, and intellectual property rights. As the agreement is fully implemented over the coming years, it will serve to draw economic links more tightly together across Asia, between ASEAN, Australia, China, Japan, New Zealand, and South Korea.

Asia has had to weather significant economic headwinds over the past two decades. At multiple points it may have seemed easier to abandon policies that prioritise investment and trade flows over direct support of domestic livelihoods. Instead, most governments have largely maintained open economic policies.

Yet, economic integration has never been assumed to come without costs or consequences. Rather, the calculation for most Asian governments has been that trade and investment flows bring about more jobs and economic growth than an inward-looking alternative. So far, the evidence from places as diverse as Singapore and Cambodia seems to be supportive.[11]

However, changes in the broader economic landscape may result in more obstacles to trade and investment-led growth opportunities than found in the past. Southeast Asia has benefited from a strong, functioning global economic and trade regime with clearly defined rules and norms of appropriate behaviour. If this system continues to erode, the path of increasing economic interdependence leading to greater economic growth could be disrupted.

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Securing Supply Chains for Critical Sectors

Hyung-gon Jeong

The global economy has become increasingly interconnected across countries, resulting in a significant rise in cross-border trade of goods and services. Advancements in transportation, information and communication technology, reduced import tariffs, intensified competition among companies, evolving corporate strategies with trade liberalisation in the service sector, and the emergence of low-cost suppliers in emerging economies have accelerated the formation of global supply chains. However, as the division of labour based on processes and regions deepens, the risk of a 'Single Point of Failure' arises when a crucial point in the supply chain relies heavily on a single company or region. Recent catastrophic events like the COVID-19 pandemic, natural disasters, the Russia-Ukraine war, and the hegemonic competition between the United States and China have highlighted the problem of supply chain disruptions, bringing awareness to the issue of 'supply chain centralisation'.

Supply chains play a vital role in ensuring the availability of goods, services, and resources necessary for economic development and social welfare. Going forward, disruptions caused by natural disasters, geopolitical tensions, trade conflicts, or infectious diseases could significantly impact supply chains, leading to economic instability, including product shortages and price fluctuations. Securing supply chains in key industries is particularly crucial for maintaining stability, safeguarding livelihoods, and enabling sustainable growth. This essay focuses on the importance of resilient supply chains and proposes policy responses to ensure their security.

Securing Supply Chains in Core Industrial Sectors

Efficient management of supply chains is important across the entire economy. However, securing supply chains in key industrial sectors, holds greater significance due to their impact on other industries. While the specific sectors may vary across countries, core industries typically include semiconductors, pharmaceuticals, raw materials, large batteries, core mineral resources (including rare-earth elements), ICT industries (such as 5G), energy, agricultural products, and food.

To effectively manage the supply chains of these key industries, it is essential to assess all factors that can disrupt or threaten them. These include the overall health of the economy, natural disasters, geopolitical factors, defence, and homeland security. Additionally, evaluating the location of key production facilities, domestic production capacity, availability of alternative sources, existing logistics systems supporting the supply chain, and the resilience of the supply chain during emergencies are crucial. Given that supply chain threats are likely to arise from potential adversaries and unstable countries, it is necessary to identify supply chain risks from these nations, monitor policy trends and supply-demand dynamics of alliance and partner countries, and devise measures to stabilise the supply chain through international cooperation during emergencies.

The following section outlines policy recommendations aimed at securing the supply chain of key industries.

Policy Recommendations

Resilience is key to ensuring the continuity and stability of supply chains in core industries. A resilient supply chain mitigates risks, adapts to disruptions during emergencies, and facilitates swift recovery. Achieving supply chain resilience requires a multifaceted approach, incorporating the following innovations and government policy interventions.

Supply Chain Risk Management and the Establishment of Short- and Long-term Production Strategies

Thoroughly assessing supply chain risks and creating robust contingency plans are essential for mitigating the impact of supply chain disruptions. Identifying potential risks, mapping critical nodes in the supply chain, and developing alternative sourcing strategies are key components of effective contingency planning. Stress-testing key industries, establishing early-warning systems to detect potential disruptions, and reviewing supply chain vulnerabilities by industry sector are vital. Based on risk analysis outcomes, strategic decisions such as maintenance, relocation, new investments, expansion of production bases, and adjustments in supply lines (including the presence of alternative sources) should be made. Governments should provide a policy framework supporting risk assessments and encourage companies to invest in resilience measures.

Supply Chain Diversification and Geographical Rebalancing

Over-reliance on a single vendor or geographic region increases supply chain vulnerability. Diversifying domestic and foreign suppliers enhances supply chain flexibility. Encouraging local production, especially in key industries, reduces exposure to geopolitical risks and strengthens control over supply chains. Establishing dual or multiple sourcing strategies by diversifying procurement and suppliers in terms of various aspects (business, material country, factory location, among others) helps address bottlenecks during crises.

Strategic Asset Management

Core industries serve as crucial assets for countries. It is essential to cooperate with allies or friendly nations to ensure the stability of supply chains. Considering the complexity of products associated with strategic industries, attaining complete self-reliance in the supply chain is not a realistic goal. Instead, it is necessary to enhance alliances and partnerships. Therefore, the aim should be to pursue collaborative efforts in supply chain strengthening, cybersecurity, joint research and development, export control, and intellectual property protection through existing multilateral forums such as the World Trade Organization (WTO), World Semiconductor Council (WSC)/Government/Authorities Meeting on Semiconductors (GAMS), Organisation for Economic Co-operation and Development (OECD), Wassenaar Arrangement, and others.

Harnessing Technological Advances and Digitalisation to Address Supply Chain Challenges

Leveraging technological advances and digitisation can improve supply chain visibility, traceability, and agility. Innovations such as the Internet of Things (IoT), blockchain, and artificial intelligence (AI) enable real-time monitoring, predictive analysis, and automated response mechanisms. Applying these technologies to supply chains helps detect potential disruptions early, facilitate rapid decision-making, and optimise inventory management.

Collaboration among Stakeholders

To address supply chain challenges, it is essential for governments, industries, research institutes, and international organisations to cooperate with one another. By establishing public-private partnerships, sharing best practices, and facilitating the exchange of information, we can strengthen our collective ability to identify vulnerabilities, develop risk management strategies, and build resilient supply chains.

Strengthening Strategic Stockpiling and Enhanced Management

Maintaining strategic stockpiles of essential goods and critical components acts as a buffer during supply chain disruptions. Governments can establish preliminary systems and encourage businesses to contribute to these reserves. Transparent guidance and regular updates on stockpiling levels instil market confidence and enable effective crisis management.

Boosting R&D Investment to Enhance Supply Chain Stability

Governments should prioritise R&D investment to drive innovation and reduce reliance on foreign technologies and components. Funding research institutes, supporting joint R&D projects, and providing incentives for technological advancements in key sectors strengthen domestic capabilities and ensure long-term supply chain resilience.

Trade Policy and International Cooperation

Strengthening international cooperation and multilateral frameworks greatly contribute to diversifying supply chains, fostering trust between countries, and resolving trade disputes. Although the global trend of de-globalisation has emerged, the trade policies of individual countries should strike a balance between promoting market opening and protecting key industries. Governments should aim to diversify trade partners, establish preferential trade agreements with strategic allies, and reduce tariff and non-tariff barriers that hinder the flow of crucial goods. International cooperation platforms such as the WTO facilitate discussions on supply chain elasticity, standards, and trade facilitation.

Regulatory Framework and Standards

Developing robust regulatory frameworks and industry standards is critical to protecting the supply chains of key industries. Governments should collaborate with industry stakeholders to establish guidelines on risk management, cybersecurity, data protection, and environmental sustainability. Compliance with these standards should be encouraged through incentives and monitoring mechanisms.

Conclusion

While securing supply chains is an important policy task, excessive measures can have significant side effects and risks. Placing too much emphasis on economic security may blur the distinction between protectionism and arbitrary government intervention, leading to uncertainties in the global order. Excessive export controls or tariffs as protectionist trade measures can harm not only trading partners but also domestic economies. The complexity of global supply chains makes coordination difficult, and no single country can effectively address the challenges.

Urgent promotion of localisation and internalisation of products or services can increase inflation as inexpensive imported goods and services are replaced by costly domestic alternatives. Government-led infrastructure construction to prepare for natural disasters may strain financial conditions through substantial infrastructure investments. Unilateral alignment with one country's policies in the United States-China rivalry can cause political and economic relations with other countries to deteriorate, adversely affecting the economy in the long run. Therefore, it is crucial to strike a balance between supply chain stabilisation and potential risks to ensure sustainable economic growth and avoid unintended consequences.

By adopting a comprehensive and collaborative approach, governments, industries, and international organisations like the G20 can work together to mitigate the risks associated with supply chain disruptions and ensure the stability of key industries for sustainable economic growth.

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Our Common Digital Future: Affordable, Accessible and Inclusive Digital Public Infrastructure

Digital Transformation of Health: Priority Investment Areas for the G20 to Accelerate Universal Health Coverage

Mathilde Forslund

Global health systems are changing rapidly, driven by the increased adoption of digital technologies, artificial intelligence, and large data sets. This essay examines the potential for digital transformations to expand access to healthcare and accelerate progress towards achieving universal health coverage (UHC) by 2030, as specified in target 3.8 of the Sustainable Development Goals (SDGs).

While most countries are already taking advantage of digital solutions to improve the health of their populations, there are multiple barriers preventing the equitable and sustainable use of digital technologies and data to strengthen health systems and advance UHC, especially in low and middle-income countries (LMICs). The G20 can address two critical areas of the enabling environment—finance and governance—through the proposed Global Initiative on Digital Health (GIDH). Six action areas are identified for the G20 countries to fully harness the potential of digital transformations to accelerate UHC and deliver health for all in the digital age.

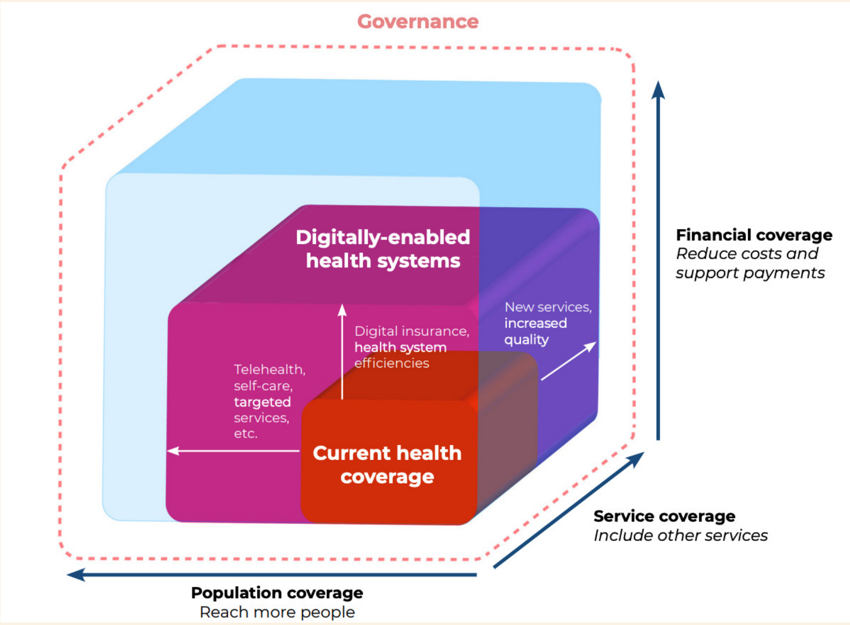
Digital Tools Towards UHC

The coverage of essential health services has expanded over the last two decades, yet on current trends, many countries—particularly LMICs—are not on track to achieve UHC. The COVID-19 pandemic derailed much of the progress on this front by overwhelming health systems, squeezing government health budgets, and pushing more people into poverty.[1]

The pandemic also accelerated the adoption of digital technologies for health and led to wider recognition of the potential for digitalisation to aid the response to health emergencies, strengthen health systems, scale up access to primary healthcare services, and empower people to manage their own health and well-being.

The effective use of digital health technologies, combined with high-quality data, can enhance each of the dimensions of UHC (see Figure 1) and improve health equity by making health systems stronger, more affordable, and more responsive to the needs of the populations they serve.[2]

Figure 1: The Digital Dimensions of UHC



Source: Transform Health, 2021

Removing Barriers to Digitally-Enabled UHC

Countries at all levels of digital maturity are taking steps to transform their health systems and introduce a range of digital health tools and services. However, the benefits of digital health are yet to be made available to everyone, which risks widening health inequalities. The uptake of digital health solutions has been uneven, unsystematic, and mostly focused on specific products, services, or processes rather than system-wide digital transformation approaches. The failure of many disease-specific pilot projects to progress to system-wide or national-scale adoption has led to a fragmented digital health ecosystem.

Efforts to monitor the national-level digital transformations of healthcare have highlighted the challenges all countries face in strengthening the enabling environment for digital health and in implementing sustainable digital health solutions at scale.[3] Divides in the digital determinants of health, such as connectivity and digital literacy, risk widening equity gaps and pose barriers to achieving UHC, and must be addressed through multisectoral action.[4]

The adoption of digital technologies without due consideration for equity, trust, and human rights is also exacerbating inequalities and undermining efforts towards UHC. The acceptance and successful use of digital health technologies depends on complete and accurate data sets plus high levels of trust in digital health services and data practices among individuals, communities, and health professionals. For health workers, training requirements, interoperability, and how a digital tool impacts their workload are further considerations for the effective introduction of digital technologies.[5]

Relevance of the G20

As 2030 nears, innovative solutions are needed to accelerate progress towards UHC. Digital technologies offer a transformational opportunity to achieve this. However, it is critical that the benefits of digital transformation are made available to everyone and applied in support of UHC. The G20 continues to reinforce its commitment to achieving and sustaining UHC,[6] and the Indian presidency has prioritised harnessing digital health to improve healthcare service delivery.[7] Under this agenda, the Indian government is proposing the creation of the GIDH, which seeks to harmonise the current fragmented global digital health landscape and address barriers to scaling up the digital transformation of health worldwide.

Through the GIDH, the G20 has an opportunity to help accelerate progress towards UHC across the member nations and in other countries that are lagging behind. The grouping can do so by leading global efforts to improve financing and to strengthen the governance of digital health transformations.

Financing Digital Health as Investment in UHC

Increased and better coordinated investment in digital health transformation is critical to deliver UHC. To have the greatest long-term impact, investments must go beyond the introduction of individual digital health technologies and instead focus on the more equitable, inclusive, and sustainable transformation of health systems that deliver health for all.

Increased investment is needed to establish and maintain the 'building blocks' of digital health.[8] Transform Health's report, *Closing the Digital Divide: More and Better Funding for the Digital Transformation of Health*, sets out nine priority areas and a set of recommendations to guide investments.[9] The report estimates that US$12.5 billion is needed to support the digital transformation of health systems in LMICs over the next five years, or an average of US$2.5 billion a year. The true level of required investment will ultimately be determined according to country, based on costed plans.

There is a limited amount of publicly available information on current funding levels and gaps in domestic and external investment in digital health. This lack of information poses a barrier to resource mobilisation efforts and to more effective donor coordination. As part of the GIDH, the creation of a tool to track domestic and donor funding for digital health, as well as funding gaps, will allow all partners to access funding information in real time, improve coordination, and strengthen mutual accountability. It is important that the tool is developed through an inclusive and consultative process to bring in different voices and perspectives, build wide stakeholder buy-in, and ensure that it fully reflects and responds to the complex digital health funding landscape. This will help ensure that funding is responsive and targeted to where it is needed most, to support the equitable and sustainable digital transformation of health systems.

Strengthening Governance Based on UHC Values

The successful application of digital tools and the digital transformation of health systems depends on effective governance and a supportive enabling environment that builds trust and ensures health is prioritised over other interests. As the speed of innovation continues to outpace governance efforts, it is critical that the G20 countries invest in strengthening global, regional, and national policies, legislation, and regulation, which creates a positive enabling environment for digital health transformation. These efforts must be strongly rooted in UHC and values such as democracy, equity, solidarity, inclusion, and human rights.

There is already a recognition of the need for stronger regulation in the area of health data governance. The outcome statement of the Health Data Governance Summit in 2021, convened by the World Health Organization (WHO), called for a "common framework and good data governance practices underpinned by a globally unifying set of principles,"[10] and the recent *Better Data for Better Health* meeting co-hosted by the Health Data Collaborative and partners culminated in a call to action for a roadmap towards a Health Data Governance Framework.[11] More than 150 organisations have joined a call for a global framework based on equity and human rights-based Health Data Governance Principles.[12]

A global health data governance framework will build consensus and alignment across countries around a set of common regulatory standards for the governance of health data, which will in turn support countries in strengthening their national legislation and regulation, and harmonise and support cross-border data flows, with the needed protections in place. It will lay the foundation for improved public trust in health data systems where individuals feel protected, respected, and in control of their own data, while allowing institutions working to protect the health and well-being of the population to share and use health data for the public good. By publicly endorsing the Health Data Government Principles and the need for a global framework, the G20 could provide the much-needed impetus for WHO to lead the development of a framework, on behalf of and together with its member states. This will also encourage the adoption of the Principles among the G20 members and beyond.

Recommendations to the G20

To fully harness the digital transformation for UHC and support all countries in achieving the SDGs by 2030, the G20 governments and their partners are urged to take the following actions:

1. Prioritise digital health transformation as an accelerator of UHC rather than a siloed health issue.

2. Close divides in digital access and digital literacy as essential preconditions for UHC.

3. Increase, better target, and coordinate funding for the digital transformation of health systems in line with national digital health strategies as part of wider investments to deliver UHC.

4. Establish a strong national regulatory and policy environment to ensure digital transformations and data use are based on UHC values and support equitable health outcomes.

5. Work with WHO to develop a global health data governance framework to establish a set of common regulatory standards that are underpinned by the Health Data Governance Principles. Endorse the Principles and incorporate them into national legislation, regulation, and policies.

6. Strengthen mechanisms for meaningful multistakeholder engagement at all levels of planning, strategy, execution, and monitoring of digital health transformation, and governance (including youth, women, and marginalised communities).

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Data for Development

Alison Gillwald

Beginning in early 2020, the COVID-19 pandemic amplified global awareness of the value of data for socio-economic development and its ability to contribute to the realisation of the UN Sustainable Development Goals (SDGs). The intensifying processes of digitalisation and datafication, along with the linkages of data, Big Data analytics, algorithms, and the Internet of Things (IoT) have placed data as a key resource in public health management and economic development.

There are multiple claims in current multilateral, academic-tech, and industry literature and forums of how the principles of 'data for development' applied in policy can contribute to economic growth. Improved use of data is seen as essential to effective policy formulation, efficient resource allocation, and delivery of public services (World Bank, 2021) Getting private firms—from corporations to micro-enterprises—to deploy software and platforms that can collect, process, integrate and analyse data is considered a key to improved productivity and consumer welfare, despite the difficulty of quantifying these gains (Coyle & Diepeveen, 2021). Data-driven platform work is seen as an opportunity to reduce youth unemployment and create 'decent jobs' despite the evidence of the precarious nature of platform work (Research ICT Africa, 2023). Advanced data-driven technologies such as Big Data analytics, Machine Learning (ML) and Artificial Intelligence (AI) are being offered as enablers of potential solutions to some of the gravest problems facing humankind—from climate change to the threat of future pandemics. (World Economic Forum, 2023; 2020, ITU 2022)

Despite the potential of data to contribute to these developmental objectives, however, the outcomes of current policies and practices are at best uneven. At worst, there is growing evidence that these advanced data-driven technologies could be exacerbating existing structural inequalities rather than ameliorating them (Hargittai, 2021)(Gillwald & Partridge, 2022)(Gill wald, 2017). This is, to some degree, the result of the largely unregulated data-driven innovations, dominated by Big Tech that have become the most profitable corporations in the world. Even where these digital goods were developed using public investments in support of national innovation, the vast global networks have been treated as private goods—unregulated and with no contribution to the tax base or underlying infrastructure cost in the countries from which these extractive businesses make their super-profits (Mazzucato, 2018).

Yet, the 'data for development' blueprints by multilateral agencies, development banks, and tech policy think tanks tend to not locate data for development in this globalised, complex, and adaptive digital ecosystem. Rather, the focus is on the development of data infrastructures (such as data warehouses for storage, servers for high-speed processing and high-speed fibre for transmission, and use of cloud service) required for data value creation, and often only on the technical standards for interoperability for open data and open source.

This narrow technical conceptualisation of 'digital public goods' has problematically also become the dominant definition, whether at the United Nations or in industry forums.[a] Similarly, "*The Digital Public Goods Standard*" is a set of specifications and guidelines designed to maximise consensus about whether a digital solution conforms to the definition of a digital public good—i.e., open-source software, open data, open AI models, open standards, and open content that adhere to privacy and other applicable standards.[b]

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a See The UN Secretary General's Roadmap definition of 'digital public goods' which is similar to that of the Digital Public Goods Alliance, a multistakeholder initiative to support achievement of SDG goals in low-income countries.

b See https://digitalpublicgoods.net/standard/

Digital Public Goods

There is a failure to recognise the economic characteristics of digital public goods such as data (and also spectrum, Internet and cybersecurity)—that it is inherently non-rivalrous in consumption (i.e., it is infinitely usable without detracting from another person's ability to use it). This removes the rationale for public interest regulation that weighs broader social welfare considerations and that recognises it as a critical input downstream in both public and private value creation.

While private goods are excludable, public goods are naturally non-excludable. Although data held by the private sector, and indeed the state, has been made excludable, regulation can, however, uphold the public interest by excluding actors or practices that serve only private interest. Conversely, regulation can promote actors and practices that do align with the societal value of having inclusive public goods. This form of public interest regulation that recognises (digital) public goods to be universally accessible is at the heart of effective regulation of the private provision of public goods and the creation of commons. These digital commons could be digital public infrastructures or open access spectrum or data lakes and open data systems that would support more inclusive and equitable development.

Calls for open standards at the centre of current data for development debates are an important aspect restoring or ensuring the 'non-excludable' characteristics of data and of digital public infrastructure necessary to support development. They fail on their own, however, to address the wicked underlying policy problem of the digital inequality paradox that underpins some of the world's most intractable development challenges. The paradox lies in the fact that as more people are connected, and as advanced data-driven technologies are layered over unevenly accessed and used underlying foundational technologies, inequality increases rather than diminishes.

Policy Possibilities for Just and Equitable Deployment of Data for Development

Private and commercial delivery of information infrastructure has an extensive role. However, with the increased positive externalities derived from digital and data infrastructure (including data governance), the role of a capable state as coordinator and regulator in ensuring its provision and management is required more urgently than ever. This will ensure widespread access by citizens and local firms, fair distribution of social gains, and the mitigation of risks (Research ICT Africa, 2023).

Public data (statistics) as a public good

Central to any data and development agenda should be a strategy to overcome the patchy data for evidence-based digital policy formulation across the Global South, and particularly in Africa. In the absence of timely, accurate and accessible public statistical data, policymakers are using the generalised, sometimes incomplete and inaccurate data that is available. There is a strong need for deeper analysis of nationally representative demand-side data to better understand intersectional inequalities, and the linkages between technological developments and their potential to contribute to socio-economic development.

Economic regulation of data

Regulation has focused on first-generation rights of privacy and, to some degree, freedom of expression in relation to personal data. There has been, however, far less attention to economic and environmental rights. Non-personal data remains largely unregulated even though when accumulated at scale, it confers almost exponential power to corporations to extract value and influence peoples' lives. Yet there has been far less economic regulation to redress the uneven distribution of opportunities both within and between countries (Gillwald et al., 2022).

Some of the reasons for this lack of attention to economic regulation (and to the neglected area of demand-side value of pooled resources) are related to the heterogeneity of data and the complexity of the governance of different kinds of data (Gurumurthy & Chami, n.d.) And yet with reference to data in development (and references to open data as digital public goods) data is often treated as homogenous, with blanket treatments and ineffectual outcomes whether in relation to access or openess, or sovereignty or localisation.

Differentiating data for public and private creation

This lack of distinction between different types and uses of data, and the private and public value these could create is also reflected in current debates (Coyle et al. 2020). Assumptions around data value creation often default into commercial value creation and the value assigned to the data economy, reflects only private value creation. Instead, there are different uses of data and different methods to measure the economic and social value of data and data flows (OECD, 2019)

The task of ensuring more equitable and just development outcomes requires policy interventions made based on social welfare that determine the governance of data in terms of the broad economic well-being of all of society. This would include the profitability of businesses, the incomes and needs of individuals, and non-monetary benefits such as convenience or health (Coyle et al, 2020). Such policy needs to recognise the economic characteristics of data, specifically its non-rivalrous, public good nature and its role as a critical input downstream in other businesses.

Balancing supply and demand side valuation of data, commons and digital infrastructure

Regulatory, economic analyses of privately delivered public goods rely on the commercial, supply-side value of information, financial and e-trade flows. Demand-side valuation of digital public goods is, however, more likely to ensure inclusion in a developing country context. A demand-side, value-creation-focused analysis highlights that the outputs of digital infrastructure industries are generally public and 'non-market' goods that create positive multipliers in both the economy and society (Frischmann, 2012)

Commercial supply-side valuations of key resources such as data need to be balanced with demand-side valuation that properly recognises and accounts for their public utility. Besides infrastructure resources being fundamental to generating greater value when used as inputs into a wide range of productive processes, data is a critical resource for consumption and production in the economy. Demand-side valuation of data (or spectrum or cybersecurity or free to air broadcasting), enables public interest governance of a resource as a non-rivalrous, low-excludability public good that can be accessed for the purposes of public planning, entrepreneurship, and democratic accountability.

Such an approach to the allocation of resources also provides the rationale for the creation of a digital commons, such as data lakes and alternative forms of data stewardship.

Concentration and competition

Meanwhile, the discussion in the G20 is around the role of public digital infrastructure to disrupt the dominance of entirely unrelated private infrastructures operating globally on top of national public and private infrastructure without any contribution to resource mobilisation for the delivery of global digital public goods.

The Global Partnership on Artificial Intelligence (GPAI) data and economic justice primers raise concerns about the increasing power of a few digital monopolies over digital infrastructure (Gillwald et al., 2022). Currently, ownership of and the ability to use data is highly concentrated amongst a small number of platforms primarily in the US and China (UNCTAD, 2021). This underscores the need for economic regulation to enable greater access to and control over the resources of data and AI, as well as the capabilities and infrastructure required to use them, to redistribute opportunities and benefits more evenly within and between countries.

Practically, this entails enabling beneficial data flow by preventing anti-competitive data practices, ensuring equitable access to resources, and enabling interoperability, with positive discrimination measures to ensure local entrepreneurs and innovators can compete in at least localised data-driven activities. It will also require global cooperation to enforce cross-jurisdictional issues from antitrust law to legitimate taxation based on the advertising and value-added profits of corporations without physical presence in countries enabling them to evade taxation.

Open data, open access to data, free cross-border data flows

Calls for the opening up of data markets or data flows without enabling the fair and equitable participation of individuals, communities and countries disadvantage mostly countries in the Global South and groups that are currently marginalised in the value chains and hierarchies from the global digital economy will perpetuate existing asymmetries of power and flows (Gurumurthy et al., 2017). Regulating data to ensure access to quality and standardised data (for example, public data) for local value creation and innovation, and enabling the preferential flow of data in economic communities or regions, can redress some of the inequities in globalised data markets and create conditions for more equitable development.

This essay contends that for more transformative policy outcomes, countries and regions need to develop transversal digital and data policy that recognises the role of digital public goods as central to contemporary forms of democratic participation and as key inputs and enablers of economic transformation. Together with human development strategies and rights, preserving regulatory arrangements to redress intersectional inequality and which acknowledges the political economy of developing countries, will be essential to post-pandemic economic reconstruction. It is also key to the building of more democratic, inclusive and equitable social compacts being called for by the UN Secretary General.

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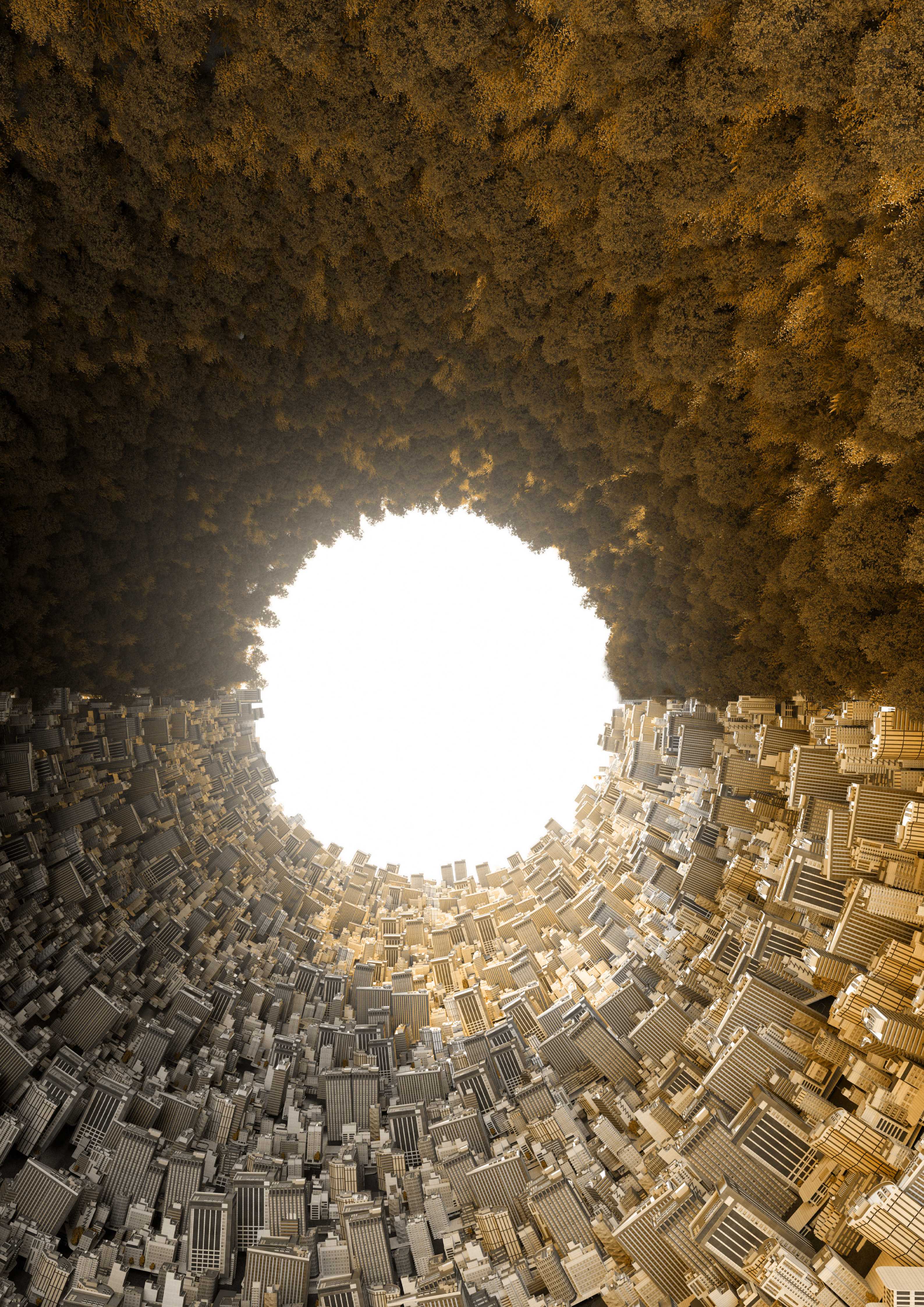

Refuelling Growth: Clean Energy and Green Transitions

Mainstreaming Gender-Responsive Climate Adaptation

Paula Ellinger and Nathália Rezende

There has been growing recognition over the past decade that advancing gender equality is necessary and urgent for a just climate transition and sustainable development. This is underlined in the Paris Agreement as well as in the United Nations Framework for Climate Change (UNFCCC). At COP 20 in 2014, the Lima Work Plan on Gender was agreed upon, and at COP 25 some years later, its action plan was finalised. Despite this growing recognition, however, there is a long way to fulfilling gender equality in climate policy [1] and the call for deepening approaches to gender-responsive climate action is a priority. In this context, at COP 26 in 2021, the statement from the Glasgow Women's Leadership Summit called for further action towards gender equality and increasing support to national and global initiatives led by women.[2]

The gender gap hinders the transition to a zero-emissions world as much as it deepens the impact of the climate crisis. As vulnerable and heterogeneous groups, considering intersectionalities such as location, race, age, and class, women suffer disproportionately from climate impacts. In the Global South, women often make the decisions within their households and are most affected by increasing droughts, intensive rains, and other extreme weather events.[3].

Even as they are among the most vulnerable groups, however, women are also important agents of change in their communities, playing a crucial role in climate action leadership and guiding solutions in several parts of the world. Studies show that women, due to their gendered roles, tend to make decisions that prioritise the welfare of their families and communities when it comes to resource management and, therefore, are more effective in promoting conditions for equitable climate resilience.[4] Furthermore, women who manage professional organisations are more likely to adopt sustainability practices and reduce emissions.[5] They are traditionally guardians of ancestral knowledge and add complementary perspectives to the climate agenda.[6] Besides, to move towards a just transition, it is important to include women in the energy workforce and set indicators that can help mainstream gender in the agenda.

This essay recognises the role of the G20 in moving the world closer to the climate agenda, and understands the leading role of Argentina, Brazil, India, China, Indonesia, Mexico, and South Africa to address urgent gaps and needs in adaptation in the Global South. This essay focuses on the following dimensions: the definition of gender-related actions under the Global Goal on Adaptation, gender mainstreaming on climate finance, and capacity building as a key means of implementation to gender-responsive climate policies. Although these points do not cover all the gender gaps in climate policy that need to be addressed, they are essential to push a just transition guided by locally led adaptation[7] and people-centred development, which takes into account women and other minorities both as vulnerable groups and as a pivotal part of sustainable solutions.

Global Goal on Adaptation (GGA) and Gender Issues

The Global Goal on Adaptation (GGA), proposed by the Paris Agreement, aims at "enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change."[8] The Glasgow-Sharm El-Sheik (GlaSS) working programme is further working towards enhancing the understanding, conceptualisation, and achievement of the GGA.[9]

As a two-year working programme, the GlaSS is expected to be finalised in 2023 at COP 28. A few months away from its conclusion, there are still a few outcomes, both from submissions and discussions held on gender approaches to the GGA. Despite that, both the GGA and GlaSS working programmes recognise the need for a multi-stakeholder approach, understanding that adaptation should involve different actors in order to avoid maladaptation and ensure a transformational approach.

Moreover, there is a country-wide call to understand the means to translate and territorialise actions that can improve the capacities of women and other communities to respond to climate change, placing locally led economic and social concerns at the centre of the adaptation strategy. Thus, there is room for a deeper, gendered approach to GGA.

A Gender-Responsive Approach to Climate Finance

Climate finance aims to tackle the roots of the climate crisis, reducing emissions, supporting an energy transition, and reducing climate-change vulnerabilities. To fulfil its purpose, it is paramount that climate finance reaches local communities, especially the most vulnerable, and includes an assertive gender approach.

One of the primary threats to climate finance is that it does not flow locally; it is estimated that only 10 percent of climate finance actually reaches the local level.[10] Communities struggle with accessing finance for various reasons, including (a) technical challenges, like developing and sustaining a climate rationale, especially within more vulnerable communities (b) and institutional challenges such as lack of capacities to apply to funds, language barriers, limited internet access, lack of information, and fragile institutional conditions to manage funds within the fiduciary conditions imposed by funders, as argued by a consultative process led by Fundación Avina and the Adaptation Research Alliance (ARA).[11]

The challenge of funds reaching the local level goes hand-in-hand with the lack of access to resources for women to lead climate solutions at the community level. Studies show that, while funds are increasing the incorporation of a gender approach, gender equality is still not the principal goal of climate finance,[12] and more intentionality is required.

Even though there are known gaps, there is little to no discussion of gender gaps in the New Collective Quantified Goal (NCQG) processes, the definition of Article 2.1c, or the new financial structure under the UNFCCC processes. There is a need to include a gender-responsive approach in the definition of processes related to climate finance, so that no one is left behind.

Capacity-building from a Gender Lens

Another key means of implementation of climate adaptation is capacity building. Nevertheless, most capacity building in climate considers the gender perspective in a tangential manner. In another study by Fundación Avina, with a focus on Africa and Latin America,[13] it was found that women are most interested in initiatives that aim to build capacities around climate change, but are often unable to complete them. Threats that hinder access to and completion of capacity-building initiatives by women include an 8 percent global digital gap,[14] which is 17 percent in Africa,[15] and automatically leads to a lower participation of women in online activities. Furthermore, course designs often disregard the differentiated roles that women play in society, thereby hindering their attendance in class at certain times of the day due to familial and/or work duties, as well as limited participation in decision-making roles and climate-adaptation events.

In the 7th Technical Dialogue of the Paris Committee for Capacity-Building (PCCB), held in Bonn in June 2023, gender participation was a key topic, with discussions around aspects of guaranteeing financial support, gender-inclusive language, and a holistic understanding of all the challenges in different climate-related sectors.

Another important dialogue on gender mainstreaming held at SB 58 was the revision of progress made by the constituted bodies of the UNFCCC in integrating a gender perspective.[16] The conclusion showed progress in the inclusion of women in the decision-making process as well as in capacity building on the issue. Nevertheless, the biggest challenge is going beyond those actors already in the field and advancing gender equality and integration in decision-making across sectors and levels of governance to ensure full and fairer participation.

Recommendations

Short-term

It is necessary to deepen the approach to gender equality across sectors and levels of governance towards a more holistic approach that understands women as both vulnerable groups and key agents of change for a just and ambitious transition. While the paper highlights several difficulties, there are short-term recommendations that could be considered, such as:

i. adopting a gender-responsive adaptation framework under the GGA;

ii. facilitating access to climate adaptation finance while including priority areas focused on gender issues;

iii. deepening gender balance and opportunities in decision-making and participation in global arenas for women and other communities;

iv. applying differentiated approaches in capacity-building for a most effective gender inclusion.

Long-term

From a long-term perspective, bridging the gaps that are faced by women in climate adaptation implies:

i. understanding and shifting challenges such as equal payment and opportunities, especially when it comes to an education gap that reflects on the participation of women in STEM, which is a topic of relevance for energy transition;

ii. improving access to education and capacity-building in climate mitigation and adaptation;

iii. closing the digital divide;

iv. improving access to climate finance at the local level, especially for projects led by women. A target could be established on finance flowing for climate solutions led by women.

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The G20's Commitment to Lifestyles for Sustainable Development

Shuva Raha

In June 2023, the Development Ministerial Meeting of India's G20 Presidency unanimously approved the High-Level Principles on Lifestyles for Sustainable Development (HLPs), recognising that socioeconomic development must be balanced with the "sustainable management of our planet's limited natural resources."[1]

The G20's commitment to create "an integrated approach for achieving sustainable development in its three dimensions—economic, social and environmental"[2] by placing it "at the centre of the international cooperation agenda" supplements its mandate to shape the "global architecture and governance on all major international economic issues."[3] It is a significant step for this group of developed, developing and emerging economies with diverse national priorities and circumstances, home to two-thirds of the world's population and accounting for 75 percent of global trade and 85 percent of global GDP.[4]

The imperative for sustainable lifestyles has arisen due to national outputs being measured only via profit-oriented parameters such as GDP and per capita income, with no correlation to resource availability or use. This has led to unsustainable consumption patterns with the doubling of the global population from 3.7 billion in

1970 to 7.8 billion in 2020, and quadrupling of raw material use to over 100 billion tonnes in the same period.[5,6] This linkage of human development to economic prosperity feeds a linear 'use-and-throw' economy, where 90 percent of materials are wasted, lost or rendered unusable.[7] Such resource exploitation has also bred intense inequities; the world's richest 10 percent own over three-quarters of its wealth.[8]

The HLPs originate from India's Lifestyle for Environment (LiFE) initiative to nudge individual and collective behaviour towards "mindful and deliberate utilisation, instead of mindless and destructive consumption"; enable markets to supply these sustainable goods and services; and influence policies built on traditions, conservation, and moderation to support this demand and supply.[9]

LiFE was introduced by Prime Minister Narendra Modi at COP26 in 2021 and is part of India's updated Nationally Determined Contributions (NDCs) to the 2015 Paris Agreement, in which 192 countries, including India, had acknowledged the need for "sustainable lifestyles and sustainable patterns of consumption and production." The HLPs also resonate with the UN Sustainable Development Goals, especially SDG12, which promotes responsible production and consumption through collaboration to "improve resource efficiency, reduce waste and pollution, and shape a new circular economy."[10]

The G20 must work collectively to shift their citizens and industries to more sustainable consumption and production patterns. Three areas that need attention are: defining and measuring sustainable lifestyles; redesigning global value chains; and balancing inequities.

Nudging behaviours by defining and measuring sustainable lifestyles

Lifestyles are derivatives, and not the definers, of global political, social and economic systems.[11] Consumption patterns arise from personal desires, social and cultural norms, institutional cues, and infrastructure and resource availability.[12] The HLPs emphasise promoting "environmentally friendly individual and community behaviour, including by using behavioural science approaches such as nudging and incentives." To achieve this, the G20 must define "sustainable" and "lifestyle", separately, and as a phrase, such that these are agreeable to all socioeconomic segments within and between developed and developing countries.

The UN-DESA's annual *World Economic Situation and Prospects* report defines the median quality of life that separates the developed world from the developing countries. Such indicators should be used to narrow the gap between the two by reframing what it means to be 'developed'.

In this process, it is important to not constrain, using harsh regulations, humanity's unique ingenuity and intent to discover, create, and progress. These definitions must accommodate the human desire to not merely consume and produce for sustenance, but to live a comfortable—even affluent—life, enriched by thought and cultural leadership as much as property and possessions. The G20 must revisit the foundation of the global economic structure, including definitions of productivity and prosperity, and look beyond profit-led growth to metrics such as human well-being, social cohesion, and cultural values to induce countries, industries, and people to voluntarily move towards more sustainable choices.

The transition from income-based to aspirational consumption patterns, driven by social engineering and market mechanisms like the forced obsolescence of products, has led people to invest in transient experiences and resource-intensive, disposable goods with little-to-no asset value, and deplete their savings. However, abruptly decoupling from these credit-based systems of most countries will cause economic deceleration. The G20 must, therefore, find avenues to balance this capitalistic exploitation of resources to fuel economies with the urgency to preserve the same resources—without imposing 'austerity' in the guise of 'sustainability'.

The G20 must also set specific, measurable, scalable, and replicable parameters for the intended actions to achieve sustainable lifestyles across geographies and communities.[13] Care must be taken to effect real behavioural changes instead of shifting consumption from one resource to another—for example, from plastic to paper, or resorting to food, clothing, consumer goods and lifestyle trends.[14]

The actions must also be in sync with local cultures, practices, habitats, and resources. Force-fitting ad-hoc and reactive one-size-fits-all technocratic measures into production and consumption systems, regardless of circumstances and readiness, will only widen technology and societal gaps. On the other hand, indigenous knowledge and techniques, perfected over centuries and blended with modern innovations, can serve as a rich repository of locally viable solutions.[15]

Since most capitalistic consumption patterns are outcomes of the developed countries' concepts of prosperity, these G20 members should redefine aspirational lifestyles through exemplary actions, supported by the best practices of developing ones. Such nudges can reduce the gap between intention and action by restructuring consumers' choices by socialising 'good behaviour' through influencers, or via policy mandates.[16]

Transformative change at scale needs tracking, measuring, and managing sovereign consumption of resources, instead of relying only on the choices of individuals. Without sincere, consensus-based definitions and parameters, the hyphenation of 'sustainable' with 'lifestyle' will remain as nebulous as 'energy transition' or 'climate action'.[17] The G20 must build this framework to set the foundation of a pro-growth, aspirational quality of life in sync with nature.

Enabling markets by redesigning global value chains

Sustainability is commonly linked to daily-use goods and services at their points-of-purchase, use and disposal by handlers, sellers, and users. These systems face public scrutiny and political accountability, and are relatively well-studied, with many being improved by individual, community, and industrial action, using formal legislation as well as informal ecosystems.

However, circularity must go beyond end-of-life product management and extend the life of input materials by reintegrating them in the same or other value chains. Few individuals are informed of the sustainability of the materials and components of the goods and services they use—for example, the steel in cutlery, textiles in clothes, critical minerals in cellular phones, and cement in buildings.

Markets, therefore, must adapt to, and meet, the demand for sustainable options. This needs a fundamental change in how designers, industries, consumers, and policymakers perceive each product and service, leading to evolved—or new—investment, design, supply, production, packaging, and transportation processes to improve technologies, efficiencies and economics.[18]

Steelmaking, for instance, has much scope for sustainable resources, including choices to use virgin ore or scrap steel, sourcing locally or importing, selecting furnaces and fuels, and enhancing energy and process efficiencies. Enabling market mechanisms such as premium pricing of 'desirable' products with more sustainable design, enhanced efficiencies, and rarer availability can incentivise consumers to opt for 'greener' choices. Converting sales models into service models can also lengthen product life cycles and reduce forced obsolescence.[19]

Integrating sustainability in global value chains (GVC) comprising several interlinked supply chains spanning multiple jurisdictions is extremely complex. A crucial challenge is the evaluation and redesign of materials, processes, and outputs without disrupting supply chains and infringing upon the sovereignty of the involved countries. Even one country or entity in a GVC imposing regulatory mechanisms or taxes, without the consensus of all involved entities, could disrupt trade patterns and partnerships, especially among the highly competitive G20.[20]

In 2017, the German Presidency set up the G20 Resource Efficiency Dialogue[21] for matters like sustainable production, circular cities, food waste, and sustainability reporting, and to explore ways to integrate resource efficiency (RE) and circular economy (CE) into GVCs. The Indonesian Presidency, in 2022, agreed to "work together on scientific knowledge-sharing... and capacity building" for RE/CE.[22] The 2023 Indian Presidency has included discussions on the hard-to-abate steel sector and bioeconomy, Extended Producer Responsibility, and a G20 RE/CE Industry Coalition.

The G20 could help improve GVCs by developing a global taxonomy of waste, scrap, and secondary raw materials for accurate tracking and legal trading. The HLPs note the "crucial role of financing" and the need to "responsibly and inclusively leverage the potential of data and digital technology for the adoption of sustainable consumption and production patterns."[23] Industrial symbiosis, technology co-development, global standards and protocols, and consumer education, supported by government policies, can help integrate these enhancements in GVCs.[24]

Influencing policies to balance inequities

The democratic principles of free societies and free markets have enhanced international cooperation and connectivity. Integrated systems such as banking, trade and the internet are connecting billions of diverse people in real time, propagating homogenous thought, behaviour, actions, and aspirations, and superseding geographic, cultural and socioeconomic boundaries. Profuse access to novel goods and services ranging from vehicles, appliances and electronics to clothing and food, in the guise of personal choice and prosperity, is luring people into profit-oriented consumerist lifestyles built upon endless cycles of excessive consumption. Consequently, most individuals and communities are transferring their responsibility to live sustainably to governments and corporations.

Developed countries, which have long exploited their own as well as the developing countries' resources to support their high standards of living, are socialising the dire consequences, including environmental degradation, social inequities, and depleting resources such as land, crops, energy, water and critical minerals, as a global common cause and collective responsibility.[25, 26]

The developing countries have closed ranks against their developed counterparts' lack of ownership of the impacts of excessive resource consumption, or commensurate actions towards reducing use and waste, and are placing the financial and technological onus of creating more sustainable systems on the latter. In parallel, the developing countries are increasing their own resource consumption to achieve similar economic and social growth and prosperity.

Defining emissions reduction, ecological preservation, and sustainable development as global responsibilities begins with defining the resources being consumed as common goods and distributing them as equitably as their wastes and adverse impacts are being socialised. The G20 could build an inventory of resources owned or controlled by its members, with an index of resource use, to move towards creating a framework to balance historic and current inequities.

The HLPs urge "local and regional governments" to work in sync with their communities to effect and sustain wide-ranging, large-scale, and equitable sustainability actions. The HLPs also state the need to "strengthen international cooperation, collective action and partnerships" to "promote interlinkages between development, environment and climate agendas, and associated goals."[27]

Objective and just policies and regulations can balance inequities and help implement and scale up sustainable lifestyles while "meeting the basic needs of all people, especially of poor, and people living in vulnerable situations."[28]

Conclusion

The rate of consumption of natural resources has exceeded that of regeneration in developed and developing countries alike. However, measuring lifestyles using only clinical parameters like resource consumption rates, carbon emissions, rising temperatures or climate risks oversimplifies the challenge and misdirects the focus towards technocratic, one-size-fits-all prescriptions. These issues must be approached specifically for each country, accounting for their national circumstances and capacities, and interweaving the drivers of human development, economic equality and social dignity at the individual, community and national levels.

The Indian G20 Presidency has based the HLPs on its theme of 'One Earth, One Family, One Future'. It places "sustainable use and regeneration of natural resources" at the core of the global economic agenda (One Earth), and recommends "collaboration and coordination" between stakeholders (One Family), combining an "integrated approach" with "ambitious actions" to meet "development, environment and climate goals" (One Future). The intent is to help build a "resilient economy" by "creating decent and quality jobs, promoting inclusive and sustainable industrialisation and fostering innovation" while "implementing sustainable, inclusive and just transitions globally, leaving no one behind."[29]

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Purpose & Performance: Reassessing the Global Financial Order

Why and How Should Multilateral Development Banks Be Reformed?

Annalisa Prizzon

The scale and length of the COVID-19 pandemic, and the increasing pressure to contain the rise in global temperatures, are stark reminders that global challenges require global solutions and coordination between governments, international institutions and financiers. While other development finance institutions may have more resources at their disposal, multilateral development banks (MDBs) like the World Bank and the regional development banks are perceived to be in a better position to help finance solutions to global challenges.

Their regional or global reach gives MDBs the heft to address transboundary challenges and share learnings in their client countries. MDBs also offer a rather unique combination of financing at better-than-market rates, technical assistance on project implementation, policy advice on upstream reforms, knowledge generation, and convening power.[1] Client countries find these features relevant for their own national development and regard MDBs as highly effective institutions.[2] MDBs also bring extensive experience in implementing large, climate-relevant projects that many countries lack. Their staff are directly involved in project negotiation and design and oversee project implementation.[3]

However, MDBs can do more to support countries in finding and implementing solutions to global challenges, particularly in designing and implementing low-carbon transition strategies and building resilience to the impacts of the climate crisis. While most of the discussions thus far have centred on the World Bank Group, the need for reforms also applies to regional development banks. Their smaller size and shareholding structure—often with a voting majority of borrowing shareholders—mean that they can be nimbler and more innovative than the World Bank.

The following section outlines four main challenges that G20 members and MDB shareholders should address as a matter of priority.

Current Challenges

a. Integrating climate and development into the core missions

Part of the problem when it comes to MDBs delivering truly transformative strategies on low-carbon transition is the lingering misconception that climate action inevitably entails trade-offs with economic development, that the climate agenda is essentially a burden-sharing exercise, and that lower-income countries should instead focus on poverty reduction. Many client countries tend not to prioritise climate change adaptation and mitigation over other issues such as energy access, agriculture or infrastructure development.[4] However, climate change measures do not have to come at the expense of poverty eradication or economic growth. Rather, it is a case of finding synergies between them. Low-carbon and climate-resilient economic growth and development will be less exposed to shocks and stresses of all kinds.

In particular, MDBs should support countries to think through the costs and benefits of climate-smart development paths. The issues that countries do see as vital to development—e.g. energy, transport, water, sanitation, hygiene, agriculture—are at the core of effective climate action.[5] However, countries need support in aligning national development goals in these sectors with international climate goals, given that climate-smart approaches often require fundamentally different financing arrangements, business models, technical skills and policy arrangements. The MDBs can support national governments to identify and evaluate these different sectoral paths.

b. Scaling up climate finance

The recommendations of the Independent High-Level Expert Group on Climate Finance are clear: by 2030, US$1 trillion a year must be mobilised for emerging and developing countries (other than China) to meet their climate and development goals.[6] The amounts mobilised so far are nowhere near this figure, and the question is how the global community can bridge the gap on top of more effective private finance mobilisation.

First, progress on the implementation of the Capital Adequacy Framework (CAF) recommendations. MDBs should create additional lending capacity by making more efficient use of their balance sheets, as recommended by the G20 independent expert panel on MDBs' CAFs. More lending capacity could be achieved in three ways: by MDBs taking a modicum of additional risk while continuing to observe the requirements for top credit ratings; by creating hybrid non-voting capital and tapping non-traditional sources of funding; and by engaging in more systematic transfers of risk to the private sector or guarantors.[7]

Second, agree on capital increases for selected MDBs. Even if greater resources from the baseline (existing capital) are combined with private capital mobilisation, the scale and urgency of the climate challenge will require an additional injection of resources into the capital of MDBs. At a time when many shareholder governments are attempting to balance their books, investing in MDBs—especially in their non-concessional windows—offers excellent value for money to mobilise financing at scale.[8]

c. Evolving into more effective banks for client countries

Expanding MDB lending volumes is critical, but how the MDBs lend is equally urgent. Even if all the reforms cited in this article are implemented, there remains the risk that client countries will choose to borrow limited amounts from MDBs. Despite the MDB operational model demonstrably possessing many strengths, borrowers nevertheless see some drawbacks and challenges. What can be done about this?

Make lending operations more agile. For many countries, borrowing from MDBs can be complex and resource-intensive.[9] Borrowing countries must learn how to navigate the rules set up by the MDBs, which vary according to the lender and change over time. All these factors raise the effective cost of borrowing from MDBs and can discourage borrowers from taking out loans.[10] To effectively address borrowers' concerns, MDBs could do much more to streamline their requirements and safeguards. For instance, they could further delegate project approval to management (something that the Asian Infrastructure Investment Bank, for example, already does). Elements of this process could be done digitally rather than paper-based. Safeguarding units also require proper resourcing.

More responsive and targeted advice and expertise. Only a third of government officials think that MDBs are responsive to client demands when providing technical assistance and policy advice.[11] MDBs also struggle to adapt to local realities and tend to prioritise ideas and advice issued from headquarters at the expense of local expertise. Changing the approach to technical cooperation is likely to require revisiting how advice and analyses are funded, and finding ways to prioritise longer-term relationship-building over fly-in, fly-out, standalone reports. MDBs should attract a wider range of expertise, while staff should be rewarded for the impact of their advice rather than the quality of their report writing.

d. Encouraging MDBs to work more effectively as a system

To further address the strategic, financial and operational challenges prioritised in this note, MDBs should more effectively cooperate and coordinate on at least three different levels.

At the programmatic level, stronger integration between climate and development can be achieved by MDBs working together to develop country-owned climate and development reports and contributing and coordinating towards their implementation, including via country platforms.

At the financing level, each MDB is implementing the recommendations of the CAF review in various degrees. The MDBs could achieve more if they learn from each other and more systematically coordinate their dialogue with credit rating agencies (CRAs), including informing the methodologies used by CRAs to assess MDBs and standardising approaches to innovations related to hybrid capital and risk transfer mechanisms.

At the operational level, a way to reduce the burden on client countries' systems and ensure that safeguards and procurement rules are followed is by harmonising or converging standards across MDBs, which can yield efficiency gains.[12]

Conclusion

In principle, MDBs are well placed to help their client countries find solutions to global challenges. However, to be truly transformative, not only must MDBs pursue and implement a stronger integration of climate and development objectives and strategies; they must also reach their potential lending capacity, scale up finance, create stronger incentives and support for client countries to take up MDB finances, and work more effectively as a system.

While MDB management is ultimately responsible for addressing these challenges, shareholders—especially among G20 members—must create incentives and accountability mechanisms for MDB management to follow through with the policy priorities outlined in this essay. They must equip MDBs with enough resources to deliver on this ambitious, transformative agenda on a global and regional scale.

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Synergising SDG Finance with Climate Finance

Diana Cardenas Monar, Chloé Boutron, Sarah Bendahou and Louise Kessler

Sustainable development and climate change are two pressing and interconnected issues that countries have committed to address at the international level. The 2030 Agenda for Sustainable Development, with the 17 Sustainable Development Goals (SDGs) including climate action, at its core, was adopted by the United Nations (UN) in 2015. The same year, the Paris Agreement was adopted by Parties of the UN Framework Convention on Climate Change. Both instruments have clear global and national targets in the medium- and long-term that are still far from being met.

Progress towards SDGs and climate objectives is hindered by the same crucial challenge—the sheer size of the funding gap. Significant investments are needed to achieve the SDGs and climate goals. Yet experts agree that current financial flows towards these objectives are hugely inadequate. The financing gap to achieve the 2030 Agenda, which increased by 56 percent following the COVID-19 outbreak, reached US$3.9 trillion in 2020.[1] And when it comes to achieving climate objectives, only about 16 percent of the estimated US$3.8 trillion needed annually through 2025 are currently being met.[2] Additionally, international adaptation financial flows to developing countries are five to ten times below estimated needs, and the gap is only widening, with annual adaptation needs estimated at US$160-340 billion by

2030 and US$315-565 billion by 2050.[3] Absent urgent intervention, the situation is expected to worsen in the current challenging macroeconomic conditions.

The implications of this funding gap are compounded by the fact that costs are unevenly borne by countries. Climate change impacts are disproportionately shouldered by developing countries, particularly least developed countries (LDCs) and small island developing states (SIDS). These countries are already paying for losses and damages due to climate disasters, estimated at over US$500 billion between 2000-2019 for the 55 most vulnerable countries.[4] With increasing climate impacts, needs for adaptation finance are expected to exceed 1 percent of GDP in low-income and developing economies, and up to 20 percent of GDP for SIDS.[5] Failure to halt climate change will, thus, negatively affect the achievement of the SDGs for developing countries, while failure to advance on other SDGs will increase their vulnerability to climate impacts and exacerbate the climate crisis.

Risks of a Disjointed Approach to Climate and SDG Finance

The SDGs and climate change are interrelated, yet they have been tackled in a disjointed manner for too long, prompting competition for financial resources. While the SDG framework promotes an integrated approach, the focus of financial flows has been on one SDG at a time, and mostly on so-called ‘bankable’ activities. This is also the case across climate objectives, with over 90 percent of climate finance going to mitigation, despite growing needs and an increasing gap in adaptation.[6] And although the commitment of developed countries was to provide ‘new and additional’ finance for developing countries to tackle climate change, only 6 percent of climate finance provided from 2011 to 2018 is considered as new and additional to official development assistance.[7] Filling the climate finance gap cannot continue to come at the expense of the SDGs, or vice versa.

Continuing with this disjointed approach threatens the achievement of the SDGs and climate objectives, increasing the risk of negative side-effects and jeopardising potential co-benefits across objectives. For instance, industrialisation projects targeted by SDG9 could lead to technological lock-in that may be harmful to climate objectives, as in the case of building industrial plants reliant on fossil gas instead of using renewable and clean energy sources. Similarly, actions to adapt to climate change may have detrimental impacts on efforts to reduce inequality (SDG10) if adapted infrastructure is only built in wealthy areas.

In contrast, massive investments in renewable energy can lead to improved energy access and a reduction of energy poverty, thereby contributing to building sustainable territories (SDG11), increasing opportunities for economic growth (SDG8), and reducing inequalities. Considering these risks and opportunities, leaving the silo perspective behind by moving towards an integrated approach in the way SDGs and climate are financed is a necessary step forward.

Towards an Integrated Approach

Recent initiatives bring sustainable development and climate objectives together at the policy level; these are a good starting point but do not provide a comprehensive perspective on funding and financing needs.

Green and SDG budgeting: Over 70 countries have embarked on some form of green budgeting, and many go beyond climate considerations.[8] Green or environmental budget tagging cover additional dimensions that are also SDGs,[9] and thematic budgeting more broadly considers social dimensions, as in the case of gender budgeting.[10] A proposal to bring both social and environmental issues together, the Socio-Climate Budget Tagging tool, has been developed by I4CE,[11] and SDG budgeting has been promoted by the international community as a step towards an integrated approach.[12]

Integrated national financing frameworks: This tool, applicable at the country level, provides a framework for financing sustainable development and achieving the SDGs. It notably allows countries to lay out the best use of development cooperation resources and the appropriate mix of public and private finance to support their national sustainable development priorities over time.[13]

Long-Term low emissions development strategies: The Paris Agreement invites countries to develop long-term low emissions development strategies (LT-LEDS), or LTS, to provide a long-term view on pathways to achieve climate and key national development objectives. Over 60 countries have released their LT-LEDS as of June 2023; 71 percent of the first 53 referred to linkages with the SDGs.[14] Yet LT-LEDS often lack estimates of investment needs and details on how they will be financed over time. An LTS dashboard for finance ministries, developed by I4CE, proposes to translate LT-LEDS into investment needs, policy levers to trigger investments, and overall economic implications.[15]

Beyond the policy level, just energy transition partnerships (JETPs) are an important step to leave the silo approach to project financing, but still miss the mark given their sectoral focus. Initiated in 2021, JETPs are a funding model designed to support the phase out of fossil fuels in developing and emerging economies while tackling the social consequences of the transition,[16] notably addressing issues such as job losses in highly emitting sectors. JETPs typically lay out priority investment requirements and match them with funding in various forms. Pioneered in South Africa and followed by Indonesia and Vietnam, JETPs recently expanded to Senegal and are expected for other countries such as India.[17] Yet the scope of JETPs does not allow for a comprehensive overview of the amounts and types of financing needed for the achievement of climate and sustainable development objectives.

Developing a national financing plan for the transition to achieve climate and development targets will help countries channel financial resources where most are needed rather than where it is easiest (for instance, investments in sustainable agriculture versus in renewables). A financing plan for the transition will point at financing needs and public policies to achieve objectives. It will also point at investment needs from private entities and levers to trigger them, and will indicate how much funding is needed from international lenders. A financing plan can be developed based on green budgeting initiatives or integrated national financing frameworks, and will benefit from being complemented by other tools such as climate finance landscapes or economic modelling including climate risks.

Role of international financial institutions in synergising climate and SDG finance: But countries cannot make it on their own. Synergising climate and SDG finance will require efforts from international financial institutions (IFIs). The broad development mandate of IFIs and local public development banks and the required additionality of their intervention (i.e., only funding projects that are either too risky or not profitable enough to attract private finance) make them key players in synergising SDG and climate finance. Their contribution to countries, through financial or non-financial support (such as capacity building, tools development), should be demand-driven, with a long-term perspective, and based both on national development and climate priorities maximising opportunities for co-benefits, ideally following national financing plans. Additionally, IFIs and public development banks should systematically strive for real economy impacts and deflect from projects with limited potential for change.

Ongoing discussions on the reform of the international financial architecture are the perfect opportunity to move towards an integrated approach for climate and SDG finance. International efforts in various forums can foster the required changes to advance in this direction. The Summit for a New Global Financial Pact, held in Paris in June 2023, was the opportunity to stress the need "to address joint nature, climate, and development challenges through increased global cooperation."[18] Upcoming international agenda milestones, such as the Finance in Common Summit, the G20 Summit, the UN SDG Summit, the International Monetary Fund and World Bank annual meetings, and COP28 need to keep the momentum and propose real-economy, technical solutions to ensure: (i) that countries are equipped with a long-term integrated view on their climate and development needs; and (ii) that development institutions offer relevant, long-term, and demand-driven support to countries.

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Accelerating SDGs: Exploring New Pathways to the 2030 Agenda

Accelerating the SDGs through Investments in Marine Natural Capital

Martin Koehring

Goal14 of the UN Sustainable Development Goals (SDGs) ('Life Below Water') has received the lowest levels of long-term funding of all SDGs. Less than US$10 billion was invested in achieving SDG14 between 2015 and 2019; the requirement is around US$175 billion per year.[1] This lack of investment does not just undermine SDG14 itself, but it also means that the full potential of the ocean for meeting the entire UN sustainability agenda remains largely untapped. Investing in marine ecosystems can help address many global sustainable development challenges—from poverty and hunger to gender inequality and climate change.[2] They are vital in systems change that accelerates a shift from unfair and extractive economic systems to just and regenerative ones.[3]

Natural capital refers to the natural resources that regulate all life on Earth.[4] On land, examples include trees, soil and iconic species such as elephants. In the ocean, examples range from mangrove forests and seagrass meadows to coral reefs and whales. These ecosystems provide essential services such as releasing oxygen, removing pollutants from water, and regenerating biodiversity. In addition to their other recognised sources of value, including intrinsic and cultural value, economists have started to put an economic value on these ecosystem services.[5] This could provide a vital financial lifeline, for example via carbon credits.

The following paragraphs present an overview of how investing in each of these four marine ecosystems (i.e., coral reefs, mangrove forests, seagrass meadows, and seaweed) could accelerate the SDGs, help preserve biodiversity, and harness the blue economy's full potential.

Coral Reefs: Rainforests of the Sea

Reefs are often called the "rainforests of the sea" because of the biodiversity found in the habitats created by corals.[6] Although they encompass less than 0.5 percent of the ocean floor, coral reefs provide a vital habitat for around 30 percent of fish species.[7] Coral reefs provide important ecosystem services that support the SDGs. For example, they provide food and well-being to more than 1 billion people, thereby contributing to SDG2 (Zero Hunger). They also create vital jobs from fishing, recreation and tourism, contributing to SDG1 (No Poverty) and SDG8 (Decent Work and Economic Growth). Meanwhile, they absorb 97 percent of coastal wave energy, supporting coastal resilience (captured for example in SDG11: Sustainable Cities and Communities).[8] Then there is also the largely untapped potential for natural medicine from reefs, which, among other things, could support SDG3 (Good Health and Well-being).

Despite these benefits, human activities that cause pollution, climate change and overfishing, have caused the loss of half of the world's coral reefs since the 1950s.[9] Based on current trends, 90 percent of coral reefs could be lost by 2050.[10]

For these reasons, investing in coral reef restoration will be important in preserving biodiversity, harnessing the blue economy, and accelerating the SDGs. Recent progress includes investing in Indigenous-led governance of coral reefs,[11] restoring coral reefs through regenerative tourism,[12] impact investment to support the Turneffe Atoll marine protected area (MPA) in Belize,[13] the Coral Reef Rescue Initiative,[14] and the Global Coral Reefs Fund.[15]

Mangrove Forests: An Underrated Biodiversity Powerhouse

Mangrove forests are a biodiversity and climate powerhouse, contributing significantly to SDG13 (Climate Action). They store up to five times more carbon than tropical forests.[16] This makes them powerful carbon sinks, along with other so-called ‹blue carbon' ecosystems such as seagrass meadows and salt marshes.[17] However, similar to coral reefs, mangroves are under threat: human-driven impacts represent around 62 percent of total mangrove losses of some 600 km^2 over the decade from 2010 to 2020.[18]

In addition to climate change mitigation, they also support adaptation. For example, they offer storm and flood defence services, protecting at least 15 million people and preventing more than US$65 billion in property damage each year.[19] This does not only contribute to resilient communities (SDG11), but also offers opportunities for new insurance products and partnerships (SDG17). The Ocean Risk and Resilience Action Alliance (ORRAA) works to establish a voluntary carbon market to restore mangroves and support local communities in Tanzania.[20] Reinsurance companies such as Swiss Re and Munich Re evaluate habitat-restoration projects that take account of the risk-reduction value of mangroves.[21] Meanwhile, unlike their terrestrial counterparts, mangrove forests are protected from wildfires.

Investing in mangrove forests has significant positive impacts on accelerating the wider global sustainability agenda. They provide nurseries for global fisheries, thus supporting SDG2, among others. Across the Caribbean, for example, researchers have identified 181 coastal sites across 20 territories and countries with cost-effective opportunities for mangrove restoration, particularly Cuba, Bahamas and the US.[22] In Kenya, the Mikoko Pamoja project provides long-term incentives for mangrove restoration and protection through community engagement and participation.[23] And in Sri Lanka, sustainable development opportunities include microloans for communities in return for mangrove conservation, supporting SDG.[24]

Seagrass Meadows: 'Hidden' Heroes of the Ocean

Seagrass meadows—the world's only flowering plant capable of living in seawater—account for 10-18 percent of the ocean's capacity to store carbon and can capture carbon from the atmosphere up to 35 times faster than tropical rainforests despite comprising less than 0.1 percent of the sea floor.[25] The carbon-sequestration value of seagrass alone has been valued at US$2.3 trillion, already making a significant contribution to SDG13.[26]

Wider co-benefits that support the sustainable development agenda include providing a home for fish as well as a nursery and food source for marine life;[27] protecting coastlines;[28] producing oxygen (to the extent that they have been called the "lungs of the ocean");[29] and cleaning the ocean from polluting nutrients produced by humans on land.[30]

Despite the direct and indirect benefits of seagrass meadows, these “hidden” heroes of the ocean are being lost at a rate of around 7 percent per year, mainly due to human-induced factors such as pollution, global heating, coastal development, and overfishing.[31]

In recent years, several restoration projects have provided hope that the decline of seagrass meadows can be reversed. In the UK, for example, the country’s largest seagrass restoration project has started on the seabed off the North Wales coastline. The project is a great example of the power of partnerships (SDG17), involving charities, academics and the local community.[32] In The Bahamas, a mapping exercise has revealed that the island’s seagrass is equivalent to a carbon storage 68 times the amount of CO_2 emitted by The Bahamas in 2018.[33] Economist Ralph Chami and his team have calculated that the carbon-sequestration value of this seagrass may be around US$150 billion.[34] There is huge potential in turning the ecosystem services provided by seagrass and other blue-carbon ecosystems—from improving food security and protecting fauna to investing in the communities and employment—into investable carbon credits for companies. This is one of the main challenges in combining the power of marine natural capital with regenerating biodiversity and accelerating the SDG agenda.

‘The Seaweed Revolution’

Seaweed, or macroalgae, has a number of applications in important sustainable development areas such as food, feed, agricultural fertilisers, pharmaceuticals, cosmetics, bio-plastics and bio-fuel. As Vincent Doumeizel highlights in his book, *The Seaweed Revolution*, “Seaweed could feed people, replace plastic, decarbonise the economy, cool the atmosphere, clean up the oceans, rebuild marine ecosystems and reduce social injustice by providing jobs and income to coastal populations where fishing resources are disappearing.”[35]

In Indonesia, for example, the seaweed industry provides employment to around 1 million people, many of whom are former artisanal fishers.[36] Meanwhile, the macroalgae aquaculture system known as “marine permaculture” holds huge potential in harnessing wave energy to restore natural nutrient upwelling and grow seaweed at scale. The system could help to farm seaweed, restore ocean habitats, and permanently sequester carbon in places like the Philippines.[37] This means accelerating investment in seaweed could be a great way of advancing the UN sustainability agenda, from its role in climate action (SDG13) and food security (SDG2) to its contribution to decent jobs (SDG8) and as a potential biofuel (SDG7).

Although the carbon-sequestration capacity of seaweed is at least 173 million tonnes, its role as a blue-carbon ecosystem has so far been underrated.[38] The nutrient bio-mitigation services of seaweed have been valued at US$1.2-3.5 billion.[39] Globally, the commercial seaweed market is projected to grow from US$15 billion in 2021 to US$25 billion in 2028, representing a compound annual growth rate (CAGR) of 7.5 percent and therefore making seaweed one of the most promising products in the seafood industry.[40]

Integrating Marine Natural Capital into the Sustainable Development Agenda

As we have seen, marine natural capital should play an even greater role in accelerating the sustainable development agenda. It already makes a significant contribution as a nature-based solution (NBS) to climate mitigation and adaptation—a largely underrated role. Investing more in these ecosystems is not only a cost-effective way of accelerating SDG13 (climate action), but could turbocharge all SDGs, notably SDG14 (ocean), SDG2 (food security), SDG3 (health), SDG8 (jobs), SDG11 (communities) and SDG17 (partnerships).

Business, economists and financiers have important roles to play in assisting communities and start-ups to build a pipeline of investable projects that help regenerate ocean ecosystems. The recent work of economists to appreciate the economic value of these ecosystems (in addition to their many other dimensions of value) is a critical step in paving the way for more investment. The creation of high-quality blue carbon markets has recently been boosted by the World Bank and other development finance institutions focusing increasingly on "results-based climate finance" based on verified emissions reductions through carbon credits.[41]

Policymakers play a critical role in integrating marine natural capital into policy instruments, such as the Nationally Determined Contributions (NDCs) that are crucial for global climate action. Enabling factors include participation by communities; voluntary carbon markets and other types of financial compensation schemes; and improvements in carbon accounting and verification methodologies.[42] Finally, the deal agreed at the UN's COP15 biodiversity talks in Montreal at the end of 2022 offers a great opportunity to align climate and biodiversity targets to harness the power of marine natural capital.

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India’s Role in Global Health: The Ancient and the Modern

Victoria Y. Fan, Janeen Madan Keller and Abha Mehndiratta

As India emerges as a key player in global health, it is important to ask which areas offer the greatest opportunity to advance international cooperation. This essay describes India’s historical influences and highlights current and future directions for India’s role in global health, particularly against the backdrop of the COVID-19 pandemic.

Historically, India has been a source of argumentative traditions resulting in influential philosophies, ranging from Buddhism and vegetarianism to meditation. More recently, India has served not only as a critical provider of medical products, services, and health information technology, but also as a source of emigrating talent in the health sector.

Tracing the Spread of Ancient Indian Ideas

Two thousand years ago, the trade routes that brought Chinese silk to the West also enabled the cultural exchange of Indian ideas, transmitted in part by scholars trained in the argumentative traditions at ancient international universities such as Nalanda, in disciplines such as philosophy, mathematics, and ayurveda, among others.[1] These ideas have persisted over time, influencing how diverse cultures approach health and well-being. The eighth-century Indian scholar Shantideva wrote in his *Bodhisattvacaryāvatāra* (Guide to the Bodhisattva’s Way of Life) that, “As long as diseases afflict living beings / May I be the doctor, the medicine / And also the nurse / Who restores them to health.”[2] Shantideva, who was inspired by the vision of Gautama Buddha, was not unique; there are hundreds of Indian scholars whose ideas are practiced today beyond India’s borders.

Some ancient ideas have been directly translated into modern public health campaign messaging. The image below depicts an Indian Buddhist motif used in Taiwan in 1926, when it was a colony of Imperial Japan. This many-armed ‘police bodhisattva’, shown in a seated yogic posture and holding a weapon and prayer beads, also emphasised the multitasking functions of epidemic control, including providing shots, emergency aid, and controlling crime (see Figure 1[3]). The title of the poster says, “Namo Great Police Bodhisattva”, thus importing the Indian word *namo*, which loosely translates to “homage to”, in addition to the word ‘bodhisattva’, which is a superhero concept prevalent across East Asia.

Figure 1: Police Bodhisattvas as a Vehicle for Public Health in Japanese-Ruled Taiwan in the 1920s

Today, Taiwan—a self-governed island that is disputed to be part of China—has a high prevalence of vegetarianism, which has Buddhist roots that can be traced to the Indian concept of *ahimsa*, or non-violence.[4,5] Meanwhile, the health effects of vegetarian diets in preventing metabolic risks are being increasingly appreciated in modern public health practice.[6] Vegetarianism as a potential tool to address climate change has also gained attention within the United Nations International Panel on Climate Change (IPCC).[7]

The ancient ideas and practices of meditation and mindfulness are also embedded in the practice of modern psychology. The US Department of Veterans Affairs, for instance, employs digital applications on mindfulness to support military veterans.[8] Tools in evidence-based psychotherapy, such as dialectical behavioural therapy, also integrate mindfulness.[9]

India's Current Role in Global Health

India serves not only as a provider of medical products, services, and health information technology, but also as a source of emigrating talent, including nurses and doctors. India has a long-earned reputation of being the 'pharmacy of the world'. It is the largest global vaccine manufacturing hub, supplying 60 percent of the world's vaccines.[10] Indian manufacturers export low-cost, quality-assured vaccines to over 170 countries.[11] Most notably, during the COVID-19 pandemic, India's Serum Institute was licensed to produce the Oxford-AstraZeneca vaccine, which was instrumental in expanding access to low- and middle-income countries through the COVAX program.[12] However, the Indian government imposed an export ban from April to September 2021 to help rapidly vaccinate its own population during a devastating second wave, highlighting the shortcomings of a highly concentrated global vaccine supplier base.[13]

India is also the world's largest exporter of generic drugs. Indian generic medicine producers are well-known for their role in accelerating global access to low-cost antiretroviral medicines. More recently, an Indian generic company became the first to receive regulatory approval from the World Health Organization for its generic version of Pfizer's Paxlovid drug—a highly effective oral antiviral to treat COVID-19.[14]

Yet, despite advances, the quality of Indian drugs has room to improve. Medicinal syrups linked to acute kidney injury in Gambia in 2022, and other cases of tainted medicines have damaged public trust in Indian health products.[15] A stronger regulatory infrastructure is essential to support the growth of India’s biotech sector and solidify its role as a global pharmaceutical hub.

Moreover, India’s pioneering universal Unique Identification Program, known as Aadhaar, has been used to deliver social and health services.[16,17] More recently, under the National Health Authority, the Ayushman Bharat Digital Mission (ABDM) is pioneering health informatics infrastructure for facilitating health information exchange.[18]

Under the aegis of the National Health Authority, the work of the Health Technology Assessment Agency represents an important aspect of India’s move towards universal health coverage (UHC).[19] Health technology assessment is a key tool for expanding UHC and weighing the benefits and costs of different health interventions and health benefits packages.[20] It provides insights for low- and middle-income countries interested in building data systems[21] and institutional mechanisms for priority setting.[22]

Finally, Indian talent, including in health, is internationally well-respected. India has been a leading source of international physician as well as nurse graduates.[23,24] Nevertheless, concerns about adequate domestic health workforce in India persist.[25]

Future Directions for Advancing Global Health Cooperation

As an emerging leader, India has the opportunity to place key health priorities on the agenda.[26,27] First, as underscored by the COVID-19 pandemic, regionally diversified production of vaccines and other medical countermeasures are essential for equitable global access. India should advance global cooperation on more distributed manufacturing of medical countermeasures, including adequate supply and demand-side financing as well as sufficient attention to the underlying policy environment. For example, Indian policymakers should explore mutually beneficial approaches for technology transfer or regionalised local subsidiaries.

Second, digital health innovations offer significant potential for advancing UHC as well as for preparedness for health emergencies and surveillance. Indian policymakers may consider how global health cooperation in the areas of digital health innovation, including through public-private partnerships, may help to provide the required workforce capacity to other developing nations seeking to strengthen their digital health systems for UHC. These approaches will require inter-sectoral approaches to health, drawing from Indian expertise in the IT sector.

A key lesson from Indian history is the role of trained professionals and scholars as well as that of training institutions in the spread of innovations. Indian policymakers should also consider formal strategies to engage with the large Indian diaspora alongside ways to promote international educational exchange such as through scholarships to build capacities and competencies for global health, both in India and abroad.

India's ability to contribute to the global health agenda also depends greatly on health outcomes for Indians at home. As the world's most populous country, the well-being of its own population has significant implications for nearly all global health measures. Much more work remains to be done to advance health priorities at home and abroad—and greater multilateral cooperation offers a promising pathway to achieve mutual goals.

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Exploring New Pathways to the 2030 Agenda

Pramit Verma

Agenda 2030 and AAAA

In 2015, three milestones for sustainable development and climate protection took place: the Paris Agreement (COP21), the 2030 Agenda for Sustainable Development resulting in the United Nations Sustainable Development Goals (SDGs), and the Addis Ababa Action Agenda (AAAA) for financing efforts for sustainable development. The SDGs were envisioned to provide a comprehensive global framework to help in the sustainable development of all countries. These include efforts to ensure development integrating economic, environmental, and social dimensions. It is a global partnership with 17 common goals, which recognises the role of simultaneous actions such as ending poverty and inequalities, ensuring education for all, providing clean water and sanitation, while simultaneously protecting forests and marine resources as well as mitigating the effects of climate change. The SDGs aim to "leave no one behind" and are, therefore, highly ambitious compared to any other global framework that preceded it. Their implementation would also require far greater financing. In 2014, it was estimated that US$5 trillion to $7 trillion would be required annually till 2030 to implement the SDGs globally, with two-thirds of the finance directed to developing countries.[1] By 2022, the cost had risen by 25 percent.[2]

To make use of domestic potential for creating sustainability transitions, investments are needed, along with a sound policy to sustain such activities. For example, Namibia has the largest potential for solar power generation. However, without the infrastructure, technology, and long-term financing, this would remain unexploited. The AAAA aligns all the "financing flows and policies with economic, social and environmental priorities."[3] It identifies seven action areas—namely, domestic resources and finances; international trade, cooperation, and financing including on debt and debt sustainability; improving global financial governance; and technology and infrastructure finance. It was a landmark agreement, which sought to change global financial policies to ensure economic, social and environmental sustainability. Even though the AAAA faces certain shortcomings such as retaining control over global tax mechanisms, it still remains the guiding agreement to implement the SDGs.

Changes in the Global Landscape on Sustainability and Economics

The AAAA has resulted in increased capital investment of the World Bank, African Development Bank, Global Fund, International Development Fund, Funds for Green Climate Change, and investment in health infrastructure. Moreover, the commitments made by the National Development Banks of US$1000 billion for SDGs and climate change mitigation have the greatest potential to strengthen the role of public funding and international cooperation under the AAAA.[4] The SDGs are specifically focused on creating partnerships to implement the Agenda 2030. Along with the AAAA and the Paris Agreement, they have resulted in a shift from foreign aid to development finance, especially for the most vulnerable countries. (Development finance is aimed at long-term development activities rather than short-term relief measures.) Additionally, three crucial shifts are observed globally in the form of: greater focus on policies for domestic resource management to reflect the global sustainability agenda; a rise of emerging donors due to growth and development of middle-income countries (MICs); and new ways of doing business and new partnerships due to emerging donors. Emerging donors such as China, India, Brazil and West Asian countries have increased their influence in development finance governance. With several MICs "graduating" from foreign donor aid eligibility, emerging donors are also assuming greater responsibility for domestic resource mobilisation for SDGs. Furthermore, aid by developed countries was traditionally tied to foreign policies. Yet with the decrease in funding by developed countries, MICs have come to enjoy greater autonomy in decision-making towards a global sustainability finance agenda and foreign policies. These changes indicate a shift in global relations with the greater participation of new players.

Challenges to Agenda 2030, AAAA and Partnerships

The Agenda 2030, and the AAAA as its financial instrument, are facing various challenges. Primary among these is the lack of accountability and transparency in the global development finance processes, as this is governed by the developed countries with little influence from developing or least developing countries. Given the blurring of lines between donor and recipient countries, the emergence of MICs, and a decrease in aid to the developing countries—a shift in global aid effectiveness principles is required to assess the impact of such global aid and to plan long-term capacity building in recipient countries. The Millennium Development Goals (or MDGs, the precursor to the SDGs) were greatly influenced by the foreign policies of donor countries. However, the global landscape of development has changed over the recent years, bringing with it a greater need to tackle global issues like climate change and biodiversity loss through SDG governance.

Many countries do not have the funds or a strong tax base to manage domestic resources or develop technologies for the same.[5] Several years after the SDGs adoption, 40 percent of low-income countries faced a "high risk of debt distress or were unable to service their debt fully."[6] It was also reported that Official Development Assistance (ODA) is being diverted to deal with crises arising out of conflicts, disasters, or as humanitarian aid, leaving little for long-term sustainable development.[7] Therefore, rules for monitoring development finance and SDG governance need to be strengthened, with a focus on domestic resource management, debt, and debt sustainability. Emerging non-traditional donors and altering global conditions require a new framework to implement the Agenda 2030 that involves equitable and inclusive participation and partnerships.

Opportunities and New Pathways to Agenda 2030

New pathways to the 2030 Agenda will require exploring SDGs from the perspective of deliverables such as inclusivity, particularly with marginalised communities, a change in the perspective of stakeholders that emphasises the goal of "leaving no one behind."[8] It also necessitates a transition towards sustainable human behaviour at all levels of engagement—from policymakers to people working in industry, and the citizens. Such a transition can result in the demand, formulation and implementation of sustainable policies. Further opportunities can include decoupling of development finance from foreign policies, inclusivity of global partners, and greater transparency in financial processes, objectives, and results.

The goal of "leaving no one behind" should act as a more central principle in discussions on development finance, with a focus on people and their well-being. Global bodies, like the G20 and BRICS, can serve as important actors in this discussion.

Donor countries, in partnership with recipients, should create long-term "transition plans" for development finance, technology transfer and training for sustainability activities, bearing in mind risk-sharing and eventualities such as the exit of donor countries from the arrangement.[9] Greater transparency in monitoring and reporting the implementation of the Agenda 2030, and the results of AAAA partnerships are needed for creating knowledge and trust among partners for future sustainability activities. Progressive tax reform, especially after the COVID-19 pandemic, are also needed to finance the domestic resource management. The role of public development banks and Public-Private Partnerships can help generate finances for SDGs.[10] Such financial instruments can enable implementation of the AAAA to create socially inclusive "environmental and social-system level impacts".[11] However, private institutions will need greater transparency in financial processes, and risk sharing with public institutions for their sustainability.

The tools outlined in the AAAA can be utilised to direct sustainability transition processes towards creating partnerships to fulfil the objectives of Agenda 2030. Once again, the role of emerging or developing countries assumes greater importance in the form of regional and global partnerships. This can shift the Agenda 2030 in favour of equitable and accessible sustainable development agenda according to different national priorities and capacities. A shift from unsustainable to sustainable practices in the production and consumption structures resulting in sustainable behaviour would be needed to meet different societal needs and SDGs.[12]

Countries unable to finance sustainability activities can seek help from the instruments described in the AAAA in the form of short-term foreign aid, with the aim that such funds are also directed towards long-term capacity building for domestic resource management.[13] It is also estimated that implementing the SDGs can create US$12 trillion economic opportunities in agriculture, cities, energy and materials, and health and well-being.[14] The business opportunities available in SDGs implementation also need to be explored. Engagement with a broad base of stakeholders would result in a more inclusive sustainability agenda and its implementation.

The COVID-19 pandemic exposed the fault-lines in the Agenda 2030, particularly SDG1 (no poverty) and 8 (decent work and economic growth).[15] At the same time, it also highlighted the importance of partnerships based on mutual understanding to recover from the impact of a global crisis. Developing countries like India, Nigeria, Brazil, China, and global and regional partnerships such as the BRICS, ASEAN and G20, have gained greater importance due to the growth of MICs. A weak global economy, coupled with international conflicts and a rise in extreme weather events, calls for decisive action from global organisations like the G20.

The G20, accounting for 85 percent of global GDP and 75 percent of global trade, under India's presidency in 2023 plays a crucial role in spearheading a new agenda for implementing SDGs. The 2023 G20 action plan focuses on areas which have ”transformative impact on accelerating progress towards SDGs”, and includes ”digital transformations, gender equality, women empowerment, implementing sustainable, inclusive and just transition, while leaving no one behind.”[16] India would have the opportunity to provide a roadmap for new pathways towards Agenda 2030 and lead by example domestically in implementing the SDGs.

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Towards Reformed Multilateralism: Transforming Global Institutions & Frameworks

WTO Revival and Re-multilateralism: A Thorny Path to an Ideal Order

M. Sait Akman

The multilateral trading system is going through hard times, with the World Trade Organization (WTO) facing a crisis unprecedented in its history. Apart from a few initiatives, the WTO has failed to provide an effective forum for trade negotiations for more than a decade.[1] Its rules have yet to adequately adapt to global dynamics and its rule-making procedures require revisions. Significantly, the WTO's most successful contribution—adjudicating trade disputes—has run into difficulties. The organisation's Appellate Body (AB) has been paralysed by a disagreement regarding the appointment of judges to fill vacancies. The trading system is exhibiting signs of stress on many fronts.[2]

The gravest pressures on the multilateral trading system are coming from the rapidly changing dynamics of the global economy; existing trade rules are struggling to keep up with the geoeconomic churning in the recent years. Global trade governance is getting exposed to more structural shifts that upset expectations in trade. For advanced economies such as the United States (US), trade rules no longer provide "mutually advantageous" deals vis-à-vis emerging economies, particularly China, which is pursuing its own developmental model under a non-market system.[3] Accordingly, the perceived threat from China is accelerating the process of change in the "rules-based international order".[4] This "economic insecurity" is inducing dirigiste policy choices in its main partners.

Concerns are also coming from developing countries, which claim that they have not secured gains from trade commensurate to their developmental needs under the WTO's built-in agenda.[5] China's discourse for WTO reform prioritises safeguarding the WTO's special and differential treatment (SDT) for developing members, following consensus-ruling, and receiving respect for its developmental (interventionist) model while ignoring trading partners critical of its idiosyncratic state-capitalist practices. Therefore, not only did the COVID-19 pandemic adversely affect global trade patterns and value chains, but the WTO's organisational structure also failed to effectively address policy confrontations among trading powers.

Under altering conditions, the WTO is expected to become more responsive to external imperatives in governing trade, including trade-distorting subsidies, national security-related issues, new trade defence measures, and unilateral actions referring to industrial and technology policies impacting trade relations. Issues like digital trade, investment facilitation, regulatory cooperation, and climate-trade linkage also require focus. Key stakeholders and the policy experts argue that reforming the WTO system is inevitable. However, they have yet to come up with a consensual approach on the confrontational issues.

Confrontational Issues

The crucial confrontational issues that affect the WTO's functioning deserve mention: (1) the status of developing countries, i.e. Special and Differential Treatment (SDT); (2) market-distorting policies; and (3) economic security concerns.

1. The Development Debate and Special and Differential Treatment (SDT)

WTO members have diverging views as to how 'developing country status' can be defined for trade purposes. The SDT became a controversial issue as many developing countries began integrating into the world economy and accounting for larger shares of global trade. For developing countries, the SDT is an inherent and unconditional right that reflects the very nature of the trading system. For others, updating the WTO rulebook is becoming more difficult unless a change is made to the current context of SDT in which trade concessions occur.

Proposals for introducing an objective criteria—such as Gross Domestic Product (GDP) per capita and purchasing-power parity, membership in the G20 and OECD, and shares in global exports and Foreign Direct Investment (FDI)—are largely opposed by many developing countries. If such a restructuring is offered, it should also consider disparities in various social and human development indicators such as poverty level, energy use per capita, R&D capacity, share in value added in GVCs, which should reflect a multilateral dimension. It should have an agreement-to-agreement and even provision-specific approach that serves the different needs and capacities of members.[6]

2. Market-Distorting Conditions

The rising discontent from advanced economies is largely driven by the perception that the WTO framework allows differences in regulatory regimes, thereby impeding a level playing field. Some members are regarded as implementing "state capitalism," enabling market-distorting practices such as subsidies, state-owned enterprise (SOEs), forced technology transfer policies, and disregarding labour and environmental standards.[7] These concerns, which are deemed to be posing challenges to global trade, are largely predicated in the Trilateral initiative.[8] However, confrontations between two major systems need to be resolved through multilateral platforms rather than implementing unilateral measures and practices that lead to trade conflicts.

3. Economic security concerns that impact trade

The economic insecurity largely nurtured by competitive dynamics and technological rivalry is evident in the trade policy discourse. J. Yellen, US Secretary of Treasury, emphasised that the US is determined to protect its values and national security issues with respect to US-China economic relations, and stated that the steps taken to achieve this will continue despite potentially negative economic consequences.[9] At the G7 Hiroshima Summit in May 2023, member states stipulated that they would advance economic policies that enhance global economic resilience and economic security to protect against systemic vulnerabilities.[10] The approach reveals that economic security is becoming a national security concern. It was emphasised that the coordinated approach to economic security would be de-risking, not de-coupling. However, unilateral measures taken in this context should not lead to further erosion in the WTO system.

Alternative Courses of Action

Under the changing balance of economic power, WTO members have attempted to follow different courses of action:[11]

1. The WTO's Dispute Settlement Mechanism

The dispute settlement mechanism (DSM), once celebrated as the "jewel in the crown" in the WTO, was attractive as members' interest in adjudicating trade disputes within the WTO increased. Many members attempted to opt for adjudication rather than negotiations, hoping that would allow them to meet their targets without necessarily compromising. However, lack of agreed rules in many disputed areas urged WTO adjudicators to fill the gap, as the number of cases under the DSM proliferated and judgments were delivered "under ambiguity of the extant rules."[12] Consequently, the critics started about "over-judicialisation" and interpretation of WTO agreements in a way "to impose on members obligations to which they never agreed."[13]

Following the deadlock in the system, some countries have found alternative ways of appealing by using arbitration provisions in the Dispute Settlement Understanding, and setting up a "Multi-party Interim Appeal Arrangement (MPIA)". Nonetheless, an impartial approach, unless joined by all, can only address a subset of disputes and leave many trade conflicts unresolved. The approach to reviving the dispute settlement can be complemented by improving methods like mediation and conciliation to lower pressure on the system. However, the stalemate can be resolved most effectively if the WTO's negotiation function is improved, and rules are revised and upgraded in line with global developments.

2. Non-Multilateral Tracks

Regional trade agreements (RTAs) are avenues that aim to liberalise trade as well as create new rules and disciplines to address challenges in the global trading system. Mega trade deals such as IPEF and RCEP are being negotiated among like-minded countries with the hope of bringing potential benefits. They can serve as stepping-stones to further multilateralisation if their methods can serve as good practices.

However, RTAs are discriminatory in nature; they are generally exclusive, asymmetric, and do not effectively address challenges beyond their regional confines. Instead, they become a source of trade and investment diversion. Many of these initiatives go beyond trade liberalisation purposes and are designed to shape the new geopolitical balance against rivals. They can also result in separate trading blocs with their own regulatory spheres, replacing multilateral negotiations. The WTO reform process must involve paths to ensure the complementarity of regional deals with multilateral rule-making—a long-neglected issue.

3. Unilateral Measures and Countermeasures

Unilateral trade measures are typical reciprocity laws designed to deter trading partners that are deemed to violate the rights of the implementing member. The reinvigoration of Section 301 of the US Omnibus Trade and Competitiveness Act that addresses unjustified, unreasonable, and discriminatory practices, the Section 232 which imposes measures for the sake of "national security", the Inflation Reduction Act to support domestic industries, and investment monitoring regimes for strategic sectors—all demonstrate the resurgence of unilateralism. These measures are not unique to the US; policies in the same direction are also being implemented by others. They provoke retaliatory countermeasures that are costly and disruptive to trade patterns and global supply chains. The sanctions could lead to breaches of WTO law in the name of enforcing its improvement, which could further erode the rule-based trading system.

4. Plurilateral Agreements

Running a consensus-based, member-driven organisation is a challenge given members' diversity in terms of development levels and models. Many studies have proposed alternative negotiating modes to adopt rules for new disciplines.[14] The idea is to allow willing parties to advance negotiations among themselves, and not be blocked by others. Joint Statement Initiatives (JSIs), though regarded by many as deviating from multilateralism, revived this process.

The process must encourage inclusive and development-friendly plurilateral agreements to advance multilateral trade rules as a viable option among likeminded countries. However, plurilaterals must be principled, and able to capture the spirit of SDT, encompassing a layered architecture of rights, obligations and capacity-building measures for developing countries. Plurilateral agreements need to be designed in a WTO-compatible way to strengthen, not undermine, the multilateral trading system.[15] The G20 should support and where possible build upon the progress that plurilaterals can make.

Conclusion

The way forward is not easy given the substantial divergences between trading powers. There is a need for reconciliation in the context of the momentum created in the WTO's 12th Ministerial Conference so that confrontation issues do not continue to block the operation of the WTO system. In the 2022 Bali Declaration, G20 members "reaffirmed that the rules-based, non-discriminatory, free, fair, open, inclusive, equitable, sustainable and transparent multilateral trading system, with the WTO at its core, is indispensable to advancing our shared objectives of inclusive growth, innovation, job creation and sustainable development".[16] This phrase reveals a common but ambiguous denomination. Countries must move beyond rhetoric and undertake concrete actions. G20 members should discuss and propose a ‹Common Framework and Guideline for WTO Reform' ahead of the next WTO Ministerial Conference in 2024[17] in order to define the challenges and revive the WTO's functions. G20 India is an opportunity to provide common ground.

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Minilateralism and Multilateralism Can Co-exist

Melissa Conley Tyler and Tom Barber

Minilateralism[1] is rapidly gaining importance in international relations circles, yet the underlying idea is not new; for as long as they have existed, countries have formed small, informal groups to cooperate on shared problems. For example, in Southeast Asia, two decades ago, countries bordering the Malacca Straits, i.e., Indonesia, Malaysia, Singapore, and Thailand, established a Patrol Framework to enhance security by coordinating naval and air patrols and intelligence sharing.[2] One longstanding minilateral is the Five Power Defence Arrangement (FPDA), formed in 1971,[3] which commits the United Kingdom, Australia, Singapore, Malaysia, and New Zealand to consult if the security of any member is threatened. Initially focused on threats to newly independent Malaysia and Singapore, the FPDA now spans broader traditional and non-traditional regional security issues.[4]

At a time when multilateralism and regionalism are considered to be under stress, minilaterals may sometimes appear controversial[5] for their exclusivity, since they comprise only countries that self-define as key players on a particular issue.[6] The "speed, flexibility, modularity, and possibilities for experimentation" that an ad hoc minilateral approach brings to international cooperation can likewise be viewed as a challenge to or a rebuke of multilateral systems.[7] However, rather than being seen as undermining the legitimacy or effectiveness of multilateral and regional institutions, minilateral cooperation should be understood within the broader context of an international system, whereby states cooperate and compete simultaneously across multiple levels—bilaterally, regionally, and multilaterally.

Countries have dynamic motivations around making decisions and choosing where to engage and focus energy and often depends on factors such as the issue itself, available resources, and objectives. Choosing a minilateral path is not zero-sum and does not rule out other levels of cooperation; it is merely one approach among others that countries can choose to take.

AUKUS and the Quad

Concerns about minilateralism in Southeast Asia centre on two new groupings—the Quad and AUKUS—both of which involve Australia and the United States. The Quad is a diplomatic network comprising Australia, the US, Japan, and India, with its origins in the disaster relief cooperation among the four countries in the wake of the 2004 Indian Ocean tsunami.[8] Following a decade-long hiatus, a revamped Quad emerged in 2017, largely in response to shared concerns over Chinese assertiveness (though China is never mentioned explicitly in joint statements).[9] The Quad styles itself as a "force for good" in providing public goods to the region. Its agenda is broad (some would argue, perhaps too broad), including initiatives on vaccines, maritime security cooperation, climate change, and critical technology.[10] Their third in-person leaders' summit in May 2023 reaffirmed the Quad's "steadfast commitment to a free and open Indo-Pacific that is inclusive and resilient" and announced "a positive, practical agenda" around topics as diverse and clean energy supply chains, pandemic preparedness, and undersea cable infrastructure.[11]

AUKUS, meanwhile, is a tripartite capability agreement between Australia, the United Kingdom, and the United States, announced in September 2021. It has become synonymous with the first pillar—helping Australia acquire nuclear-propelled, conventionally armed submarines "at the earliest possible date"[12]—but also has a second pillar focused on enhancing the technological edge of the three countries in advanced military capability.[13] AUKUS is also generally understood as a response to China's military build-up.[14]

For Southeast Asian nations, these minilateral groupings can be problematic because they are perceived as undermining the concept of 'ASEAN (Association of

Southeast Asian Nations) centrality'[15]—a fundamental basis for Southeast Asian regionalism. Like any regional bloc, the ASEAN is not without its challenges, but it has been relatively successful against its own metric of promoting regional peace and prosperity. ASEAN has been prolific in institution-building, establishing several dialogue partnerships as well as the ASEAN +3, ASEAN +6, East Asia Summit, ASEAN Regional Forum, and ASEAN Defence Ministers Meeting Plus. After spending more than half a century building and consolidating this position, ASEAN is understandably sensitive about anything it perceives as undermining it.

A key ASEAN concern centres on how strategic autonomy can be maintained at a time the region is afflicted by great-power rivalry. "One of ASEAN's fundamental purposes," according to former Singaporean diplomat Bilahari Kausikan, "is to maximise the agency of its members to preserve national autonomy amid major power competition."[16] The region remembers how detrimental such competition can be from the Cold War and is understandably wary of it. A key message from the region is not to treat Southeast Asia as a theatre of great-power competition.[17]

Though the ASEAN did not extend a formal response in relation to it, the 2021 AUKUS announcement elicited concern in countries like Malaysia and Indonesia that it would undermine stability by aggravating tensions and feeding into an arms race dynamic in the region.[18] For example, Indonesian analyst Evan Laksmana argues that the Quad and AUKUS minilaterals sustain an impression that the region "is helpless in the face of pressing strategic challenges."[19] It is easy to see why it touched this nerve. That AUKUS was announced with no prior warning did not help.[20]

Opposition to the Quad has been less overt, but there are similar fears that it could stoke tensions by becoming an "Asian NATO".[21] Less than half of respondents in a survey of regional elites viewed the Quad in a positive light.[22]

Singaporean academic Sarah Teo traces the discomfort with minilateralism to ASEAN's past.[23] During the post-Cold War period, Indo-Pacific security architecture was generally understood as "revolving around two primary axes of security cooperation, namely bilateralism and multilateralism."[24] Minilateral groupings challenge this.

To be sure, not all reactions to AUKUS and the Quad have been negative; for example, the security establishment of the Philippines welcomed AUKUS, while

Singapore and Vietnam have been implicitly supportive of it.[25] Recent polling suggests that views on the Quad, while not warm, are thawing.[26] Singaporean commentator William Choong says that Southeast Asian countries face a dilemma whereby they hope that minilateral arrangements like the Quad and AUKUS will "help the region cope with China's growing assertiveness, yet they are worried about the consequences of such arrangements."[27]

Minilaterals Complementary, Not Contradictory, to Multilateralism

The question that arises is whether the formation of minilaterals like the Quad and AUKUS indicate a failure of multilateralism or regionalism. We do not think this is so. The key is to focus on the motivations for each. It is generally thought that both AUKUS and the Quad are centred on China (which they are), but they also have other aims.

The Quad is as much about India as it is about China. There is a longstanding existing trilateral between Australia, Japan, and the US, which could mean that no other format was required to promote cooperation among the countries. The only new element is bringing in India and trying to draw it further into the broader Indo-Pacific; it is about creating what former prime minister Scott Morrison called "webs of engagement" with India.

Similarly, AUKUS is as much about the US as it is about China.[28] Cooperating on military capability with the US is hardly new for Australia, which is a long-term alliance partner of the US. Stripped of any combative rhetoric, technology-sharing between these partners would be unexceptional. What is exceptional is the money that Australia is prepared to spend to develop nuclear-powered submarines. This is a large investment, specifically with respect to the US-Australia relationship and keeping the US engaged in Asia. With volatile American domestic politics sparking concerns over US reliability, it is a sign of how much Australia is willing to pay to keep the US engaged.

Looking at the long course of its foreign policy, Australia has viewed security as resting on three pillars: US alliance, the Asia-Pacific region, and global multilateralism. Australians do not see anything contradictory in pursuing national interests through employing all three channels.

Thus, it is not surprising that the current Australian government has continued with the Quad and AUKUS. However, there has been a significant change in the messaging to respond to Southeast Asian concerns. These minilateral initiatives are framed as contributing to "strategic equilibrium" in the region—where no one power dominates and countries are able to make choices free of coercion. Australia presents itself as contributing to regional stability through a mix of deterrence and dialogue that contributes to Southeast Asia's strategic autonomy. This is very much in line with Southeast Asian thinking.

Minilateralism should not be seen as a challenge to multilateralism and regionalism. All countries use a mix of multilateral, regional, bilateral, and minilateral tools.[29] It is, indeed, possible to contribute to security and stability on multiple levels.

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WTO Reform: Can Plurilateral Initiatives Offer New Opportunities for Developing Countries?

Christian Bluth

Since the failure of the Doha Round, the World Trade Organization (WTO) has been criticised for being too inflexible to deliver on its mandate. One route being tried in breaking the deadlock is by advancing more flexible "coalitions of the willing", where a subset of the membership decides to negotiate new rules in a given domain. Developing countries are not typically represented in these so-called Joint Statement Initiatives (JSIs) in large numbers, and there is widespread concern that advancing JSIs might harm the contribution of the WTO system to economic development. Yet JSIs can strengthen economic development if they are complemented with suitable additional assurances to developing countries and capacity-building mechanisms.

WTO Reform and Plurilateral Initiatives

Historically, the General Agreement on Tariffs and Trade (GATT) and WTO have worked on the logic of a single undertaking: in trade negotiation rounds, a set of issues would be negotiated as a bundle, which meant that nothing was agreed until *everything* was agreed. Given that the WTO also operates by consensus, it became increasingly difficult to square divergent interests within the membership and to reach a consensus. The Doha Round fell victim to these diverging interests. It was launched in 2001 and effectively ended after the 2015 Ministerial Conference in Nairobi due to a lack of consensus on negotiations (e.g. Lester 2016). Indeed, the years prior had already been characterised by a long period of stalemate during which it was not clear how the WTO would advance in the future.

The Ministerial Conference in Buenos Aires in 2017 is not generally remembered as a success. However, it was from this conference where the idea originated for a new method of advancing business in the WTO. If a subset of the membership agreed to negotiate new rules in a specific area, they would simply go ahead and not expect the whole membership to agree to such a new initiative. The result of negotiations would apply on a non-discriminatory basis, therefore addressing the critique of perceived bias against non-members of a JSI. It would also depart from the logic of a Single Undertaking, and issues would no longer be bundled together but treated separately and agreements reached on a relatively narrow set of issues in a specific area.

Four JSIs were launched in Buenos Aires: Electronic Commerce; Investment Facilitation for Development; Micro-, Small and Medium-Sized Enterprises (MSMEs); and Services Domestic Regulation. The JSI on Services and Domestic Regulation was the first to be concluded, in December 2021. Negotiations on the other JSIs are still ongoing, with hopes that Investment Facilitation might reach a conclusion soon.[1] Given the rise of e-commerce, data flows and the digital economy, it is also vital that the WTO rulebook is further developed as is intended with the JSI on e-commerce. If JSIs prove themselves effective in negotiating new disciplines and advance the WTO rulebook, this could help the WTO system as a whole. Advancing in flexible coalitions is a practice well-known in other contexts such as the European Union (EU), and it is a proven tool for breaking deadlocks and reacting to policy challenges in a flexible manner. If the JSIs can prove that the WTO system can deliver and that its rulebook updated to match the requirements of the 21st-century economy, policymakers will invest more political capital in safeguarding and developing the WTO as an institution. This would be good news for a multilateral, rules-based system currently at the risk of erosion and fragmentation.

Addressing Developing Country Concerns within Plurilateral Initiatives

Not all WTO members welcome this new flexible governance. In many cases, developing countries are of the view that JSIs are, effectively, exclusive clubs of developed countries, negotiating new disciplines that developing countries might find difficult to implement due to technical or capacity constraints (cf. e.g. Hoekman & Sabel 2015). There is also the fear that the JSI might introduce disciplines through the back door. Additionally, once countries are in the position to potentially join a JSI, excessive requirements might be placed on them by existing members. This explains why few developing countries are represented in the subsets of the WTO membership negotiating the JSIs.

While the concerns of developing countries are understandable, one should also not lose sight of the potentially beneficial effect that JSIs can have on development. All four initiatives have the potential to make a substantial contribution to development. Investment is obviously a driver of development, therefore facilitating investment inflows is a core interest of developing countries. E-commerce and services can provide new models of development. Other suitable development models need to be found where increased automation and falling prices for industrial robots call into question whether a low-wage manufacturing development model, such as China's, can be easily repeated. These development models might rely on e-commerce and (online) provision of services.[2] Finally, many companies in developing countries are MSMEs and would therefore benefit from the provisions of an agreement in this area.

Yet to fully reap the benefits of JSIs for developing countries, their concerns need to be addressed. Ideally, the WTO membership would also actively provide assistance to any developing country intending to join the JSIs. Some ideas have already been put forth for discussion. Hoekman and Sabel (2020) argue in favour of a reference paper on all JSIs that would ensure these are non-discriminatory, open, transparent and provide capacity-building for potential new entrants.[3] Moreover, existing members would agree to not placing additional requirements on new entrants. Ideas have also been proffered in Think 20 India's Task Force 7 (2023), which focus on development-specific issues and targeting SDGs, while integrating capacity-building and using the G20 as a facilitator.[4]

What will make the most substantial contribution to development is capacity-building, and specifically the manner in which it is conducted. Capacity-building makes a difference because it levels the playing field for all players. If done properly, it levels up the abilities of public administration in developing countries to implement institutions that attract investment and business activity. That alone would incentivise the private sector to adopt standards that also help it to eventually become active overseas and even in markets with sophisticated regulations. Crucially, in addition to the public sector, the private sector should be included in efforts linked to capacity-building.

As a suggestion, members of JSIs should set up a dedicated fund along with partnership programmes. This would demonstrate that capacity-building for developing countries interested in joining JSIs does not remain an empty promise, but will actually support developmental goals. This could be done through multilateral institutions such as the United Nations Institute for Training and Research or the International Trade Centre, or through bilateral support programmes such as Germany's administrative partnerships and management training programmes. The tools may be old, but the quality and quantity of their application needs to change. If that is the cost of revitalising the WTO system and creating a new dynamic for trade and development, it is a price worth paying.

Overcoming the WTO Stalemate through JSIs

After decades of successes, development has suffered setbacks over the last few years. However, the previous "good" years show that the strong performance of trade and investment activities can make a difference to economic development. It is important to restart that engine currently running idle. The WTO, as the operating body of the global trading system, is a good place to start. The benefits gained will potentially be shared on the widest possible basis.

In this context, JSIs are a promising new route to overcome the WTO stalemate and revitalise the system, with greater potential to support economic development than they are credited credit for. Nevertheless, the reasons why many developing countries are reticent to join these initiatives ought to be taken seriously. Their concerns need to be addressed through assurances in the form of a reference paper on JSIs, mindful agenda setting, and most importantly, strong capacity-building that enables developing countries to use JSI membership towards economic development.

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Endnotes

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