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A roadmap for paradigm change



Dennis J. Snower

President, Global Solutions Initiative
President, Kiel Institute for the World Economy



Markus Engels

Director, Global Solutions Initiative

Dear readers,

We are proud to present the second issue of the Global Solutions Journal, launched on the occasion of the T20 Summit in Buenos Aires, marking the first G20 Presidency in South America.

The Global Solutions Journal addresses G20 challenges by bringing together policy recommendations of thought leaders, and aims to find a common ground between these policy ideas and consonant action proposals of major decision makers. We strive to embed these recommendations and action proposals in a broader longer-term constellation of complementary visions for paradigm change in the management of global affairs.

At present, the world suffers from a pervasive decoupling of economic, social and environmental progress, since continued economic growth is often accompanied by widespread voter dissatisfaction, social fragmentation and conflict, and environmental degradation. The quest for a recoupling of these domains provides an overarching narrative for the recommendations described here.

This is a particular challenge in the context of the new digital age. At the Global Solutions Summit 2018 in Berlin, German Chancellor Angela Merkel called for a new



Global Solutions Summit 2018: Group photo with Chancellor Merkel

system of data property rights. We aim to rise to this challenge with a “digital initiative” to explore bold solution proposals for the future of digital governance.

Furthermore, the world faces other enormous challenges, all addressed in the T20 process:

- The challenges concerning the future of work, infrastructure for development and a sustainable food future;
- rising trade conflicts which threaten to bring more poverty to the most vulnerable people worldwide and
- anthropogenic climate change which is a threat to sustainable development and endangers the survival of humanity.

To address these challenges, the T20 Task Forces 2018 are generating policy recommendations and policy visions, supported

by the Council for Global Problem-Solving, the research arm of the Global Solutions Initiative (GSI). This work is complimented by the practical experience of the GSI Multi-Stakeholder Council, comprised of leading decision-makers from politics, business and civil society. The T20 Summit in Buenos Aires is the culmination of international workshops and conferences, feeding in to the Global Solutions Summit during May 2018. After a successful Argentinian Presidency we are looking forward to the Japanese G20 Presidency 2019. As a stepping stone to the Japanese T20 Summit in May, the next Global Solutions Summit will take place on March 18-19, 2019 in Berlin.

Yours, in hope and confidence,

Global Solutions Journal

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Emancipation in the age of digital slavery

Dennis J. Snower

Global Solutions Initiative,
Kiel Institute for the World Economy

Address at the Global Solutions Summit 2018

The author:



Angela Merkel

Chancellor of the Federal
Republic of Germany

Dear Prof. Snower, Ladies and Gentlemen,

I am delighted, Professor Snower, to attend today's T20 Global Solutions Summit. The fact that "Solutions" are being discussed shows a degree of optimism, and indeed we need this if we want to tackle and then master the global challenges of our times.

That global issues can actually only be solved with a global approach, of that we are - I personally am - firmly convinced. This conviction however, as we can see, isn't shared by all. Without a doubt, the very important multilateral approach is currently under pressure, even in crisis. Through protectionist and isolationist thinking, it is actually under attack and is being challenged, to put it mildly. Formats such as a G20, which bring representatives of the strongest global industrialized nations together are all the more important. And even more important are meetings such as this one, in which citizens and experts from all areas come together before and surrounding such events.

"Shaping an Interconnected World" - this motto of the G20 presidency of last year made clear that global cooperation is something we wish to focus on, with this and during our G20 presidency. I think I may safely say that - against all odds - we have actually been successful in a number of areas.

For example, we achieved progress in global cooperation in the area of health. We made progress in our partnership with Africa. We championed a rules-based trade system with open markets. We also achieved progress in the global steel forum, and agreed to take action against global excess steel capacities, and we also underscored our commitment to the sustainable development goals of the Agenda 2030. And in the area of climate change - I would like here to single out my colleague, the Federal Minister of the Environment - even though we weren't able to come to an agreement, all the G20 partners with the exception of the United States of America resolved to implement the Paris climate agreement.

The German G20 presidency saw it as very important to have a broad based dialogue with representatives of all different parts of lives of the civil society ahead of the G20 Summit. Thus, we were able to look at the issues from different vantage points. Against this background, a think tank such as the T20 is obviously very important for political debate and political discourse. Expert knowledge, the experience of many bright minds, is brought together here. And that is indeed something that enriches us in the process of finding and shaping political opinion. So thank you very much, Professor Snower, for this input. You, Professor Snower, are always very clearly telling us that this should not be any old exchange but that it is about doing something, about taking responsibility, also about taking decisions - in a nutshell global governance.

Using the opportunities of globalization while simultaneously mitigating risks - obviously, we would best do this together. But instead, multilateral approaches are being called into question. International institu-

tions, international agreements are being weakened, solutions that have already been found are no longer supported, and a policy of going-it-alone is suddenly being adopted. That is very worrying because, let us not forget, the multilateral order was established as a very important lesson from the two devastating World Wars of the past century. The idea behind this was that a very close network of international cooperation would secure peace.

»We see that the gains in prosperity benefit some more, some less, some don't benefit at all.«

How easy, however, it is to lose peace, and how difficult it is to regain, this is what we Europeans right now feel in our immediate neighborhood -- in Ukraine, Syria or Libya. Millions of people were robbed of their future, particularly in Syria, and saw themselves forced to flee their home country. This how we, here in Europe, were confronted with this. Obviously we hadn't expected it, but we immediately felt the consequences of crises and conflicts. Around the world there are currently 65 million people who have fled their homes, more than at any other time since the Second World War.

Is the multilateral approach we have taken up to now a dead end, because coordination and agreement takes too long? Because, when we come to an agreement, it is always invariably only on the basis of the lowest common denominator? Or because multilateral institutions seem incapable of taking resolute action and achieving results, and lack political clout?

The Paris climate agreement and the 2030 Agenda for sustainable development, however, are very prominent examples that the international community is capable of taking far-reaching decisions. But obviously these agreements and others must be implemented. To this end, the United Nations, both institutionally and structurally, needs to be brought in line with the global sustainability goals. This is why UN Secretary-General António Guterres is working very vigorously to inject more efficiency and better coordination in the UN system. Germany stands ready to resolutely support the Secretary-General in this endeavor.

The requirements for instigating reform are not only at the institutional level, be it the UNHCR or the World Food Program, the capability of international organizations to take action also suffers from a lack of political support and obviously, as a consequence, a lack of funding. Just one example: for a long time, far less support was given to the refugee camps in Jordan and Lebanon than had been promised and pledged for the Syrian refugees. This was one of the reasons why many people then set out on a very long and dangerous trip to Europe. The attempt to survive in this way should come as no surprise to anyone.

Despite all the flaws and the deficits, the United Nations remains of crucial importance in the removal and tackling of the root

causes of people fleeing, be it in humanitarian support for those in need or in stabilizing areas of crisis. Without the United Nations and its agencies, the world would be a much less safe place, the number of refugees would be even higher, the breeding grounds for terror far more numerous. The financial, material and personnel support of the United Nations is indeed an investment in the future of untold numbers of people. In addition, individual countries, no matter how big and strong they may be, will not be able to master the global challenges of our day on their own. True, general solutions need international solidarity.

»How can I uphold the concept of a fair social market economy and adjust it that it covers data as well?«

Without question – and I could actually give you a lot of examples from my own life – the multilateral approach can be sometimes very arduous. It does not promise simple solutions, and it is also not really suited for whipping up public opinion and winning votes. But there is nothing better than this multilateral approach to ensure

that the shaping of globalization – which affects all of us – is not left to players who have exclusively their own interest, and not the common good, in mind. Recognition of the necessity for a balance of interests leads to the need for common structures. The European and the African Union, NATO, international organizations such as WTO, IMF, World Bank or ILO, and first and foremost, obviously the United Nations.

Germany is a candidate for a non-permanent seat in the Security Council for the period 2019 to 2020. We have done this because we want to show that we are committed to an international order. We also wanted to show that we are ready to shoulder international responsibility. This is why we are seeking together with other partners a political solution for Syria and why we are determined to stand by the Iran agreement, provided obviously that Iran, too, fulfills its commitments. This is why we are also shouldering responsibility together with others for security and stability in African countries. This can obviously only work as helping them help themselves, because Africa must become empowered to take over its own crisis resolution and conflict solutions. But that is also happening step by step. Peace is the most important precondition for a life of dignity, where no one is forced to flee, and to reduce illegal migration, which after all only benefits traffickers and puts people in danger.

Africa is a young continent. Its population is growing very rapidly, more than half of the population in Africa is younger than 25 years of age. It is quite interesting when I ask: what is the average age here in Germany? Well, it's about 45. The average age in Niger and Mali is 15 years. So that very clearly demonstrates the difference be-

tween our countries. Young people in Africa need perspectives for the future, they need more investments in education and vocational training, in employment. I am delighted to know that Africans themselves, with their Agenda 2063, have outlined their own plan of action, and have expressed what they think is important for them, because that makes it easier for us to cooperate with them. This opening up of perspectives is also necessary above all for women in Africa – so that they may be better equipped to participate in the business life, in the economic life of their countries.

Sustainable economic development includes each and every person. It rests and depends on solid framework conditions, on a functioning basic infrastructure and on good governance. Under these conditions, once they are in place, private investors will become interested. Without them we will not be able to be successful. Sustainable economic growth cannot be generated simply by giving ODA (Official Development Assistance).

This is why we launched an initiative during our G20 presidency, the so-called “Compact with Africa”, because we wanted to enlist the support of private business. We used this forum to discuss with African governments, to provide for the necessary conditions. To make this possible we also include multilateral players, such the IMF, the World Bank, and the African Development Bank, in order to tap this potential, to mobilize investments. It's very important, above all, to support the regional integration of markets. Through this, we want to make technology and knowledge transfer possible. This is about a better integration of African countries into the global economy as a whole.

We in Germany know that we owe our prosperity to a very large degree to the successful integration in global markets. Because of this experience, we are convinced that open markets, and multilateral rules-based trading systems are important, with the World Trade Organization at the center. A multilateral set of rules creates legal certainty, more predictability for companies that wish to export.

»Pricing data, particularly the data of consumers, is the central issue that we need to solve.«

Free and fair trade is the central motor for economic progress and this is for all concerned. This is why it was a great success that the G20 last year in Hamburg said no to protectionist measures in the wake of the international financial crisis. But unfortunately, as the global financial crisis recedes in the people's memories, there is an increasing tendency to resort to protectionist measures. We also see that the gains in prosperity benefit some more, some less, and some not at all. This is why we are called upon to reorient economic trade and financial policy more toward inclusive growth. This means what we have seen

when we looked at Africa: we must better integrate economically weaker countries into the international division of labor. We have to open up market access to them, give them more incentives on the ground and give them the possibility to become engaged as entrepreneurs.

A better integration into the global economy can actually do a lot of good, as we were able to see when we reached the Millennium Development Goal back in 2000, namely to halve extreme poverty by 2015. We were able to do this. That is obviously above all thanks to the economic upswing in Asia. With this, the global balance of power has shifted. China is one example of this. With its impressive economic growth, its international responsibility has also grown. Whether such a great economy as China is actually abiding by the rules of the global economy, this will obviously be of crucial importance for economic development around the world. It will always be essential – and this is not something that only refers to China – to make it very clear that respecting rules is in the global interest, but also one's own interest, be it the removal or drawdown of barriers to trade and investment, be it treating national and foreign enterprises in one's own market the same, or respecting standards protecting the environment workers and consumers.

Globalization is happening in the world today and it affects us all. We have to come up with a convincing answer as to whether we want to allow it to drive us forward or whether we are able and willing to shape it – economically, socially, environmentally and in the humanitarian field. Germany has benefited in an extraordinary way from globalization, but we have no guarantee that this will continue in the future and certainly

no claim to this. It is all the more important that we try to persuade others to follow this approach of openness, together with our partners.

And this shows the special value of the European Union: if we Europeans speak with one voice, then this voice will be heard more in the world than if it was only one individual country. We Europeans, in the political fields of foreign development and defense and also in our economic policy, need to work together more closely. Then we can work more intensively, more credibly, more convincingly, more effectively for fair and free trade in the world, and for creating new perspectives for people who have until now not had any, and therefore decide to leave their country.

Ladies and Gentlemen, there is certainly no lack of global challenges, but there is also no lack of good ideas for solving them. This is something that we can clearly see here in this forum, which is focused on solutions.

So I'm very much looking forward to my discussion with you. I am more than ready to answer your questions. I wish you a successful meeting and I would like to give a very warm welcome to participants from Argentina, because we're very much looking forward to soon being your guests in Argentina. I know from my talks with President Macri that he feels very much committed to globalization and to shaping globalization.

GERMAN CHANCELLOR ANGELA MERKEL ON DATA GOVERNANCE

(Q&A at Global Solutions Summit 2018 in Berlin)

The raw material of the 21st century are data. It is no longer coal and steel or aluminum and copper but data. The question is: How can I actually uphold the concept of a fair social market economy and adjust it in such a way that it covers data as well? We haven't come up with any convincing answers, neither in tax law nor in social legislation. All of us are providing data. Considering the fact that we are permanently giving those data away for free and on the other side people are earning a lot of money with it. If people know that much about my tastes, about my language, about my readiness to participate in this discussion, which tells people a lot about my personality, and then they use this to market products. If this were, for example, to yield the same sort of revenue as collecting potatoes in the field, we don't have a price tag attached to that, as yet everything else is priced. That leads to enormous imbalances and injustices in the world today. We have to build this into our tech systems, but in such a way that it is not completely disruptive. Compared to our current legislation on taxes we have an interesting discussion going on right here. Say we have a corporation tax, so companies pay taxes but we would also like to tax Facebook, Google, Amazon. People say, we don't really know what they do, (...). Tax legislation has to be adjusted. Pricing data, particularly the data of consumers, is the central issue that we need to solve in order to ensure a fair and equitable world of the future. (...) That's one of the most difficult issues that we need to resolve.

Emancipation in the age of digital slavery

The author:



Dennis J. Snower

President, Global Solutions Initiative

President, Kiel Institute for the World Economy

The institution:



Policy thinkers helping policy leaders to re-couple the world: This is the Global Solutions Initiative serving the G20, the G7, and other international institutions. Independent of the official processes, yet firmly connected with official engagement and working groups, the initiative delivers independent, long-term oriented policy briefs for world leaders.

Imagine a new form of slavery – call it Slavery 2.0: Slaves provide free labor for their owners; in return, the owners give them free food and shelter. Furthermore – this is the new twist – slaves are free to leave their owners whenever they wish, but when they do so, they must leave everything behind – their belongings, their friends and acquaintances, their reputation and all other external aspects of their identity. Would a labour market built on this system be efficient and equitable?

This silly question turns out to be supremely important for us today, because in the digital world we all live in this new form of slavery. We provide information about ourselves for free. This free labor enables digital networks – such as Facebook, Google, Amazon, Instagram, WhatsApp, etc. – to amass vast fortunes. In return, we receive free apps and other internet services. We are free to leave any networks to which we belong, but when we do so, we must leave everything behind – the information about us, our contacts, our ratings, our digital identity on those networks.

There is no assurance that the value of the free data we provide bears any relation to the value of the free services we receive. We have no property rights on the data we generate, and only by generating such data can we derive benefit from our digital networks. This is the equivalent of Slavery

2.0. It is “digital slavery.” Once this is understood, it becomes obvious that this system is inefficient, since economic markets cannot generate efficiency when the prices for the services exchanged are zero. And the system is inequitable, since the owners of the digital networks wield overwhelming power, since they own the digital data. Doubtless, some users are getting a good deal out of this system. But this does not undermine the judgment that we are living in digital slavery.

»A “self-sovereign identity system” makes users central to the administration of their identities.«

At the Global Solutions Summit, Chancellor Merkel suggested a revolutionary reform of our current digital world: let digital data be priced and enable users to sell their data. This proposal is both appropriate and feasible.

It is appropriate because just as emancipation from slavery gives workers property rights over their own services, so emancipation from digital slavery must give users property rights on the data they

generate. Since users currently don’t have property rights on their data, they generally don’t know how their information is used. They are subject to manipulative advertising that exploits their data. They are vulnerable to attack by hackers. They are largely powerless in the hands of global digital monopolies. They are powerless in the face of digital automatization, enabling machines to take over the routine work they perform, without giving them the opportunity to put new, user-generated work in its place. All these problems could be overcome by giving digital users property rights over their services.

Furthermore, the reform is feasible. The most comprehensive solution is a “self-sovereign identity system” (SSIS). It involves giving each person the digital equivalent of a wallet that contains verified pieces of his or her digital identity. Specifically, it gives each person a private key for an unlimited number of recipients who can access the encrypted data only if they possess the corresponding public key. It can be implemented through decentralized ledger applications such as Blockchain, which verifies the accuracy of one’s data decentrally, as it does for Bitcoin.

The person can then choose which identification to share, with whom and when. A SSIS makes users central to the administration of their identities. It enables users to use their identity across multiple locations, but only with their consent. A SSIS is transportable, not linked to any particular internet site. Since decentralized identities are difficult to access, they are also difficult to hack.

Such a system has already been conceived and is running in some domains. The Swiss municipality of Zug has introduced

such a system for its residents. Microsoft aims to support decentralized identification technology through Microsoft Authenticator.

SSIS provides a basis for the sale of user data to digital companies. The proceeds from such digital sales could be taxed and the tax revenue could be used to extend and upgrade internet access, as well as reduce the cost of internet access to disadvantaged groups.

**»This gives us
our most valued
freedom in
the economic
realm:
the freedom
to choose.«**

But SSIS will not happen by itself. There are too many digital companies with vested interests in maintaining control over their users' data. Slavery also did not disappear by itself. For SSIS to be successful, it needs broad adoption. For broad adoption in the EU, it must be made a legal requirement for the EU. The future of the market economy and the future of democracy depends on it, because SSIS removes us from the manipulative influences of digital networks and gives us our most valued freedom in the economic realm: the freedom to choose.





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Competition

What happened in Berlin: Argentina is present at a transition in the future of politics

The author:

Colin Bradford

Senior Fellow,
Brookings Institution

Member,
T20 Argentina Advisory Board

The institution:

BROOKINGS

The Brookings Institution is a nonprofit public policy organization based in Washington, DC. It is their mission to conduct in-depth research that leads to new ideas for solving problems facing society at the local, national and global level.

More than fifteen Argentine experts were present in the Global Solutions Summit 2018 (GSS) in Berlin at the end of May to discuss world challenges with 1100 participants from more than 100 countries. The T20 participated in the GSS due to the fact that the themes and policy papers being prepared for the T20 Summit in Buenos Aires in mid-September were integral parts of the GSS program.

But “what happened in Berlin” was much more important than the focus on themes and policy papers for the Argentine T20. The GSS 2018 was more than a just conference of researchers talking to each other; it became a gathering of experts with representatives from many sections of society working together to contribute to policies of consequence to everyone on the planet. The GSS and the T20 are also linked to the leaders of the G20 group of the twenty most important countries in the world, who will have their G20 Summit in Buenos Aires at the end of November. What happened in Berlin was something surprising.

In the first place, the current moment is a serious political moment. It is clear that we are living in times of social fragmenta-

tion, economic anxiety and political tension. What is in doubt is the capacity of market economies to generate social outcomes which are politically sustainable in our societies. It is a moment in which the legitimacy of free markets and democracies is at risk. The leading think tank experts, academics, politicians, entrepreneurs and others from civil society that participated in the GSS are seized with these challenges and their transcendental importance.

As the chief of the cabinet of ministers of Argentina, Marcos Peña, has said in the inaugural meeting of the Argentine T20, in February: "We can't lose touch with the people in the street". That would be fatal.

Secondly, while this challenge of social inclusion is an internal challenge and a domestic political problem, there are also global dimensions, such as the impact political turbulence in some countries has on others and the fact that everyone in the world is now conscious of problems in all parts of the world. Increasing populism and nationalism constitutes a potential threat in every country. This indeed is a global challenge. There is, now, a global competition between nationalism and multilateralism which is by its nature a central issue for the G20.

But the internal social challenges and the international challenges that generate nationalism are not just problems facing political leaders of large countries. These are challenges for societies, that need to be analyzed by experts, discussed by leaders of the private sector, by journalists, by young people, by religious leaders and NGOs and many other social actors.

It turns out that experts from think tanks have become the key intermediaries among these diverse groups and sectors

of society. And the T20 has broadened its reach among the now numerous G20 engagement groups to include participants from business (B20), labour (L20), civil society (C20), youth (Y20) and women (W20).

»The legitimacy of free markets and democracies is at risk.«

"What happened in Berlin" in the Global Solutions Summit is that the joining of the T20 with the GSS for a broader and larger audience transformed a meeting of experts into the mobilization of leaders from different segments of society. The GSS 2018 manifested the power of the confluence of the wide range of participants present to focus on fundamental challenges, transforming what was a conference of researchers into a new modality to advance thought into action in relation to current priorities. This forum is now an energy field of ideas which are intellectually potent and important for both their convergence and their diversity.

This is not, in fact, the supposed "global elite" gathered to share their cosmopolitanism among themselves, but rather diverse sets of societal leaders deeply concerned about those who have not yet benefited from market economics and globalization. These leaders are connected to their publics, echoing public concerns about the

erosion of trust, civility, rule of law, faith in institutions and, not least, confidence in markets to deliver social outcomes.

»There is a global competition between nationalism and multilateralism which is by its nature a central issue for the G20.«

One of the themes discussed in Berlin was “the future of politics”. But, beyond this as a topic of discussion, we had in front of us the manifestation of a new form of international politics composed of important actors in our societies, such that it is now realistic to expect that this dynamic can play important roles in the T20 Summit in Buenos Aires in mid-September, in the Argentine G20 Leaders Summit at the end of November and beyond for the future of the international community.

Advancing the G20's commitment to the 2030 Agenda

The authors:

Homi Kharas

Brookings Institution

Sebastian Strauss

Brookings Institution

Guido Schmidt-Traub

Sustainable Development Solutions Network

Rodrigo Rodriguez Tornquist

CARI

The Task Force:



2030 Agenda for Sustainable Development

This Task Force will focus on strategies on how to monitor the progress of achieving the United Nations' sustainable development goals from 2015. Additionally, it will also search for mechanisms to help G20 members implement these goals.

ABSTRACT

This policy brief proposes an approach for the G20 to commit meaningfully to the implementation of the 2030 Agenda. It documents substantial shortcomings in G20 member countries' approaches to agenda setting, implementation, and monitoring. This applies both to domestic goals as well as to those that relate to collective action. The policy brief recommends a number of key actions G20 members could take to strengthen their strategies for (1) domestic implementation of the 2030 Agenda, and (2) collective action regarding management of the global commons.

CHALLENGE

Countries around the world are grappling with common problems, even if specifics vary. First, overall economic growth needs to be re-invigorated and re-coupled with broad-based social gains. Citizens need to see a connection between climbing economic statistics and improved circumstances for their families. Related to this, no one – no countries and no groups within countries – should be left behind. Whether people are being marginalized due to their gender, religion, ethnicity, class, age, sexual orientation, geography, or anything else, minimum standards of human dignity and

social inclusion need to be assured for all. Everyone must partake in progress. Second, societies need to de-couple economic progress from further damage to the environment. Economic engine rooms need to stop harming and start restoring natural resources and ecosystems. Trade-offs are involved: in recent decades, no country has succeeded in simultaneously achieving strong income growth, reducing inequality, and limiting carbon emissions.

Although the notion of global goals originally took hold around ambitions to support the poorest nations, today such goals offer a tool for all nations to do better on issues of common importance. Available analysis of SDG progress show that all G20 members, which comprise mostly large and/or advanced economies, are behind in achieving at least one or more SDGs¹. Significant segments of the population of G20 countries are experiencing severe economic and social dislocations. This diagnosis calls for more deliberate national action by G20 countries.

The 2030 Agenda also includes goals concerning the management of the global commons. As the largest economies in the world, G20 countries bear a special responsibility to ensure that critical global systems – specifically on energy, land-use, urban, and circular economy systems – respond to the urgent need to reduce biodiversity loss, the pollution of oceans, land degradation, and carbon emissions within only a few decades.

In addressing these challenges, G20 members must reckon with rapidly changing technologies that are creating new growth and innovation possibilities, but also disrupting historical levels of inequality and generating tensions between com-

petition and platforms benefiting from scale economies.

PROPOSALS

1. Strengthening G20 country strategies for domestic implementation of the 2030 Agenda

Rationale. No G20 country appears to be on track to meet all of the Sustainable Development Goals (SDGs). The Bertelsmann Stiftung and the Sustainable Development Solutions Network's annual SDG Index and Dashboards Report highlights the "distance to target" for G20 countries across a range of indicators. Assessments of individual countries showcase large gaps. For example, Biggs and McArthur (2018) identify several areas where Canada drastically needs to change trajectories to meet the goals. According to an audit conducted by Canada's Office of the Auditor General, the country "has not done enough to prepare to implement the United Nations' 2030 Agenda for Sustainable Development."² Similarly, a report by the European Think Tanks Group concludes that the European Union "has made only limited progress in implementing the SDGs, and has invested more in 'stock-taking' than in transformative reforms."³

Countries like Canada and those in the European Union are to be commended, not criticized, for their willingness to examine their national development plans (or lack thereof) critically. Other G20 members should follow suit in conducting audits of their national plans to implement the 2030 Agenda. Yet until 2018, almost one-third of the G20 membership – Australia, Canada, Russia, Saudi Arabia, South Africa, and the United States – had never conducted a comprehensive assessment (e.g., Volun-

tary National Review) of where they stand with regards to their distance to achieving the SDGs. This year, Australia, Canada, Mexico and Saudi Arabia will submit a VNR to the U.N. High- Level Political Forum on Sustainable Development (HLPF), hopefully including such an assessment. By 2019, the U.S. and Russia will be the only

»Significant segments of the population of G20 countries are experiencing severe economic and social dislocations.«

G20 countries never to have submitted a VNR. What is more, only eight G20 members – Brazil, China, Germany, Italy, Japan, Mexico, the United Kingdom, and the European Union – have even adopted an action plan to implement the entirety of the 2030 Agenda. A first step towards doing so is for all countries to collect data on the status of official SDG indicators at an appropriate level of disaggregation. Currently, only seven G20 members – France, Germany, Italy,

Japan, Mexico, South Africa, and the European Union – identify key official indicators to monitor the implementation of the SDGs.

It is time for the G20 to take the global goals seriously. G20 national governments should systematically and regularly diagnose the issues on which their countries are off track, either as a whole or in part – which outcomes, by how much, where, and among whom. Consolidated, cross-country comparable gap analyses of this sort will provide essential evidence about where improvement is needed, at what scale and at what pace. This information can then inform decision-making about where business-as-usual might suffice, and where new approaches are required.

Fundamentally, over one-quarter of G20 members – Australia, Canada, South Korea, Russia, Saudi Arabia, and the United States – have not yet identified key national priorities regarding the implementation of the SDGs. This is a critical shortcoming since the SDGs do not themselves offer a roadmap to sustainable development.⁴ Rather, stakeholders within each country – including civil society, business leaders, and financial regulators – convened by national governments, are supposed to formulate their own strategic priorities, national plans, and implementation strategies to attain the goals in accordance with their domestic contexts. Such strategies include development of mechanisms for mobilizing private sector investment and multi-stakeholder governance arrangements for monitoring progress. To this end, diagnoses of G20 members' SDG trajectories would provide a baseline for identifying, within countries, those issues most in need of better approaches in order to achieve pre-defined benchmarks of success. At a policy level,

domestic decision-makers need to take responsibility for their respective pieces of the complete SDG puzzle, which often connect across jurisdictions. At the same time, government leaders have special responsibility to make choices about where needs are greatest and where there is the greatest call for public resources.

In this regard, SDG benchmarking can help inform domestic priorities for new approaches, not pitting goals against each other in terms of importance, but pitting current trajectories against each other to identify where new trajectories are most needed. Biggs and McArthur (2018), for example, provide a framework to help identify key priorities for the domestic implementation of the 2030 Agenda. It asks several questions – such as where are breakthroughs needed, where will near-term decisions drive long-term outcomes, what actions could have big multiplier effects across issues, and where are current trajectories most at risk of disruption – that, applied to a quantitative assessment of SDG trajectories, can help G20 countries hone in on priorities for national change.

Key actions. We recommend that G20 countries:

- Mandate their National Statistical Institutes to identify key national indicators to monitor the implementation of and progress towards the SDGs;
- Establish a framework for systematic gap analysis and benchmarking of domestic trajectories against SDG outcome targets by the time of the U.N. HLPF Summit in 2019 at the latest;
- Submit a Voluntary National Review prior to the 2019 U.N. HLPF Summit;
- Submit a collective G20 report on the 2030 Agenda, or comparable comprehen-

sive assessment, to the 2019 U.N. HLPF Ministerial or Summit in order to build momentum and demonstrate pursuit of the SDGs at scale; and

- Adopt an action plan that identifies key national priorities for new approaches to domestic implementation of the 2030 Agenda (and collective action, see below).

»Only seven G20 members identify key official indicators to monitor the implementation of the SDGs.«

2. Strengthening G20 country strategies for collective action and burden-sharing of global public goods

Rationale. The 2030 Agenda includes goals concerning the management of the global commons, and the world is currently failing to make adequate progress towards them. In addition to tackling domestic SDG implementation gaps, G20 countries need to do their part to solve collective action problems and help the world's least advantaged people escape extreme forms of deprivation. However, in light of constraints in public resources and public attention, member countries must be selective in their provision of global public

goods. To this end, countries should first identify where needs are greatest and how their resources and comparative advantages can be prioritized to best effect. Individual G20 members must develop a new approach to contributing to the world that specifies strategic priorities while making sure they carry their fair share of global burdens. An illustrative framework is that of Biggs and McArthur (2018), which offers guiding questions – such as where is progress lagging, where do national assets have comparative advantage, and where do domestic actions (global outcomes) disproportionately affect global outcomes (domestic interests) – in order to help countries identify their strategic priorities and determine appropriate national contributions.

As the largest economies in the world, G20 countries bear a special responsibility to ensure that critical global systems are consistent with the global goals. There are a number of such systems, with a short-list including energy, urban, land-use and food systems, each of which is evolving in response to emerging digital, bio- and nano-technologies. Given that the Argentine Presidency has identified food security as one of three priorities for 2018, it should focus on identifying collective action for improving global land-use and food systems.

Land-use and food systems affect six critical areas of sustainable development: (i) human diets and health, (ii) greenhouse gas emissions and capture, (iii) biodiversity conservation, including forests, (iv) freshwater availability, (v) air and water pollution, and (vi) biofuel availability for decarbonizing energy systems. They are unsustainable in every G20 country, so under business-as-usual the correspond-

ing SDGs cannot be met. Climate change, a rising world population, and growing per capita demand for agricultural products will further exacerbate the pressure on land-use and food systems across the G20.

We need sustainable land-use and food systems that take into account food provision, climate change mitigation, biodiversity loss, and an equitable distribution of the value of food production. Without robust long-term pathways that map out the transition from where we are today to a sustainable end-point, countries will lock themselves into policy dead-ends that will have severe unintended consequences and may put the long-term targets out of reach. For example, without considering long-term population growth, countries may convert too much agricultural land into urban settlements. Without taking into account long-term demand for water and agricultural products, they may similarly overinvest in a biofuel-based economy. Such national pathways are also needed to integrate national policies across a broad range of ministries, ensure policy coherence, identify critical technology gaps, and help ensure that the sum of G20 countries' actions is consistent with global objectives adopted under the 2030 Agenda.

Today, most G20 countries lack such robust, integrated pathways and are therefore flying blind in spite of growing pressures on their land-use and food systems. This situation is similar to the knowledge gaps G20 government faced on energy systems around 2013. At the time, hardly any governments had access to integrated national pathways for decarbonizing their energy systems. In response research teams from most G20 countries convened under the Deep Decarbonization Pathways

Project (DDPP)⁵ led by the UN Sustainable Development Solutions Network (SDSN) and IDDRI to develop national pathways towards decarbonizing energy systems. The teams tackled major analytical challenges,

»New pathways towards sustainable land-use and food systems should be developed.«

such as understanding the speed of adoption and cost of rapidly evolving technologies, and through iterations they arrived at national pathways that were collectively consistent with global climate policy objectives while remaining sensitive to differing domestic contexts and development priorities. The pathways demonstrate the feasibility of deep decarbonization in the presence of other policy objectives, such as energy access, and economic growth. They inform national debates on how to decarbonize energy systems, build international trust and collaboration, and promote greater investments in clean technologies.^{6,7}

New pathways towards sustainable land-use and food systems should be developed by research institutions in G20 countries working as part of a global knowledge network, drawing lessons from

the experience of the DDPP. The International Resource Panel launched by UNEP in 2007 provides one such network. More recently, the SDSN and IIASA have launched the Food, Agriculture, Biodiversity, Land, and Energy (FABLE) Pathways Initiative launched under the Food and Land-use Coalition. FABLE comprises leading research institutions from G20 countries who jointly address the complex methodological issues involved in developing long-term, integrated, national pathways towards sustainable land-use and food systems. In particular, FABLE should flag areas where policy assumptions may be inconsistent across G20 countries and suggest options for greater alignment with the 2030 Agenda, including by embracing the concept of “leave no one behind” through the inclusion of voices from smallholder agriculturalists.

Key actions. We recommend that G20 countries:

- Identify strategic national priorities for collective action and burden-sharing of global public goods and report on these in the collective report to the U.N. HLPF mentioned above;
- Agree that sustainable land-use and food systems are central to the problems of freshwater supplies, biodiversity, nutrient overuse and land degradation;
- Endorse research on pathways towards sustainable food and land-use systems such as the FABLE Pathways Initiative and recommend to the 2019 U.N. HLPF that it be adopted as a global initiative;
- Request national FABLE research teams to engage with government agencies to develop integrated long-term national pathways towards sustainable land-use and food systems consistent with global goals.

¹ For example: Sachs, J.D., Schmidt-Traub, G., Kroll, C., Teksoz, K., Durand-Delacre, D. 2017. "SDG Index and Dashboards Report 2017. Global Responsibilities." Bertelsmann Stiftung and Sustainable Development Solutions Network. Gütersloh and New York.

² http://www.oag-bvg.gc.ca/internet/English/mr_20180424_e_43008.html.

³ Voituriez, T., Hege, E., Maci, G. Hackenesch, C. 2018. "Steering the EU towards a sustainability transformation." European Think Tanks Group. Brussels.

⁴ Ibid.

⁵ www.deepdecarbonization.com

⁶ Sachs, J.D., Schmidt-Traub, G., Williams, J. 2016. "Pathways to Zero Emissions. Nature Geoscience." 9: 799-801.

⁷ SDSN, and IDDRI (2015), "Pathways to Deep Decarbonization 2015 Report," Sustainable Development Solutions Network, The Institute for Sustainable Development and International Relations, Paris and New York.

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Improving the G20's coordination of the delivery and monitoring of the 2030 Agenda

The authors:

Andrea Ordóñez

Southern Voice

Imme Scholz

Deutsches Institut für Entwicklungspolitik (DIE)

Franklin Murillo

Social Progress Imperative

Gaurav Sharma

Asian Development Bank - Consultant

Kanako Tanaka

Center for Low Carbon Society Strategy

Koichi Yamada

Center for Low Carbon Society Strategy

Elisabeth Hege

Institute for Sustainable Development and International Relations (IDDR)

Laura Cavalli

FEEM and SDSN Italy

The Task Force:



2030 Agenda for Sustainable Development

This Task Force will focus on strategies on how to monitor the progress of achieving the United Nations' sustainable development goals from 2015. Additionally, it will also search for mechanisms to help G20 members implement these goals.

ABSTRACT

In 2018 the G20 has the opportunity to streamline its commitment to the 2030 Agenda into its processes and practices with concrete actions. First, the G20 should task the Development Working Group with creating a common template to report on the SDGs that could replace other reporting formats within the G20. Here, the G20 has an opportunity to innovate in ways that ensure that all G20 actions refer to the 2030 Agenda as an overarching framework and thus more stringently support the general follow-up and review of the SDGs by

the G20. Second, the Developing Working Group should promote collective reporting of the G20 countries and, third, it should encourage evaluation of policies and learning among countries.

»The G20 must encourage a sound implementation of the Agenda among its members.«

CHALLENGE

The 2030 Agenda for Sustainable Development is the most ambitious development plan developed to date. While implementing it can be truly transformative for the world, countries can lose focus given the breadth of topics that the Agenda touches upon in its 17 Sustainable Development Goals (SDGs). The Agenda also holds overarching principles such as universality and leaving no one behind. The G20 has committed to the 2030 Agenda at the summits in 2016 and 2017. To fulfil this commitment, the G20 must go beyond the sectorial choices of particular SDG policies and focus on: i) promoting the notion of global development, meaning that both national and global policies are required, ii) incorporating the principle of 'leaving no one behind' and iii) keeping coherence between the social, economic and environmental dimensions of develop-

ment. Therefore, to honor its commitment to the 2030 Agenda, the G20 must encourage a sound implementation of the Agenda among its members. The lead for this process in terms of encouraging and reporting is with the Development Working Group (DWG). In doing so, the DWG should ensure close coordination with other work streams in order to honor the principle of universality of the Agenda and in order to achieve coherence between G20 action and the 2030 Agenda. It is particularly important that the financing of the 2030 Agenda, as well as the coherence of financial market regulation discussed at the G20 with the Agenda, become central themes for the G20. This policy brief builds on previous work of the T20 in 2017 on how the G20 could promote implementation of the 2030 Agenda at national and global levels, and how the G20 could achieve policy coherence for sustainable development (1) (2).

PROPOSAL

1. Create and adopt a common template for reporting on the 2030 Agenda and the SDGs

In 2014, the G20 adopted the Accountability Framework to report on G20's development commitments. The framework includes the preparation of an Annual Progress Report. At the same time, the Hamburg Action plan states the G20's commitment to the 2030 Agenda and support to the High-Level Political Forum (HLPF) "through expedited, high quality and regular Voluntary National Reviews (VNR)" (3). The G20 can create a template that countries can use to report on the progress made towards implementation and achievement of the SDGs and that can feed into the Annual Progress Report. This would help the G20 streamline

its processes, realign its strategy in light of the 2030 Agenda, and increase coherence through its areas of work. To increase coherence with the follow-up and review process of the HLPF, the template should build on the guidelines for the Voluntary National Reviews.

As of 2018, 106 countries will have presented at least one VNR, including the majority of G20 members, showing that beyond the group's commitment, there is also high interest among individual members in the 2030 Agenda. These reports follow the UN guidelines and the UN DESA Handbook for VNR, which include eleven building blocks¹ for the preparation of national SDG reporting. These guidelines are broad, and they are not consistently used across countries. As a result, key issues such as the means of implementation, or the statistical information are not present in many VNRs of 2016 and 2017 (4). Furthermore, the main messages may get lost within the various sections of the report. The lack of comparability of the VNRs reduces the accountability of the process since observers are unable to assess national or global implementation. The UN DESA Handbook highlights the practices that national governments already reported in the previous HLPF, leaving the role of innovation to member states.

The G20 can play a leading role in promoting and enhancing the accountability for the implementation of the 2030 Agenda by creating a standardized tool to support high-quality comprehensive reporting across its members at the national level, and of the G20 as a group. A common template for reporting on the 2030 Agenda should be designed to ultimately align the G20 annual reporting and account-

ability framework with the 2030 Agenda. The Development Working Group (DWG) should lead the initiative to discuss and incorporate a common template for reporting on the SDGs that links with other work streams and organizes the Accountability Framework around the 2030 Agenda.

A common template should build on the UN Guidelines to strengthen the alignment of the G20 commitments to the 2030 Agenda and the HLPF. It should guide countries to produce a strategic document providing information that allows actors to assess progress on the SDGs nationally and globally. The template should focus on the value added of the SDGs for national and international policies (5). Focusing on the value-added means not only reporting on the themes included in the goals and targets of the Agenda, but mainly on how adopting the principles of the Agenda is changing the way policies are being planned, budgeted and implemented, nationally and internationally.

Main components of a common template

The common template created by the G20 must build on the guidelines already in place by the UN and provide innovation to the review process. The main components that the G20 can adopt in its common reporting on the SDGs are:

A comprehensive follow-up of a critical set of SDGs and targets

The building block of "goals and targets" has been interpreted differently by governments that have chosen to report, many times on just a selection of SDGs. The G20 does not cover all SDGs in its work with the same emphasis. For G20 reporting, the DWG can have a specific focus on common

targets to report on that relate to G20 priorities, mirroring the selectivity of the G20 in choosing the policy fields where it wants to cooperate. Comprehensive reporting will be done in the single VNRs of G20 members. The template should require report-

»The building block of 'goals and targets' has been interpreted differently by governments.«

ing on how the G20 respect the intersections between the social, economic and environmental dimensions and between goals and targets, as repeatedly stated by UN agencies at the HLPF. The template could thus suggest including information about how the different targets relate to each other, and the extent to which achieving one goal can support or hinder reaching another one. The template should refer to indicators that show how intersections are being taken account of and indicators that can be disaggregated and show progress within different sectors of society and fulfill the principle of 'leave no one behind'.

With regard to national VNRs, the DWG should emphasize that G20 members report on all 17 SDGs and their targets, include specific information on interconnec-

tions between goals and targets, and on how the principle of 'leave no one behind' is applied in implementation.

Finally, this section should include a quantification of progress to date in making use of the SDG indicator framework and national complementary indicators, analyzing existing gaps and specific challenges with data.

Complementing National Frameworks with SDG Budgeting

One of the shortcomings of the Millennium Development Goals – the previous UN development agenda which expired in 2015 – was the lack of monitoring of public spending related to the achievement of the goals (6). This lack of transparency made it difficult to hold governments accountable and to establish clear connections between public spending and outcomes. Since the adoption of the SDGs, an encouraging number of governments has already announced that they will integrate the SDGs into their national budgets.² Mexico, for example, made progress to align its budget with the SDGs, identifying specific budget items that contribute to the SDGs and using a results-based management approach (7). Other countries have mentioned the link between the budget and SDGs, including Argentina.

One of the building blocks of the VNR is the "Incorporation of the Sustainable Development Goals in national frameworks." To narrow down and specify this building block, the template can focus on how countries are adapting their budgets to respond to the SDGs. This information should show SDG-allocations both in terms of actual budget disbursements and commitments. It is important that the budget information

is related to the other building blocks of ‘institutional mechanisms’ and ‘means of implementation’ already in the guidelines.

A section on global public goods and spillovers beyond national borders

By being universal, the 2030 Agenda acknowledges that what happens in the rest of the world may matter more than what each country can do within its borders (8). As the SDGs are to be achieved globally and implemented nationally, the common template should encourage countries to assess their contribution to global public goods and on their impacts beyond their borders. Some examples of key global public goods include combating climate change, protecting forests and oceans and maintain bio-diversity. A focus on the spillover effects would consider effects from trade such as imported CO2 emissions, imported deforestation or the effects of migration on improvement of human development. If these issues are taken into account, there would be better policies to support the achievement of the SDGs at the global scale. These cross-country challenges could also inform and lead new G20 flagship initiatives.

2. Foster collaboration to collectively report at the HLPF 2019

To emphasize their commitment to sustainable development, G20 countries should elaborate a synthetic report on G20 collective action and national action with a view to the 2030 Agenda for the High-Level Political Forum (HLPF) in 2019. As stated above, such a report could focus on the policy field covered by the G20 as a group and expose how they contribute to achieving the SDGs, how they consider the inter-

connections between goals, targets and dimensions, and how they ensure that no one is left behind. By submitting a synthetic report, the G20 could restate its objective to lead by example. In 2019, the HLPF will gather at the level of heads of state and heads of government. The meeting will take stock of implementation efforts so far, and it will discuss proposals for making the HLPF more effective.

The lead for this synthetic report should be with the DWG and be based on input by all relevant work streams of the G20, based on the common template for reporting. The DWG already has the mandate to compile a Comprehensive Accountability Report every three years, supplemented by Annual Progress Reports. The G20 heads of state and government discuss the comprehensive reports, while the Sherpas discuss the annual reports.

Already in 2017, the Annual Progress Report published by the DWG tracked advancements on all active G20 development commitments and analyzed a few 2030 Agenda-related commitments outside the DWG’s remit. The DWG agreed that in future, the Annual Progress Report would have to include a review of the entire list of collective actions and commitments contained in the Hamburg Update of the Action Plan on the 2030 Agenda. This should also apply to the next Comprehensive Accountability Report that is due for 2019.

In 2017, the G20 agreed on several commitments that are significant for implementing the 2030 Agenda and these commitments were attained outside the DWG (9). They include “fostering the implementation of labour, social and environmental standards and human rights” in global supply chains, “national action plans

on business and human rights”, eliminating “child labour by 2025, forced labour, human trafficking and all forms of modern slavery”, and safeguards against health crises and investment into health systems. Further, the G20 committed to improved

»The common template should encourage countries to assess their contribution to global public goods.«

food security through increased agricultural productivity and that such productivity not undermine sustainable management and protection of water and water-related ecosystems. In addition, a Marine Litter Action Plan was agreed to, as well as a commitment for a rules-based global trading system. There was also a statement of all G20 leaders but the United States on the irreversibility of the Paris Agreement on climate change and on its swift and full implementation.

The DWG should start to prepare this report already in 2018 in order to ensure that it contains analyses and findings that help to understand progress, gaps and challenges in G20 collective and national

action towards sustainable development, as outlined in the 2030 Agenda.

National reports of G20 countries on 2030 Agenda implementation, based on the common template as elaborated above, should feed into the Comprehensive Accountability Report, together with relevant reporting initiatives at the OECD. Altogether, such reporting would encourage the adjustment of policies in all these areas so that they effectively contribute to Agenda 2030 implementation.

3. Foster learning and evaluation for more effective policies

Currently, the Comprehensive Accountability Reports and Annual Progress Reviews are a rather formal exercise that at best can contribute to raising awareness and increasing transparency. However, realizing the transformative change required to implement the 2030 Agenda demands more substantial evaluation and learning processes. The G20 should use these Reports and others elaborated in other work streams continuously across Presidencies for this purpose (10). In order to analyze whether its advances in implementation are sufficient, the G20 can take into account different resources already available to benchmark and assess performance such as the Human Development Index, the Social Progress Index, the Multidimensional Poverty Index and the SDG Index.

Two commitments contained in the Hamburg Update of the G20 Action Plan on the 2030 Agenda offer potential in this context (9): First, the G20 agreed to voluntary peer learning exercises regarding the implementation of the 2030 Agenda, including countries beyond the G20. In 2017 and 2018, two sets of countries engaged in

voluntary peer learning: Germany, Mexico and the Netherlands, and China, Mexico and Norway. Second, the G20 committed to “having a regular knowledge exchange with G20 engagement groups hosted by the G20 presidency, focusing on the implementation of the 2030 Agenda, including the promotion of multi-stakeholder approaches” (11). Following the Hamburg Update, the G20 DWG is expected to promote the active participation of the engagement groups and facilitate “a structured, continuous and timely dialogue and knowledge exchange with all engagement groups” (11).

Both dialogues organized by the DWG – with peer governments and with the engagement groups – could use the findings of the reports as a reference. In addition, there could be specific thematic dialogues at the level of the Sherpas who are able to promote policy coordination and coherence across relevant G20 work streams. A third modality could be detailed peer reviews on selected topics, following the example of the voluntary peer review on rationalizing and phasing out inefficient fossil fuel subsidies which the G20 established in 2013. Engagement groups should be included in these peer reviews and ensuing policy learning dialogues, too (10). The G20 could also invite engagement groups to comment on the G20’s accountability and annual progress reports and thus increase learning opportunities.

Progress reports and accountability reports as well as voluntary national reports, however, cannot substitute for the systematic learning that is enabled by evaluation. In 2017, the T20 Task Force on the 2030 Agenda proposed that the G20 calls on its members to ensure the evaluation of all SDG-related policies and major programs

when designing and formulating national interventions. This would allow the sharing of lessons learned among countries and across sectors, and seed the global development community with fresh findings and knowledge. Positive experiences with implementing the SDGs could be shared among G20 members, especially with a view to monitoring and evaluation.

»A lack of transparency made it difficult to hold governments accountable.«

The Task Force also suggested that the DWG work on a review system for the collective implementation of the 2030 Agenda by the G20, which could help to increase coordination between the DWG and other G20 work streams.

The review system could help to identifying specific successful policies, programs or projects at the national level that are innovative, sustainable, and replicable. These policies, programs, and projects could be documented and shared as SDG Solutions within a digital DWG knowledge platform. Further, it could be useful to create a toolkit referencing successful initiatives and tools that facilitate the implementation of the 2030 Agenda within G20 countries.

These suggestions remain valid. Evaluation is a crucial instrument for policy learning through knowing which measures

taken helped to make progress under specific (clusters of) goals and targets and why they failed or stagnated on others. Systematic exchange on evaluation results among G20 countries, on specific SDG clusters and their targets would connect reporting with increased understanding why changes occur, and what to learn from different experiences and scale. This would increase the effectiveness of implementation and the possibility of scaling up, if these results are actually used, discussed and fed back into decision-making processes.

For the DWG, it may be especially relevant to find ways for including progress made in the implementation of the Africa Compact into evaluation and policy learning.

Future key actions of the DWG for the promotion of evaluation and policy learning include:

- Identify G20 countries that engage in context-specific evaluations of public policies that are relevant to SDG achievement and invite them to share their experience with methods, processes and results within the G20,
- Establish additional country groupings for voluntary peer learning across the DWG members and invite other developing countries to them, and engagement groups,

- Evaluate the experiences made with the peer learning process and improve it, e.g. by establishing clear objectives and identifying best practices.

We suggest three options for flagship initiatives the G20 could launch in the coming years to promote implementation of the 2030 Agenda and to foster systematic policy learning:

- Establish national quantified goals and indicators that can be used to inform budget expenditures and national long-term trajectories of change towards sustainable development
- Measure spillover effects and agree on priorities for collective action.
- Focus joint learning on experiences with investment in infrastructure in order to avoid and prevent unsustainable investment.

¹ The eleven building blocks proposed by UN DESA's VNR handbook are: ownership, incorporation into national frameworks, integration of the three dimensions of sustainable development, leaving no one behind, institutional mechanisms, structural issues, goals and targets, means of implementation, next steps, annexes, conclusion.

² Between 2016 and 2017, fourteen governments have announced they already do – or will in a near future – use the SDGs and their set of indicators in their budgetary processes: Norway, Denmark, Nigeria, Sierra Leone, Indonesia, Mexico, Colombia, Afghanistan, Costa Rica, Thailand, Nepal, Jordan, while in Norway every Ministry must attach to its budget proposal a progress report on the SDGs it is responsible for, the government of Belize plans to measure the impact of its budget on the SDGs.

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Enhancing climate resilience through urban infrastructure and metropolitan governance

The authors:

Gabriel Lanfranchi

Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento, (CIPPEC)

Ana Carolina Herrero

Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento, (CIPPEC)

John E. Fernandez

Massachusetts Institute of Technology (MIT)

Francisca Rojas

Inter-American Development Bank (IADB)

Katerina Trostmann

World Resources Institute

The Task Force:



Climate Action and Infrastructure for Development

This Task Force will discuss potential policy options to stimulate public and private investment in infrastructure. It will also design policy proposals to promote the green economy, and evaluate the transparency and effectiveness of PPP to attract more private capital into green finance.

ABSTRACT

The policy brief (PB) proposes the need for development of new approaches to adapt to climate change that highlight the importance of involving multilevel governance. The largest amount of greenhouse gas (GHG) emissions are produced in cities. Yet they are also at risk of facing the financial and human consequences of climate change, both in terms of lives lost and in material damages. However, national policies have great difficulty coordinating their

efforts with subnational governments in a systematic manner. Three types of innovative approaches to be considered, adopted and promoted by national governments and implemented locally are proposed in the PB: the use of urban metabolism as a conceptual framework, the development of metropolitan governance bodies capable of carrying out plans for adapting to climate change, and new, long-term investment mechanisms in low carbon infrastructure.

CHALLENGE

Today, cities are becoming increasingly key actors in addressing climate change. This is a global phenomenon, but it is at the local level, where people, governments, and economic actors jointly release GHGs, where common global approaches, by national governments, and by sub-national and non-federal actors are required. Cities have a socially and economically transformative role that convert them into sustainable development drivers (Dick, 2016).

Linking urban planning to climate change response is fundamental given that the urban population will continue to grow. So far, the world urban population has grown rapidly since 1950, from 746 million to 3.9 billion in 2014 and it is expected to increase to 6.3 billion by 2050, representing about 70% of the world population (United Nations, 2014). In particular, megacities and metropolitan regions continue to expand: the United Nations estimates that by 2030, there will be 41 megacities home to at least 10 million residents each, mainly situated in the global south (Mayr, et al., 2017).

Whilst urbanization levels have increased, so too have global carbon emissions from fossil-fuel burning, having risen

during 1950-2005 by almost 500 percent (Mayr, et al., 2017). Cities are responsible for between 60% and 80% of energy consumption, generating as much as 70% of the human-induced GHG emissions (UN-Habitat, 2016).

The current wave of urbanization is an opportunity to foster climate- and sustainable-focused variables in urban planning. GHG emissions are strongly linked to materials, energy use in a city, and the waste that it generates (Seto, et al., 2014). Bearing in mind that over the next 15 years we will build as much urbanized areas as has been built in the entire history of humanity (Lanfranchi & Contin, 2017), it becomes clear that there is an urgent need to build climate resilience in order to face the negative impacts that climate change poses to cities.

»The largest amount of greenhouse gas emissions are produced in cities.«

According to the IPCC, urban agglomerations on nearly all continents will be exposed to a temperature rise greater than 1.5°C over pre-industrial levels by mid-century1 (Revi, et al., 2014). The frequency of weather extreme events will also increase and it will raise the level of risk of morbidity and mortality (Rosenzweig & S,

2015). Eighty-two percent per cent of cities are located in areas that face high risk of mortality associated with natural disasters. Furthermore, 89% of cities are located in areas highly vulnerable to economic losses associated with at least one of the six types of natural disasters (UN- Habitat, 2016).

The most significant weather-related health hazards in urban areas are storms, floods, heat extremes, and landslides (Revi, et al., 2014). It has been observed that globally, the number of natural disasters is increasing in both frequency and intensity: 4,000 between 2003 and 2012, compared with 82 in 1901-1910 (UN-Habitat, 2016). These kinds of events limit the functionality and overall resilience of a city, affecting its ability to recover (Mayr, et al., 2017). Furthermore, estimates show for example that the global material cost of disasters for the period 1996- 2005 amounted to US\$667 billion (UN- Habitat, 2016).

Generally, a top-down approach has been implemented to tackle climate change, since national governments design the climate-related strategies, including regulations, incentives, and also commitments in the international arena. Despite their organization in a number of regional and global advocacy networks, cities and metropolitan areas have lacked the leverage to shape or influence national climate governance frameworks. Even though, an increase interdependency between the different tiers of government has been witnessed in the past few years (Dawson, et al., 2014). It has become clear that urban planning plays a key role in the global response to climate change. Building resilience to climate risks is paramount in the context of rapid urbanization, in which climate resilience expands beyond

both sectoral divisions and jurisdictional boundaries. Thus, it is necessary to revise governmental schemes and to foster an integral institutional approach that can address the metropolis transversally, rather than by territorial zones or thematic sectors (Gómez Álvarez & Lanfranchi, 2017); a framework that provides further guidance for what climate resilience means in practice and points to how it can be strengthened and explored by city-level planners (Tyler & Moench, 2012).

PROPOSAL

1. Integrate the concept of urban metabolism into adaptation strategies

Urban metabolism

Cities' adaptation to climate change must articulate viable pathways for transitioning urban economies from a dependence on nonrenewable materials and energy to more resource efficient and sustainable flows.

The concept of urban metabolism represents the study of material and energy flows serving the city (Fernández, 2014). It is also defined as "the sum total of the technical and socio-economic processes that occur in cities, resulting in growth, production of energy, and elimination of waste" (Kennedy, Pincetl, & Bunje, 2010). In this sense, urban metabolism is utilized as a comprehensive understanding of natural resources, construction and industrial materials production, consumption and lifecycle combined with biomass, electricity, CO2 production at a territorial level. This new understanding of urban metabolism allows for a rethinking of place making through flows of resources in and out. By applying this concept, key strategies for green and

resilient cities could be designed by decision-makers in an integrated way. In an urban context, resilience and sustainability is well within reach of municipal and regional authorities through careful consideration of the resource flows serving cities (Ferrão & Fernández, 2013).

»82% of cities are located in areas that face high risk of mortality associated with natural disasters.«

Generation and interrelationships of information

In utilizing the concept of urban metabolism for resilience assessment, it is necessary to examine the complex, dynamic interrelationships that are present in physical and social processes and also their implications for urban planning and territorial interventions (Musango, Currie, & Robinson, 2017).

For achieving climate-related objectives, cities need to promote and share a science-informed and evidence-based policy-making process. A network of city-science panel partnerships should be cre-

ated that shares city-relevant information. The integration of social, ecological, and technological systems in cities is crucial, because they provide transformative avenues leading to urban climate adaptation and mitigation, highlighting also the level of interdependent pathways that connects them (with the opportunities and risks this brings). With this in mind, an integrated approach for development and resource management has to be implemented, both across sectors and across scales in order to optimize synergies between sectors and manage trade-offs through innovative, integrated and cost-effective planning, as well as collaborative decision-making and implementation (GIZ & ICLEI, 2014).

The supra-municipal territorial management metabolism is the cornerstone of urban and adaptation to climate change

Cities should consider the availability of their own resources, including those that are outside their boundaries. This may also require coordination with public and private institutions across jurisdictions and multiple levels of government (Revi, et al., 2014). It is crucial to understand the existing complexity related to the need for scale integration, the management of many variables and/or actors, as well as the integration of sectors (Lanfranchi & Contin, 2017).

2. Develop metropolitan governance mechanisms to manage resilience

National Governments (especially in developing countries) too often lack the ability to implement efficient policies that address localized issues. They lack the proper tools or strong relationship with territories required to respond to global challenges, mainly because too often local authorities lack the technical or financial skills and capacity to

take the right course of action. Metropolitan coordination is key to overcome fragmented governance. It should therefore be promoted as a priority by national and local levels of government altogether.

Metropolitan approaches are unusual even though 85% of urban agglomerations above 100.000 inhabitants are already metropolitan (UN- Habitat 2016). A new framework needs to be developed in order to understand the metro gaps (Lanfranchi 2015). Some national constitutions do not consider metropolitan governments as they tend to organize governance schemes in local, regional (provinces, states, or departments), and national levels. In order to be responsive to global threats such as climate change it requires changing the rules of the game by rethinking the institutional arrangements (Gómez Álvarez & Lanfranchi, 2017). In this sense, vulnerability to climate change can vary immensely within metropolitan regions, a phenomenon not often captured in adaptation or resilience planning (Dinshaw, Giroux Lane, & Elias-Trostmann, 2017). Having a better sense of how ready they are to contend with the effects of climate change will enable metropolitan regions to effectively build on their strengths and address their weaknesses when planning for climate resilience (Dinshaw, Giroux Lane, & Elias-Trostmann, 2017). Metropolitan resilience planning should identify and engage stakeholders closely and continuously in all stages of resilience planning: assessing climate change risks, identifying and prioritizing options, developing information databases, and implementing resilience measures. Associations of smaller municipalities outside the strict metropolitan area could help balancing cities' cen-

tripetal force in terms of resource allocation, and investments.

Furthermore, climate governance consists not only of decisions made by government actors, but also by the private sector, non-governmental and civil society actors in the city (Gómez Álvarez & Lanfranchi, 2017). Citizen participation needs to be reinvented within metropolitan governance schemes as does the relationship between local governments and entrepreneurs and the business community at large (Buchoud, 2017). Increasing social participation and collecting feedback from residents and community members leverages local knowledge useful for resilience planning. This can also help to ensure that climate resilience measures address local needs and residents' concerns. At the same time, it has a great potential to create legitimate, effective response strategies. Also, new information and communication technologies present an opportunity to improve citizen engagement and participation in the intermediate governance instances that are emerging between local and regional authorities (Gómez Álvarez & Lanfranchi, 2017).

Moreover, many cities are beginning to develop metropolitan governance bodies by applying integral development approaches (Lanfranchi & Contin, 2017), which work mainly on regional development, transport and spatial planning. In this context, countries should consider how much policy coordination can the metropolitan governance body achieve; what budget and staff does the metropolitan governance body have; and to what extent do citizens understand the metropolitan governance body.

Nevertheless, the creation of new metropolitan entities does not mean to take

away functions from the municipalities or the national government, but to complement them: improving efficiency and equity in the performance of metropolitan resilience projects (Lanfranchi & Bidart, 2016).

In addition to that, governance bodies have to take into account the interdependence of modern urban infrastructure systems, such as energy, transport, telecommunications, water, etc. The cascading impacts of climate change on interconnected infrastructure systems at the urban scale is projected to cause adverse effects on them due to an increase in the magnitude and frequency of extreme weather events. Therefore, the identification of infrastructure interdependencies and climate impacts can serve as a first step in reducing risks to systems (C40 & AECOM, 2017).

SDGs and Paris Agreement

Climate change represents a serious threat to achieve Sustainable Development Goals (SDGs). At the same time, the SDGs provide an opportunity to foster climate-related actions in order to achieve their sustainability targets. Cities play a key role in achieving sustainable development worldwide, being the arena, where the Paris Agreement and the 2030 Agenda converge. Both Agendas need to be implemented in an integrated manner (Brandi, 2018). It is clear that the achievement of one Agenda depends on the success of implementing the other one, as demonstrated by SDG 11: "Make cities and human settlements inclusive, safe, resilient and sustainable" (UN, 2015).

Local authorities are key actors in enforcing policies that consider the SDGs targets and Nationally Determined Contributions (NDCs): Around 65% of the SDG

targets can only be achieved if they are implemented in cooperation with local actors. Similarly, 110 NDCs mention urban areas as the implementing territory for their GHG reduction efforts (Brandi, 2018).

Urbanization has to be a key issue in international cooperation since investments in urban infrastructure made today will have positive or negative implications for achieving global challenges addressed by the Global Agenda. Also, urban capacity to shape effective policies through collaborative governance needs to be bolstered (Brandi, 2018). The G20 should encourage cities to make a comprehensive analysis of how climate actions in their territory could contribute to the achievement of SDGs (Dzebo, et al., 2017).

The pathway initiated to achieve the objectives of the SDGs and the Paris Agreement offers cities a unique opportunity make real changes by implementing actions towards more sustainable societies in terms of the different dimensions of sustainability (Brandi, 2018).

3. Incorporate low-carbon development strategies in infrastructure investments

To mitigate climate change and to adapt to its risks, planned investment must be steered towards lower-carbon, climate-resilient options. Emissions related to infrastructure growth are tied to investment decisions, existing urban energy systems, and regulatory policies that shape the process of urban growth (Seto, et al., 2014). A transition to low-carbon, climate-resilient cities requires more urban infrastructure investment and a shift in the way those existing financing streams are allocated. Further, a key aspect is that cities link their land use planning decisions to their cli-

mate action (Colenbrander et al., 2018). By promoting urban development that is compact, connected and coordinated, cities can reduce global infrastructure requirements by more than US\$3 trillion over the next 15 years, delivering an annual abatement of 0.3GtCO₂e by 2030 and 0.5GtCO₂e by 2050 (Colenbrander et al., 2018).

»Urban planning plays a key role in the global response to climate change.«

To achieve the Paris Agreement objectives, cities need to refurbish existing systems and infrastructures while fast-growing cities need to shift towards lower-carbon development pathways (Revi, et al., 2014). Innovation, learning and scaling of financing instruments, financial architecture and governance structures is urgently needed, particularly in four interconnected sectors that represent the greatest abatement potential: electricity grid decarbonization, greater energy efficiency in buildings, more efficiency in transport systems, and waste management process improvement (Colenbrander et al., 2018). In particular, the transport sector creates significant challenges, due to their exposure to fluctuations in climate-related variables, such as precipitation, temperature, winds, visibility, and for coastal cities, rising sea levels with the associated

risks of flooding and damages (Revi, et al., 2014).

Infrastructure investments are partial and fragmented in most cities across low- and middle-income nations, and most of the time informal settlements are ignored. It is significant given that in 2014 approximately 45% of the urban population in developing countries lived in informal settlements in inadequate housing conditions (UN Habitat, 2015). Deficits in infrastructure and service provision increase the differentials in exposure to most climate change impacts between income groups. So, sometimes, rather than reducing risks, unequal investment strategies can increase, shift or concentrate risks (Revi, et al., 2014).

The New Climate Economy estimates that low-carbon urban actions present a global economic opportunity of US\$17 trillion by 2050 (Godfrey & Zhao, 2016). Seventy per cent of the projected investment needs for sustainable infrastructure will be required in emerging and developing countries, particularly in Africa where urban population growth rates are highest (Bhattacharya, et al., 2016)2 (Watts, et al., 2017). A recent report by the Paulson Institute and Energy Foundation estimates that China alone will require approximately US\$1 trillion over the next five years for low carbon buildings, sustainable transport, and clean energy in urban areas (Godfrey & Zhao, 2016).

It is also important to recognize that many of the estimates do not take into account the additional investment required to adapt existent urban infrastructure to present and future climate risks. According to the World Bank, the capital costs required for urban infrastructure adaptation is estimated in US\$11-20 billion per

year for 2010-2050. Compared with estimates by the United Nations Environment Programme (UNEP), that is a conservative estimate, which suggest that the costs of urban adaptation could be up to US\$120 billion per year by 2025 to 2030 (Godfrey & Zhao, 2016).

»Citizen participation needs to be reinvented within metropolitan governance schemes.«

In addition, it will be necessary to consider investments in 'soft infrastructure', which include capacity building, the provision of healthcare, designing and establishing participatory decision-making processes, among others. This kind of investments can also enhance the effectiveness of other types of adaptation investment (Colenbrander et al., 2018).

The creation of new jobs will be a part of this opportunity. In some cases, these positions will be new jobs, whereas in others they may represent a shifting of jobs from one sector to another (Watts, et al., 2017). The large-scale deployment of climate solutions has the potential to boost labor de-

mand from both manufacturers and installers. In general, the greater the proportion of investment that goes to installation, the larger the number of local jobs supported.

4. G20 proposals

We propose three approaches to advance urban resilience to climate change:

- Integrate the concept of urban metabolism into adaptation strategies: We propose the promotion of a new technical-methodological approach across a given territory that accounts for the relationship between resource and energy flows and greenhouse gas (GHG) emissions;
- Develop metropolitan governance mechanisms to promote and manage resilience more effectively: an integral way of organizing the governance of the planning and intervention processes in a given territory beyond its jurisdictional limits, to include multi-sector and multi-stakeholder coordination to overcome the administrative gridlock.
- Incorporate low-carbon development strategies by rethinking infrastructure investments: a framework to finance infrastructure in order to achieve low carbon development pathways and climate resilient cities. This also means supporting the rapid development of green finance to support such investments.

Finally, the G20 can support these recommendations by organizing its working groups by comprehensive themes and not by sectors. This is the only way that solutions to key problems can be dealt with in a coordinated and consensus-making way.

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Contributing Authors: This Policy Brief has received inputs from: Florencia Yáñez (CIPPEC); Britta Horstmann (DIE); Eva Dick (DIE); Clara Brandi (DIE); Ste"en Bauer (DIE); Alfredo Redondo (C40 Cities Climate Leadership Group); Nicolas J.A. Buchoud (Cercle Grand Paris de l'Investissement Durable); Lola Vallejo (IDDRI); Oscar Huerta Melchor (OECD); Jacopo Bencini (DIE); Asha Aravindakshan (MIT); Kanako Tanaka (Center for Low Carbon Society Strategy, Japan Science and Technology Agency); Koichi Yamada (Center for Low Carbon Society Strategy, Japan Science and Technology Agency); Jyoti Parikh (IRADe); Emma Castaños (MIT);

Scaling development finance for our common future

The authors:

Kevin P. Gallagher

Global Development Policy Center,
Boston University

Leandro A. Serino

T20 Argentina

Danny Bradlow

University of Pretoria

José Siaba Serrate

CARI

The Task Force:



An International Financial Architecture for Stability and Development

This Task Force will address topics related to the design and improvement of the international financial architecture and offer policy advice on monetary policies for both developed and developing countries.

ABSTRACT

The G-20 and the broader world community has committed to ambitious goals to close global infrastructure gaps, mitigate climate change, and advance the 2030 Agenda for development. We call on G20 leaders to task development finance institutions (DFIs) such as the development banks in member countries and the Multi-lateral Development Banks (MDBs) of which G-20 countries are members, to commit to scaling up resources by 25 percent, to calibrate new financing to international commitments to mitigate climate change and the 2030 Agenda, and to work together as an inclusive system toward achieving those shared goals.

CHALLENGE

The world community needs to annually mobilize trillions of dollars in order to close infrastructure gaps and meet these broader goals and commitments. The private sector and national governments are falling far short of leading the way to financing these goals. DFIs are uniquely poised to provide and mobilize capital but the effort to date has been under-capitalized, under-performing, and uncoordinated.

Unmet global infrastructure needs to 2030 are over \$3 trillion annually if they are to be conducted in a manner that is low car-

bon and socially inclusive.¹ What is more, the credit gap for micro, small and medium enterprises across the globe is upwards of \$2 trillion.²

The private sector and national governments are doing little to address these gaps in long-run financing. Private capital flows are immense in scale but have proven to be biased toward short-term gains -flowing in 'surges' and unstable 'sudden stops' to emerging market and developing countries- rather than long term needs in infrastructure and human capital formation.³ Private sector levels of investment in gross fixed capital formation have been small and on the decline for decades. In 1980 private sector investment as a percent of gross domestic product was over 20 percent, and has declined to roughly 18 percent (Appendix 1). New research by the International Monetary Fund shows that public investment in the form of fiscal policy by national governments also tends to be biased toward short-term electoral cycles.⁴

Development Finance Institutions such as national and sub-regional development banks and multi-lateral development banks have a unique role to play. These institutions can take a longer-run societal view toward financing, can uphold and demonstrate standards of excellence, and can mobilize commercial financing in tandem with their goals. However, many DFIs have been under capitalized and underperforming, and there is little coordination across all the DFI's toward these common goals.

DFI's across the world hold roughly \$6 trillion in total assets, with G-20 members as shareholders of \$4.3 trillion of that total. The largest amount of DFI capital is held in national development banks, which are \$4.8 trillion of the total, and MDBs at \$1.8

trillion.⁵ While significant, these assets are dwarfed by the size of the need and are not always aligned with broader development goals.

We face a great challenge to mobilize trillions more in capital to change the structure of the world economy to one that is more sustainable and socially inclusive.⁶ Thus far, in bridging the infrastructure gap, MDBs have been done a limited job at mobilizing private capital peaking to just over \$200 billion in 2010, and down to just \$93 billion in 2017.⁷ The Global Infrastructure Facility, supported by the G-20 and the World Bank for public-private partnerships (PPPs), has attracted a mere \$84 billion and committed just \$37 million.⁸ Of the limited mobilization that has occurred it is not clear that such resource mobilization has been pro-poor and has enhanced debt sustainability, and broader development goals.⁹ DFIs will need to convene multi- stakeholder forums to align the public and private sectors in this regard.

PROPOSALS

We call on G20 leaders to task development finance institutions (DFIs) such as the development banks in member countries and the Multi-lateral Development Banks (MDBs) of which G-20 countries are members, to commit: to scaling up resources by 25 percent, to calibrate new financing to international commitments to mitigate climate change and the 2030 Agenda, and to work together as an inclusive system toward achieving those shared goals.

Scale Up Development Finance

DFIs, especially the MDBs, will need a step-wise expansion and optimization of capital to meet our common goals. This can be ac-

complished by increasing the base capital of DFIs, expanding their lending headroom, and by mobilizing capital from the commercial sector.

»Private sector levels of investment in gross fixed capital formation have been on the decline for decades.«

DFIs will need to increase their base and callable capital and increase the lending headroom on their balance sheets to meet broader development goals. Since the global financial crisis some DFI's have made significant increases to the amount of DFI capital in the world economy but a stepwise increase from these levels is still needed.¹⁰ Chief among those contributions has come from China. Since the crisis China has increased the assets of the China Development Bank by \$1.5 trillion, with roughly one-fifth of its balance sheet now in overseas financing to sovereign governments outside China. What is more, China has helped establish two new MDBs in the Asian Infrastructure Investment Bank and the New Development Bank.¹¹ Many national and sub-regional development banks

in emerging market and developing countries also replenished or created new DFIs as well as they accumulated reserves due to the commodity-boom in the aftermath of the crisis (Appendix 2). Recently, shareholders endorsed a \$7.5 billion paid-in capital increase for International Bank for Reconstruction (IBRD) and Development and \$5.5 billion paid-in capital for International Finance Corporation as well as a \$52.6 billion callable capital increase for IBRD.¹²

In addition to further capital increases, some DFIs have significant 'lending headroom' to provide more financing while continuing to maintain strong credit ratings. A number of recent studies, including a study by Standard and Poor's rating agency itself, estimate that MDBs could increase their lending headroom by \$598 to \$1.9 trillion under various scenarios. Without a capital increase, if MDBs optimized their balance sheets at a AAA rating, the range of increase ranges from \$598 billion to \$1 trillion. With a capital increase of 25 percent by major MDBs, lending could expand by \$1.2 to \$1.7 trillion. If some MDBs were to optimize at a AA+ rating, expansion could reach close to \$2 trillion dollars. In the later case however, optimizing at AA+ will have a negative impact on profitability though according to research to support this brief the net benefits are still likely to be positive.¹³ In addition to expanding lending headroom, some DFIs are considering securitizing their loan portfolios, though there are few examples of DFI securitization and estimates of the benefits and costs of such an approach not yet forthcoming¹⁴.

There is potential to further bridge financing gaps through blended finance and PPPs, and DFIs can play a key role in mobilizing the much needed public and private

capital to finance sustainable infrastructure.¹⁵ Blended finance has been defined as “the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets” using such instruments as guarantees, securitization commercial bank loans, syndicated loans, credit lines, direct investments in companies, credit enhancement of project bonds, and shares in special purpose vehicles.

Private participation in infrastructure projects has been promoted for many years through PPPs and are now focusing on the design of financial instruments to develop infrastructure as an asset class. Unfortunately, relative to the size of the gaps private finance of infrastructure is falling short. Blended finance has mobilized only \$31 billion through blended financing efforts since 2000.¹⁶ As noted earlier, there is promise in PPPs, though should not be overblown. As noted earlier, private participation in infrastructure projects has also been relatively small. The majority of that financing has gone to developed and large middle-income countries. Only 24 of the poorest countries had a single infrastructure project with private participation between 2011 and 2015.¹⁷ The Inter-Agency Task Force on Financing for Development found that of the close to \$50 billion mobilized by MDBs in private co-financing, only US\$1 billion flowing to least developed countries and little evidence that the most vulnerable in those countries were beneficiaries.¹⁸

Finance for Development

Echoing the G-20 Eminent Persons Group, DFI “governance structures and internal incentives should be reoriented towards achieving development impact, rather than

deployment of their own financing.”¹⁹ Maximizing finance for development is not the same thing as optimizing development bank finance under a ‘business as usual’ scenario. Current infrastructure is responsible for the majority of carbon dioxide emissions and lays the foundation for much of the unsustainable production and consumption patterns and accentuates existing inequities in much of the global economy today.²⁰

»There is potential to further bridge financing gaps through blended finance and PPPs.«

Adapting to country and regional circumstances calibrating new finance to Agenda 2030 and the Paris agreements should be the guiding rationale for new financing. What is more, DFIs will need to deploy new measurement and monitoring systems that ensure that DFI’s maximize the development impacts and mitigate the development and financial risks of their efforts for better development effectiveness. Key to measuring and monitoring progress is the need to increase transparency for measurement, evaluation, and accountability. Member states of the United Nations have agreed to collect a set of global indicators to be developed by the Inter-agency and Expert Group on Sustainable Development

Goal Indicators (IAEG- SDGs), indicators that can serve as a set of common agreed upon statistics that DFI financing can be calibrated toward and measured against.²¹ Adopting a clear and inclusive process to measure DFI progress for accountability will be critical to achieving Agenda 2030.

Some DFIs are leading on climate change commitments by pledging to provide disincentives for economic activity that accentuate climate change while simultaneously encouraging climate friendly activity. Many of the MDBs have strong limits on the financing of coal fired power plants, and the World Bank has pledged to end financing for upstream oil and gas extraction by 2019.²² The Inter-American Development Bank has pledged to all projects for relevant climate risks starting in 2018, and the Caribbean Development Bank has explored the adoption of 'climate-stress testing' of their entire balance sheet to protect it from climate-related stranded assets.²³ Brazil's national development bank and the Development Bank of Southern Africa have created special climate funds. The China Development Bank has been active in green bond markets, issuing a \$500 million bond certified by the Climate Bond Initiative for low carbon wind, transport and water projects in China and Pakistan.

Strengthened and improved Environmental and Social Risk Management systems (ESRM) beyond those that examine climate change will be essential to ensuring that development financing is calibrated toward broader goals. While most development banks deploy ESRM, the quality and degree to which these systems are effective varies widely. Especially in the case of MDBs, ESRM has been perceived by host country finance ministries and by opera-

tions staff at MDBs as onerous conditionalities that slow project approval and completion without necessarily improving social and environmental outcomes.²⁴ Other work has shown that some safeguards, such as environmental impact assessments, grievance mechanisms, and 'free prior informed consent' by local communities help DFIs identify and mitigate risk and improve project outcomes.

Some DFIs, such as the Development Bank of Latin America, the KfW of Germany, the Caribbean Development Bank, and others a unique approach whereby they provide grant and concessional financing as well as technical assistance to borrowing countries to establish effective ESRMs at the project level, enhancing the institutional capabilities of borrowing nations rather than imposing conditions without corresponding financing.²⁵ DFIs will need to strengthen and improve ESRMs appropriate to country and regional circumstances and in calibration with broader development goals by promoting a multi-stakeholder dialogue in this regard.

A new set of principles and guidelines will need to be created to ensure that PPPs and blended finance approaches are calibrated to Agenda 2030 as well. A recent UN assessment evaluated the guidelines of 12 major institutions including the OECD, World Bank, IMF and others and found that the guidelines do not yet align with Agenda 2030. Across the guidelines there is a lack of clear guidance regarding when PPPs are appropriate and when they are not, how to align with national process & international commitments, guidance on the fair sharing of risk and rewards, alignment with sustainable development / SDGs; Climate, human rights considerations, and how to incorpo-

rate various Stakeholder perspectives.

A next generation of PPPs should be driven to align with Agenda 2030 and Paris. For this to occur, the study concludes, “governments must consistently strive to realize broad public value and public good from PPPs. This means the public must be at the center of PPP deliberations, decision making and delivery. Governments must engage with citizens, weigh the socioeconomic costs and benefits of PPPs, and put in place appropriate institutional and accountability mechanisms, systems, processes, and capacity to achieve the fuller vision. As part of PPPs, commercial actors must also commit and be subject to adopting appropriate standards that align with broader goals²⁶.”

»Current infrastructure is responsible for the majority of carbon dioxide emissions.«

Global Cooperation and Governance

The G-20 should encourage the establishment of a multi-stakeholder forum that includes not solely national governments and MDBs, but also the broader set of DFIs, the business community, civil society, and other key stakeholders into a cooperative process. While there are a number of separate

forums and platforms for DFI collaboration, there lacks a global forum for DFI dialogue, cooperation, coordination, and collaboration among relevant stakeholders. The World Federation for Development Financing Institutions (WFDFI) and its regional chapters is the most systematic set of groupings among DFIs, especially for national development banks. The International Development Finance Club (IDFC) is the most comprehensive attempt to bring together both national development banks, subregional development banks, and some MDBs such as the Islamic Development Bank. Of course, as part of the annual and spring meetings of the World Bank and International Monetary Fund the larger Western-backed MDBs convene and at times coordinate.

From these efforts have been a number of initiatives that could be scaled and replicated across a broader global system. The IDFC negotiated a pledge to generate \$100 billion in green financing and developed an aligned tracking and monitoring system and then negotiated a set of ‘Common Principles for Climate Mitigation Finance Tracking’ and now regularly report on progress.²⁷ The Inter-American Development Bank, in part drawing on support from joint funds between China’s development banks and central bank and the IDB, has a program with members of Latin American Association of Development Financing Institutions (ALIDE), the Latin American regional grouping of the WFDFI to on-lend, credit enhance, and provide technical assistance to national development banks in the Americas for clean energy and energy efficiency, ESRM, and have created a ‘Green Finance in Latin America’ platform.²⁸ Deploying a similar model, the New Development Bank of

the BRICs countries raises funds on green bond markets and on-lends for sustainable infrastructure to national development banks in member countries.²⁹ Germany's KfW is working with the International Renewable Energy Association to establish a regional liquidity facility for renewable energy infrastructure, and the KfW and France's AFD have had credit facilities with the Development Bank of Latin America for some time³⁰.

There are limitless opportunities and agendas for a global forum of coordination and cooperation across DFIs. Shared country strategies, the development of regional approaches (especially for infrastructure), dialogue on safeguards and standards, could all be part of such an agenda. Over time some of the best practices discussed above could be scaled up. Proposals for such cooperation include a global special purpose vehicle and global guarantee funds for sustainable infrastructure, and the creation of project platforms to facilitate crowding-in private investment, among others.³¹

A global forum for DFIs could also help foster a more global representation of the stakeholders of the development process. Quoting from a recent report on the subject that success may depend on "A vision of a system serving all developing countries requires a governance structure that permits adequate voice³²," given that research shows how "when borrowing countries have more voice have: less reliance on a compliance rules-based culture, and more cost-effective linkage between safeguards and development benefits; less conservative financial policies; more flexibility in allocation procedures; and less internal oversight and cost.³³ Aligning national deve-

lopment banks, borrower-led sub-regional DFIs, and the MDBs as well as with civil society participation would provide for a more cohesive and legitimate system to coordinate, and calibrate global DFI financing toward our common future.

Appendix 1³⁴

Private investment in the world economy (% of GDP)



Appendix 2³⁵

Twenty-Five Largest DFIs with G-20 members

DFI	Assets (millions)	Loans (millions)
China Development Bank	1,957,057	1,427,801
KfW Bankengrup	536,820	477,054
World Bank	349,105	163,013
Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	251,114	175,098
Korea Development Bank	235,151	124,554
Japan Bank for International Cooperation	161,597	124,463
Development Bank of Japan, Inc.	141,171	119,056
Asian Development Bank	117,697	61,941
Inter-American Development Bank	111,139	78,745
European Bank of Reconstruction and Development	59,747	22,881
IDBI Bank Ltd. (India)	55,714	32,129
Bank for Development and Foreign Economic Affairs (Vnesheconombank-Russia)	53,284	28,409
Agence Française de Développement (AFD-France)	46,190	38,100
African Development Bank	35,124	17,832
Banco Nacional de Obras y Servicios Públicos S.N.C. (Banobras-Mexico)	34,151	17,985
Development Bank of Latin America	32,470	20,759
Nacional Financiera S.N.C. (NAFIN-Mexico)	24,814	10,740
Islamic Development Bank	22,915	2,626
Asian Infrastructure and Investment Bank	17,795	10,000
Business Development Bank of Canada	17,192	14,877
New Development Bank	10,054	n.a
Central American Bank for Economic Integration	8,813	5,905
Industrial Development Corporation (South Africa)	8,323	1,594
Netherlands Development Finance Company	8,013	2,600
Development Bank of Southern Africa	5,598	4,724

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The crypto-assets experience: Give technology a chance without milking users or investors

(and keep close international oversight on potential collateral damage)

The authors:

Claude Lopez

Milken Institute

Susana Nudelsman

UBA

Alfredo Gutiérrez Girault

CARI

José Siaba Serrate

CARI

The Task Force:



An International Financial Architecture for Stability and Development

This Task Force will address topics related to the design and improvement of the international financial architecture and offer policy advice on monetary policies for both developed and developing countries.

ABSTRACT

Crypto-Assets (CA) are digital instruments aimed to serve as mediums of exchange that rely on decentralized control and boast the (yet to prove) promise of a revolution in Finance. Their meteoric rise entails both opportunities and perils. Rewards are uncertain; risks, much more tractable. We propose the design of a cross border framework to put CA on a level regulatory playing field with other competing financial instruments and activities. That involves keeping close scrutiny of CA linkages with the real economy and the existing conventional financial infrastructure, and bringing CA under the normal anti-money laundering (AML) and counter-terrorist financing (CFT) standards. Risks borne by users and investors – and possible systemic risk – deserve thorough examination while giving technology space to develop its genuine potential.

CHALLENGE

Cryptocurrencies have arrived. Not one or two or half a dozen. Close to 1600 are on

circulation – worth more than USD 400 billion as of early May 2018 - and many more are expected to come through planned private and public offerings (ICOs). We prefer to call them Crypto-Assets (CA) as their use as currency is very limited or nonexistent (though most of them, as currencies, lack intrinsic value). Considering that they are easily replicable – and there are more CA than conventional currencies- , a high mortality rate is to be expected among all of them, without having any chance of ever becoming monies, with, perhaps, just a few exceptions (those capable to create value through significant acceptance and usage).

Are they a brave new world? Or, are they a (dangerous) passing fad? CA have already experienced exuberance and bubbles and falls from grace, and survived, as they thrive in a continuous high volatility environment. It has to be noted that experts´ opinions have not been gentle. CA have been categorized as “fraud” (Jamie Dimon, CEO of JP-Morgan, though he later regretted it ; and many others), “basic Ponzi schemes” (Jim Yong Kim, head of the World Bank, among others), “the mother of all bubbles” (economist Nouriel Roubini), “a combination of a bubble, a Ponzi scheme and an environmental disaster” (Agustín Carstens, General Manager of BIS). Successful value investor, Warren Buffet, warns that the “craze” will “almost certainly come to a bad ending”. There is no conspiracy of silence, indeed.

Open voiced criticism and repeated steep price falls have not deterred investors in constantly increasing their exposition. “Cryptocurrencies could drop to near – zero at any time”, Ethereum founder – Vitalik Buterin – has written in his own twitter without triggering any run against

CA. CA, at least at current times, can spare of praise and political correctness. They carry hi tech allure that shines even in the toughest times. The underlying technology gets favorable reviews – even from the above cited detractors - as it holds the potential to contribute to a drastic improvement of payment systems (with significant expected payoffs in terms of financial inclusiveness and economic efficiency). But given that the essential technology is open source, those potential benefits will probably be mostly socialized and not harvested by CA investors.

»Open voiced criticism and repeated steep price falls have not deterred investors.«

Until the present date, systemic risk has been deemed negligible due to the small size of the nascent asset class, but its magnitude is growing, market setbacks notwithstanding. Most of the dangers that have been mentioned by authorities – and seem to be at the top of their agendas –are linked with illicit transactions, money laundering and tax base erosion or terrorism financing concerns. But that analytical frame, while rightly oriented, is not sufficient. Size matters, but strategic location of risk does, too. It is well known

that a small bird within a jet engine could spell lethal trouble. And CA are displaying a rising tendency to bias their expansion towards bigger financial engines as they get more public visibility and gradually leave their marginal status behind. Their quotations (and ad pieces) are moving to the mainstream financial pages, bitcoin ATMs are spreading, more merchants accept payments in bitcoins (that are automatically converted into fiat through the financial system), and so forth. Trading in standardized futures was authorized by the CFTC in the US last year. Both Chicago main exchanges, CBOE and CME, launched contracts on bitcoin in December 2017 (though transaction volumes remain very low). Requests of authorization to start dedicated ETFs (exchange traded funds) have been filed in the US SEC though none have prospered (and several were later retired by the interested parties. Mr. Dimon's back and forth declarations – initially he even said that any employee involved in trading CA would be dismissed from his firm – should be put into the right perspective. If growth persists, CA could eventually become a very lucrative line of business. And banks compete for profits among themselves. If the more aggressive players decide to participate, they may force even non-believers to jump into the bandwagon. Does anyone remember subprime? In a not so distant future, if negligence prevails, a debt financed boom in the asset class could turn into a serious financial headache. Its high energy intensity – with the bitcoin network alone currently estimated to consume more electricity than 159 countries (including Ireland and most countries in Africa) – may also trigger significant adverse environmental impacts.

PROPOSALS

CA are a post Lehman financial innovation. Their frenzy is a market phenomenon that has popped up under the new framework of financial architecture and regulation. It is a rational technological and entrepreneurial response to existing incentives as they are, at least on paper, extremely rewarding to their creators and early investors. As such the CA experience provides an actual field case to appraise the virtues and weaknesses of the revised set of rules of the game that have been put in place after Lehman in the name of enhanced stability. Do we have a good firewall to let financial innovation pass while avoiding its potential pitfalls? Could former hypes – like the dotcom or the subprime episodes – repeat themselves if they are skillfully dressed under new hi tech clothes? How is the public – users, unsophisticated investors and society – best protected? The CA rolling coaster fever looks as an early warning of failure. And this is not only a national concern but a multilateral one that the G20 should address now. The digital world is flat. It has no national frontiers and its influence is global. So, international cooperation is of the essence.

We consider that the G20 should develop a specific CA chapter within its broader financial innovation agenda. The evolution of CA and their potential impact on financial stability should be monitored regularly, both with a short and long term perspective. That task must be started sooner than later and should not wait for CA to reach systemic importance. Current risks borne by users and investors – and their rapidly increasing trend – deserve thorough examination. We believe that from such analysis, recommendations and directives could emerge at time to influence a more useful

development path for CA – and competing technologies – and diminish potential social waste and eventual collateral damage (on third parties, trust on the payments systems, the environment, etc).

National regulation on CA is just in an infant stage, and in some countries still absent. Where regulation exist it is not yet a stable established corpus but more of a work on construction type of normative, still prone to big changes – frequently due to specific circumstances such as adverse events like theft or hacking - and with a limited scope that leaves important blind spots unattended. Regulatory orientation varies wildly: ranging from liberal and friendly approaches (such as in Switzerland) to very hostile ones aimed at clamping down a full set of activities (as in the case in China). Giving heterogeneous national regulatory approaches, their learning phases, and the borderless nature of CA, there is an obvious need for a basic level of international consensus on how to handle CA so as to avoid regulatory arbitrage, race to the bottom type of behavior, the drilling of legal norms that haven been agreed upon in areas such as tax evasion and money laundering and that may render them ineffective, the early detection of perils that could be incubating within the financial and payment systems, and the investigation and prosecution of serious offenders.

We recommend the design of a cross border framework to put CA on a level regulatory playing field with other competing financial instruments and activities. Assuring consistency and the building of a preemptive firewall for damage control is a key purpose for putting such framework in place sooner than later. This is a terrain for collaboration among the Financial Sta-

bility Board, the IMF, the Financial Action Task Force on Money Laundering (FATF) and other Global Standard-Setting Bodies (GSSBs).

We think that this framework could be established along these lines:

It should cover and monitor activities and not only entities. Given the disruptive nature of the new technologies, most of the activities involved are currently executed in a shadow area by players out of the radar of any regulator and /or supervisor.

It should keep close scrutiny of CA linkages with the real economy and the existing conventional financial infrastructure. Nodes – such as online exchanges and wallets – where CA and fiat currency are converted into each other are crucial. In February several banks announced their decision to ban CA transactions financed through credit cards revealing the existence of an open gate where risks could easily pour from one system to the other.

National jurisdictions should agree on standard manuals of procedures and best practices, the compilation of basic information and the regular exchange of such information.

The CA experience shows the need to establish strong rules to promote market integrity and protect investors and consumers from a wide array of threats that include fraud and cheating scams, hacking, outright theft, closure of exchanges, price (and exchange rate) manipulation, etc.

It is imperative to bring CA under the same operational umbrella that FATF has developed as anti-money laundering (AML) and counter- terrorist financing (CFT) standards. Require online trading platforms to carry out due diligence on customers and report suspicious transactions. Imitate

South Korea's initiative to require transactions on CA exchanges to be linked to real-name bank accounts subject to AML obligations. By ending anonymity take advantage of blockchain superb traceability attributes.

»A debt financed boom in the asset class could turn into a serious financial headache.«

It should provide a robust evaluation of the environmental impacts of CAs – in particular their energy use.

We also think that CA stakeholders should be able to engage in this process of regulatory fine tuning and make their voices heard.

After putting the new underlying technologies under the same regulatory umbrella, let them develop and compete with other traditional or non-conventional platforms on an equal footing as they provide the impetus to rethink the way finance is done. There are many promising areas for development: payment systems (execution/liquidation / settlements; cross border payments), smart contracting, and others, in a genuine search for lower costs of transactions, better risk management and greater financial inclusiveness.

Analyze the sovereign side of CA: from the pros and cons of issuing digital currencies to the current rogue states' involvement and the attempt to use CA to circumvent sanctions by the international community. Examine the first national CA – the Venezuelan petro – and its role. Explore the convenience of issuing digital currencies by multilaterals as, for example, a digital SDG.

In a nutshell

We propose the design of a cross border framework to put Crypto-Assets (CA) on a level regulatory playing field with other competing financial instruments and activities. That is not to regulate more but equal. This task must not wait for CA to reach systemic importance. It should cover and monitor activities, and not only entities; keep close scrutiny of CA linkages with the real economy and the existing conventional financial infrastructure, and bring CA under the conventional anti-money laundering (AML) and counter-terrorist financing (CFT) standards. The evolution of CA and their potential impact on financial stability should be monitored regularly. From such analysis, recommendations and directives could emerge at time to influence a more useful development path for CA – and competing technologies – and diminish potential social waste and eventual collateral damage. This framework should give innovation space to develop its genuine potential and make a positive social contribution.

Other recommendations

Handle the current CA market boom with special care as it will probably end with a resounding bust (it will for most of the CA on circulation). Bubbles happen, even with

more traditional extensively regulated financial instruments that operate with higher transparency. Consider potential stress scenarios, identify the weak spots and figure out tentative action plans for remedy.

»International cooperation is of the essence.«

CA are clearly not suitable for non-speculative investors, but individuals have enthusiastically embraced them. More information and education might tame that tendency but, while this inflated pricing game lasts, it might be futile. Nonetheless, there is a moral obligation to set a straight record of advice even if most people do not want to hear (just for those that might decide to pay attention to risk/reward profiles).

Try hard to avoid the foreseeable next legs of a possible “sucking game”: that is dumping CA and ICOs to the public in order for CA creators, connoisseurs and early investors to cash in and leave off the table. Facilitating increased access to the more established markets – with their greater liquidity pools – is an easy way to inflate prices first, and then pave the road for the exit strategy. So this area deserves particular oversight in terms of investor protection.

<https://www.merriam-webster.com/dictionary/cryptocurrency>

Data gathered by Coinmarketcap.com, a specialized site.

That is the same terminology used by the G20 finance ministers and central bank governors in their Buenos Aires ' Communiqué of March 20, 2018. <https://www.g20.org/en/press/press-kit/press-releases/communiqué-first-g20-meeting-finance-ministers-and-central-bank>

Money is a social convention where one party accepts it as payment in the expectation that others will do so too. On how far private money can go, and historic precedents of its usage, see <https://www.bis.org/publ/work698.htm>

One has to consider also that a true global cryptocurrency might emerge in the future as an improved version relative to these pioneer CA.

Just to get a glimpse of the exciting mode take a look at <https://www.forbes.com/sites/kenrapoza/2018/01/02/2018-will-see-many-more-cryptocurrencies-double-in-value/#2ba37fae3eed>; <https://www.forbes.com/sites/kenrapoza/2018/01/02/2018-will-see-many-more-cryptocurrencies-double-in-value/#2ba37fae3eed>; <https://www.finder.com/cryptocurrency-predictions>

For a bitcoin price history visit <https://www.buybitcoinworldwide.com/es/precio/>

<https://www.ccn.com/jp-morgans-jamie-dimon-labels-bitcoin-fraud/>

<https://www.ccn.com/jamie-dimon-regrets-bitcoin-fraud-remark-remains-uninterested/>

<https://www.bloomberg.com/news/articles/2018-02-07/cryptocurrencies-are-like-ponzi-schemes-world-bank-chief-says>

<https://www.project-syndicate.org/commentary/why-bitcoin-is-a-bubble-by-nouriel-roubini-2018-01?barrier=accessreg>

<https://www.bis.org/speeches/sp180206.htm>

<http://www.dailymail.co.uk/sciencetech/article-5255001/Warren-Buffett-says-Bitcoin-end-DISASTER.html>

<https://www.cnbc.com/2018/02/19/ethereum-creator-vitalik-buterin-warns-about-cryptocurrency-investment.html>

<https://www.mckinsey.com/industries/high-tech/our-insights/how-blockchains-could-change-the-world>

We acknowledge that technological innovation, including that underlying crypto- assets, has the potential to improve the efficiency and inclusiveness of the financial system and the economy more broadly'. Excerpt from the G20 finance ministers and central bank governors' Buenos Aires Communiqué of March 20, 2018

Bank of England Governor, and Chair of the FSB, Mark Carney: 'At present, in my view, crypto-assets do not appear to pose material risks to financial stability'. <https://www.bankofengland.co.uk/speech/2018/mark-carney-speech-to-the-inaugural-scottish-economics-conference>

Carney: 'Even at their recent peak, their combined global market capitalisation was less than 1% of global GDP. In comparison, at the height of the dotcom mania, the valuations of technology stocks were closer to about a third of global GDP. And just prior to the global financial crisis, the notional value of credit derivative swaps was 100%'. <https://www.bankofengland.co.uk/speech/2018/mark-carney-speech-to-the-inaugural-scottish-economics-conference>

"Market participants should take note that the relatively nascent underlying cash markets and exchanges for bitcoin remain largely unregulated markets over which the CFTC has limited statutory authority. There are concerns about the price volatility and trading practices of participants in these markets. We expect that the futures exchanges, through information sharing agreements, will be monitoring the trading activity on the relevant cash platforms for potential impacts on the futures contracts' price discovery process, including potential market manipulation and market dislocations due to flash rallies and crashes and trading outages. Nevertheless, investors should be aware of the potentially high level of volatility and risk in trading these contracts." Excerpt from the CFTC Statement on Self-Certification of Bitcoin Products by CME, CFE and Cantor Exchange. <https://www.cftc.gov/PressRoom/PressReleases/pr7654-17>

Applications were requested to be pulled until concerns regarding liquidity and valuation of underlying instruments are resolved, according to withdrawal letters filed to SEC.

<https://www.ccn.com/jp-morgans-jamie-dimon-labels-bitcoin-fraud/>

Investment bank Goldman Sachs is planning to launch a bitcoin trading desk to offer clients a non-deliverable

forward that will be linked to bitcoin. Eventually, the bank hopes to receive regulatory approval from the Federal Reserve and state-level authorities to begin trading actual bitcoins — “physical bitcoins” — a development that will cement the flagship bitcoin’s status as a mainstream financial asset. [https:// www.ccn.com/goldman-sachs-will-launch-a-bitcoin-trading-desk/](https://www.ccn.com/goldman-sachs-will-launch-a-bitcoin-trading-desk/)

For the subprimemortgage crisis see [https://www.federalreservehistory.org/ essays/subprime_mortgage_crisis](https://www.federalreservehistory.org/essays/subprime_mortgage_crisis)
<https://digiconomist.net/bitcoin-energy-consumption>
<https://powercompare.co.uk/bitcoin/>

The bitcoin software was made available to the public for the first time in 2009. Satoshi Nakamoto’s seminal paper (Bitcoin – A Peer to Peer Electronic Cash System) was posted to a mailing list on cryptography in 2008. <https://bitcoin.org/bitcoin.pdf>

<https://worldhistoryproject.org/topics/dot-com-bubble>

What country is the home state or country of origin? What country is the host state or country of destination?

Digital Currencies: International Actions and Regulations <https://www.perkinscoie.com/en/news-insights/digital-currencies-international-actions-and-regulations.html>

Such as the Basel Committee for Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI), and the International Organization of Securities Commissions (IOSCO).

US banks such as Bank of America, Citigroup, JP Morgan, Capital One and Discover as well as banks from the United Kingdom, Canada and Australia. <https://www.forbes.com/sites/naeemaslam/2018/02/05/banks-banning-cryptocurrency-purchase-on-credit-cards-why/#4e5f32a3cf95> ; <https://medium.com/@ccoinloop/the-real-reason-why-credit-card-companies-are-banning-bitcoin-purchases-a75315c2b060>

<https://www.finder.com/south-korea-releases-new-crypto-guidelines>

Regulation requires adequate surveillance to make a difference <https://www.reuters.com/article/us-southkorea-bitcoin/south-korea-inspects-six-banks-over-virtual-currency-services-to-clients-idUSKBN1EX0BG>

The Eurosystem has decided to develop a new service for the settlement of instant payments. The TARGET instant payment settlement (TIPS) service will enable payment service providers to offer fund transfers in real time and around the clock, 365 days a year. It is scheduled to commence operations in November 2018. https://www.ecb.europa.eu/paym/intro/news/articles_2017/html/201706_article_tips.en.html The TIPS service offers an alternative to the distributed ledger technology (DLT). ECB Executive Board member Yves Mersch assures TIPS is both faster and cheaper than DLT: “TIPS is 10 seconds, 0.2 cents. DLT transactions are at best 30 euros and take at least one hour”. <https://www.bloomberg.com/news/articles/2018-02-08/ecb-s-mersch-says-his-payment-system-is-better-than-blockchain>

<https://www.brookings.edu/blog/techtank/2018/03/09/venezuelas-petro-undermines-other-cryptocurrencies-and-international-sanctions/>

In November 2015, Yao Yudong, head of the People Bank of China’s Research Institute of Finance and Banking, recommended the IMF to create a digital version of its global reserve currency – an electronic Special Drawing Right (e-SDR) – to help address flaws in the current global monetary system. <https://www.reuters.com/article/china-currency-sdr/imfs-special-drawing-rights-should-go-digital-china-c-bank-researcher-idUSL3N13C14720151117> In 2017, the IMF Managing Director, Christine Lagarde, hinted that a digital SDR might be a future possibility <https://www.investopedia.com/news/imf-chief-suggests-imfcoin-cryptocurrency-possibility/>

Can economists agree on at least a minimum fundamental value of a bitcoin? The answer is a resounding no according to Chicago Booth’s Initiative on Global Markets’ North American Economic Experts Panel. Only 4 percent of the panelists agreed that a bitcoin’s fundamental value is at least USD 1,000, but most of the panel did not rule it out <http://review.chicagobooth.edu/economics/2017/article/what-s-fundamental-value-bitcoin>

Global food security and market stability: The role and concerns of large net food importers and exporters

The lead authors:

Jikun Huang

Peking University

Martin Piñeiro

Consejo Argentino para las Relaciones Internacionales (CARI)

Valeria Piñeiro

International Food Policy Research Institute (IFPRI)

The team members:

Kym Anderson

University of Adelaide

Nelson Illescas

Instituto para las Negociaciones Agrícolas Internacionales (INAI)

David Laborde

International Food Policy Research Institute (IFPRI)

Laura Wellesley

Chatham House

Contributors:

Estefanía Puricelli

The Task Force:



Food Security and Sustainable Agriculture

This Task Force will discuss how to improve sustainable food production systems and enhance food security and nutrition. It will also address agricultural productivity and practices that ensure sustainable management of natural resources in a rapidly changing global economy.

ABSTRACT

During the last two decades agricultural trade has increased substantially. One consequence of this is that almost 20 percent of all calories consumed worldwide are provided by traded food. A number of emerging economies and newly developed countries are now main actors in world trade. Some countries like China, Korea and Saudi Arabia have become large net importers as a consequence of the rapid

increase of consumption resulting from economic growth and a growing middle class. Others like Brazil, Argentina and Thailand have modernized their agricultures, improved the use of their ample natural resources, increased exponentially their production and are now main net exporters. The end result of these processes is that five countries (China, Korea, Japan, Russia and Saudi Arabia) are responsible for about 40% of food net imports and seven countries (Argentina, Australia, Brazil, Canada, New Zealand, Thailand and USA) account for about 55% of total food net exports. The impact of these main players on the international market stability and prices is enormous. In the context of the present difficulties to progress in multilateral trade negotiations, it is suggested that a special group composed by major food net importing and exporting countries should be formed within the WTO to promote dialogue, exchange of information and possible agreements and commitments between themselves. It is argued that it would contribute to global market stability.

CHALLENGE

1. Importance of trade to achieve food security

Trade is a central element for global food security. During the last two decades agricultural trade has nearly tripled surpassing USD 1.5 trillion. Furthermore, between 1995 and 2015 the share of globally consumed calories crossing an international border increased from 16.1 percent to 19.1 percent (Deason and Laborde, 2015). Much of this expansion in food trade and food consumption based on imports has come from developing countries. In addition, a large proportion of net exports are provided

by a small number of net exporting emerging economies.

2. The international market for agricultural products

In spite of this important role played by food trade in attaining food security, there are many substantial barriers to trade. Regardless of some improvements that were achieved in the two decades prior to the global financial crisis, very significant tariff barriers remain and are higher in agricultural products than any other product group, affecting price stability at the global level, increasing the cost of food in the countries applying those restrictions, and leading to a misallocation of resources that reduces world welfare (Figure 1).

»Tariff barriers are higher in agricultural products than any other product group.«

In addition, non-tariff measures (NTMs) have recently greatly increased in numbers, especially for food products (Figure 2). These include sanitary and phytosanitary measures, various technical barriers to trade and many other NTMs. While some of these NTMs in food trade were traditionally used by the developed countries for food safety consideration,

Figure 1. Trade barriers: tariffs in agricultural and other sectors

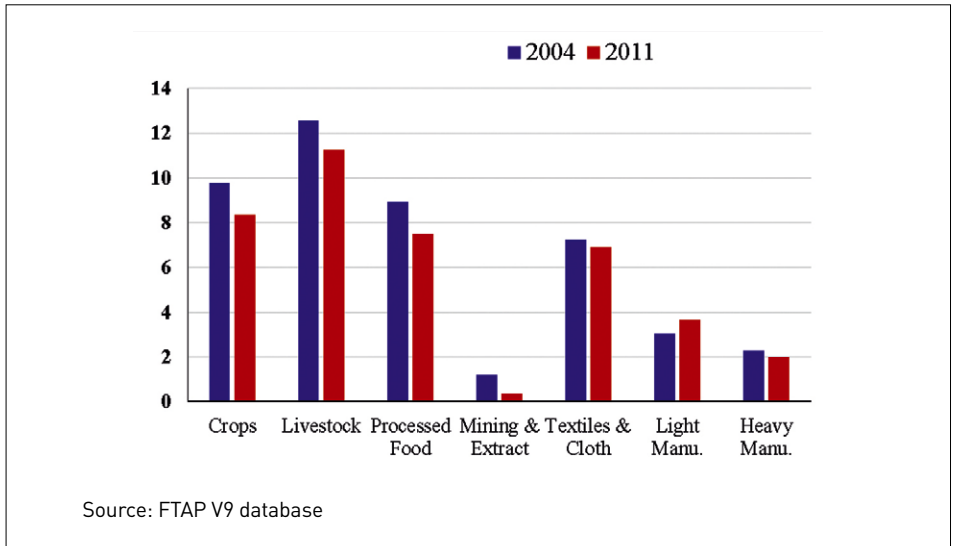
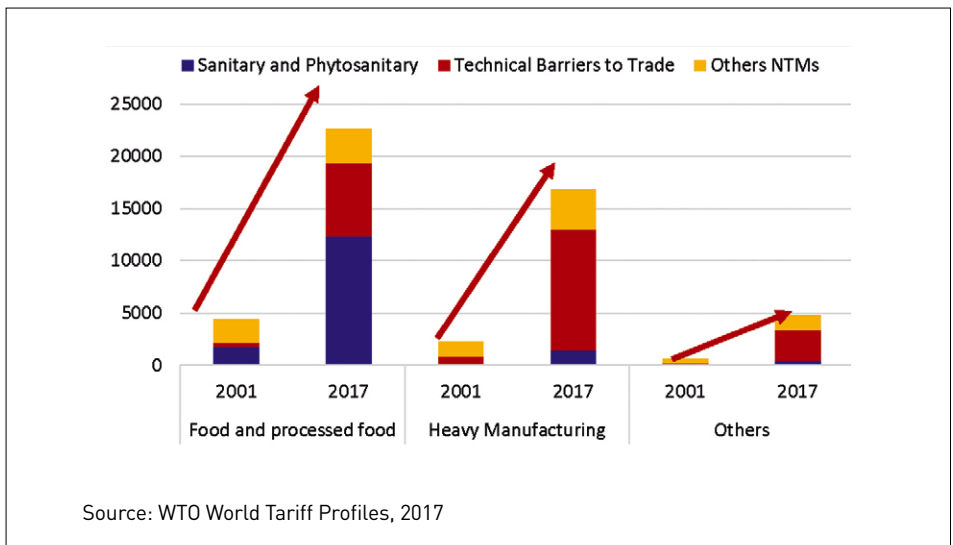


Figure 2. Number of non-tariff measures (NTMs) initiated or in force in 2001 and 2017



they have increasingly been used, since the early 2000, by major net food importing countries as trade barriers. These tariffs and non-tariff measures are a source of concern for food exporting countries that face increasingly uncertain and volatile international markets a situation that weakens the incentives to place agricultural production as a priority and a major source of economic growth and development. A direct consequence of this, has been lower levels of direct agricultural investments on infrastructure and innovations, which could result in lower and more unstable levels of production and exports.

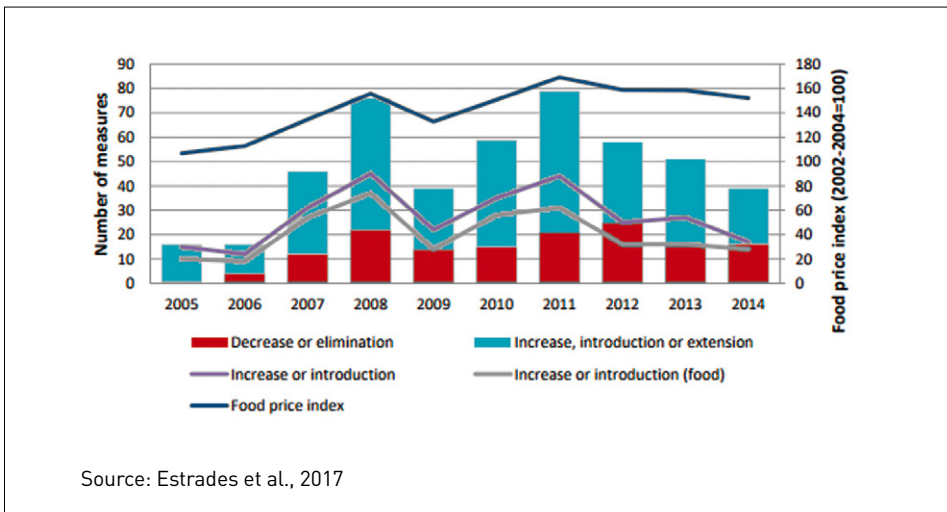
This trade environment, the application by many major importing countries of tariff escalation policies, and domestic macro-economic difficulties have also contributed

to some exporting countries implementing export restrictions policies which are highly damaging to the stability of food supply and prices (Figure 3).

The possibility of unstable markets and the potential unreliable behavior of exporters in general, and of large net exporters in particular, is a significant menace for importing countries. At least four main concerns feed into the potential sense of insecurity by net importing countries:

1. Unstable and volatile markets as a consequence of climate change and unpredictable behavior of key players. Two examples of this are: a) export restriction imposed by major net exporters; and b) unpredictable variations in public stockholdings.
2. Discretionary use of domestic support and its lack of transparency, which

Figure 3. Export restriction measures.



causes distortions on production, land use and trade.

3. High dependence on supplies from a few large net exporters.

4. The always-present possibility of trade embargoes by some of these important suppliers.

Given these uncertain conditions in international agricultural markets, large food net importing countries could pursue global investment strategies to gain more control of world food systems, or implement policies that could further destabilize the international market.

In a world where multilateral trade agreements and adherence to trade rules seem to be weakening, the impact of key net importing and exporting countries will increase. It is crucial to advance mechanisms by which the production and market behavior of these big players can be stabilized and made more predictable, so that net importing countries feel more secure in their reliance on imported food and net exporters can have confidence in their access to international markets.

3. The main players

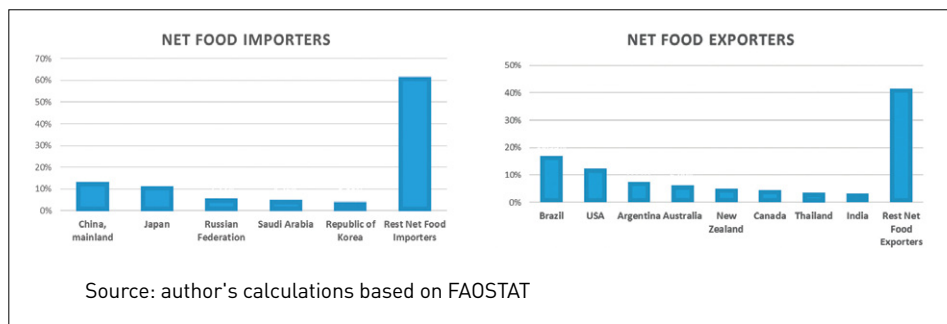
A number of emerging economies and newly developed countries are now main actors in world trade. Some like China, Korea and Saudi Arabia have become large net importers as a consequence of the rapid increase of consumption resulting from economic growth and a growing middle class. Others like Brazil, Argentina and Thailand have modernized their agricultures, increased exponentially their production and have thus become main net exporters. The end result of these processes is that five countries (China, Korea, Japan, Russia and Saudi Arabia) are responsible

for about 40% of food net imports and seven countries (Argentina, Australia, Brazil, Canada, New Zealand, Thailand and USA) account for about 55% of food net exports (Figure 4) The impact of these countries that are main players on the international markets is very large and their dominance is expected to increase.

»The impact of key net importing and exporting countries will increase.«

Consequently, the production and consumption behavior of this small number of countries has great influence on international food prices and market stability. Any one of them could have substantial influence on the stability of the market and the price level of all major food commodities. This influence is compounded by a few other countries, like India, which is already a large food trader and could become even larger in the near future although it is uncertain if as a large net exporter or a large net importer. Given this situation it would seem that the development of special agreements between these large players would result in a more stable and balanced trade environment, which will benefit not only to these large players but also all other countries, especially less developing countries.

Figure 4. Shares net food excluding fish importers and exporters.



PROPOSAL

1. Proposal

That the subgroup of thirteen countries identified in the text be given a special participation in the Agricultural Markets Information System (AMIS) to encourage the dialog and promote the flow of timely

»Facilitate a freer global trade in food.«

information among them. That AMIS be provided with resources to work towards the better harmonization of supply (including crop production estimates) and demand information between these countries for maize, wheat, rice and soybeans¹ with a focus on enhancing stocks data and the timely delivery of all relevant information. All this should be done in coordination with the Group on Earth Observations Global Agricultural Monitoring (GEOGLAM)², a G20

initiative, which now is being more closely coordinated with AMIS.

2. Proposal

That the G20 promotes and facilitates: a) the organization of a Special Group of countries (composed by Argentina, Australia, Brazil, Canada, New Zealand, Thailand and USA, as net exporters; China, Korea, Japan, Russia and Saudi Arabia as main net importers; and India as a top trader, b) that, within the institutional space in WTO, a permanent Secretariat is established to convene the Group for the purpose of dialogue, exchange of information and progress in special trading arrangements to facilitate a freer global trade in food among them and a greater market stability worldwide.

¹ These four commodities -soybeans, wheat, rice and maize- account for 75% of the calories that people consume. Either directly or indirectly when used as feedstock to livestock. See Schlenker 2017.

² The GEOGLAM initiative coordinates satellite monitoring observation systems in different regions of the world.

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Redirecting investment for a global food system that is sustainable and promotes healthy diets

The authors:

Jamie Morrison

Food and Agriculture Organization of the United Nations (FAO)

Eduardo Bianchi

Instituto Universitario Escuela Argentina de Negocios

Catherine Bowyer

Institute for European Environmental Policy (IEEP)

Rob Vos

International Food Policy Research Institute (IFPRI)

Laura Wellesley

Chatham House

The Task Force:



Food Security and Sustainable Agriculture

This Task Force will discuss how to improve sustainable food production systems and enhance food security and nutrition. It will also address agricultural productivity and practices that ensure sustainable management of natural resources in a rapidly changing global economy.

ABSTRACT

More and better quality private sector investment in food systems will be needed for the achievement of the Sustainable Development Goals. Recent developments in food systems have resulted in new challenges and controversies, both with respect to their sustainability, and the extent to which they are contributing to diets that are more nutritious. The key challenge addressed in this brief is how to redirect investment such that it is both adequate to drive dynamic food system development

and has the quality of promoting inclusive and sustainable systems. Three areas of action are considered: instruments that translate growing consumer awareness into SDG compliant investment; instruments that encourage investment in food systems in high- risk contexts; and improvements to food system governance. It is suggested that the G20 (i) acts to strengthen global platforms for the benchmarking and coordination of private sector sustainability initiatives; (ii) provides support to the coordinated implementation of voluntary guidelines to foster SDG-compliant investment in higher risk contexts; and (iii) promotes greater coordination between multilateral fora to strengthen the global governance of complex and interlinked food system challenges.

CHALLENGE

Food systems in both developed and developing countries are changing rapidly. Increasingly dominated by Global Value Chains (GVC) and often characterized by a high degree of vertical integration, evolutions in food systems are driven by new technologies that are changing production processes, distribution systems, marketing strategies, and even the food products that people eat.

These changes in the global food system have opened up enormous opportunities. Modern food systems have vast potential to underpin economic growth, create jobs, and satisfy changing consumer demand, especially in those developing countries experiencing rapid urbanization. They also offer the opportunity for system-wide change in the way in which production interacts with the environment, giving greater attention to the eco-

system services offered by the agricultural sector.

However, developments in food systems also pose new challenges and controversies. Food system changes have responded to shifts in consumer preferences towards larger shares of more animal-sourced and processed foods in diets, raising concerns regarding the calorific and nutritional content of many food items . Increased market concentration and the need to produce for a more integrated global market have raised new barriers to market access for smallholder farmers and small-scale food producers and service providers. Improvements in food chains have helped to reduce

»The ecological footprint of the global food system continues to grow.«

food loss through improved storage, handling, and conservation, but, by increasing food availability, lowering prices and increasing quality standards, has also induced greater food waste at the consumer end. In addition, the dominance of GVCs comes with the increased risk of fast transmission of food-borne disease and food-related health risks throughout the food chain. The ecological footprint of the global food system continues to grow in terms of

energy, resource use, and the contribution to greenhouse gas emissions.

Investments in food system innovations are key in driving change towards more a more sustainable and food secure future. The scale and type of investment in food systems are largely determined by the decisions of private sector actors, decisions that both respond to and shape market opportunities created by changing consumer demands. While investment in post-production processing and distribution activities have seen the rapid development and penetration of modernized food systems, the level of investment in developing countries has often been inadequate to promote the transformation from traditional systems towards food systems that improve dietary quality and environmental sustainability while taking advantage of efficiency gains. Furthermore, in those regions where investments in modern food systems have been significant, the types of investments have often been incompatible with the development of inclusive and sustainable food systems and therefore with the achievement of the Sustainable Development Goals (SDGs) that comprise the 2030 Agenda for Sustainable Development¹.

The key challenge therefore, is one of ensuring that investment is adequate to drive dynamic food system development and has the quality of promoting inclusive and sustainable systems required to allow the global food system to contribute to the delivery of the SDGs.

Meeting the challenge: encouraging SDG-compliant investments

Investing in food system developments that are compliant with the SDGs requires redirecting existing and new investments into

more resource-efficient and climate-resilient production methods along the entire food chain, into improved infrastructure that connect farmers to markets and allow proceeds of value addition to be captured by vulnerable producers and households. As recognized in paragraph 4 of the G20 Action Plan on Food Security and Sustainable Food Systems, this includes support for innovation and technologies that support efficiency improvements without compromising food safety, nutritional quality, access, availability and wider goals linked to delivering ecosystem services associated with agriculture.

»Investments in agrifood systems often tend to be considered high risk.«

Private investment decisions are influenced by public sector interventions and by the quality of governance mechanisms for food security. Investments in agrifood systems often tend to be considered high risk because of weather variability and other factors such as unstable macroeconomic conditions. Such risks are exacerbated in contexts characterized by weak rule of law, unclear regulatory landscapes, or a lack of clear strategic vision. The global nature of food systems requires that more coordi-

nated action be taken at the global level to ensure that this challenge is met.

Action is therefore required at two levels: (a) the design of instruments that encourage SDG-compliant investment in food systems, and (b) strengthening food system governance.

A. Redesigning investment incentives

Instruments to encourage SDG compliant investment can work through both the demand and the supply-side of the food chain. On the demand side, interventions can aim to increase consumer awareness and consumer choice for food consistent with healthier and more sustainable diets. On the supply-side, incentives can be created to reduce the risk of investing in food systems while internalizing health and sustainability concerns.

(i) Instruments that build on, and support the translation of, growing consumer awareness into SDG compliant investment

The negative consequences of non-SDG-compliant food system developments are increasingly being recognized by consumers. With growing consumer awareness, driven by concerns of the environmental and health impacts of investments and current supply chain technologies and practices, and by a desire among new generations of city dwellers to reconnect with the rural heritage, opportunities exist to define and establish added-value products that are capable of internalising social or environmental delivery within their price². These forces can be used to fundamentally reshape food systems by stimulating coordinated government action in changing the regulatory environment that in turn incentivises improved private sector investment decisions.

Capitalizing on the opportunity to develop a clear market or demand-pull from this increased awareness will depend on significant investment in infrastructure to enable value-adding capabilities along the supply chain – from soil testing at the point of production, through remote sensing to supporting sustainable certification of chains of custody, to cold chain transport and storage – together with action to strengthen food system governance, and in establishing awareness and trust among value chain actors. It will also require greater effort to foster consumer confidence in the added value and positive attributes of the products they purchase.

In many contexts, private food businesses have taken primacy over public entities in setting food commodity grades and standards. Existing private sector and multistakeholder initiatives such as voluntary sustainability standards (VSS), covenants such as Origin Green in Ireland, and consumer-business agreements such as those promoted by the Food Foundation in the UK, can act as possible vehicles for change. Such initiatives, which set standards for sustainable production and often include certification programmes to verify compliance, can be used as tools to drive consumer choice on the one hand and to channel and enhance the nascent demand for more sustainable food systems into market related investments on the other. VSS can offer a more dynamic, responsive system compared to public standards that may deliver a more stringent framework. However, the rigour of the process to define and enforce standards in an independent way is key to establishing confidence.

In most contexts, these vehicles alone are insufficient and need to be accompa-

nied by the use of public policies and regulatory measures such as those relating to food labelling to ensure that environmental and health-related costs are effectively internalized.

However, some regulatory approaches and private sector-led schemes have been seen to create barriers to sustainable development and trade, primarily because of the costs of compliance and the potential exclusion of actors less able to afford these costs. Dispensations may need to be made for small farmers, but in providing these, cognizance needs to be taken of the transboundary nature of the global food system which will necessitate greater coordination at the global level. Success also requires outreach to explain the economic, social and environmental opportunities that such approaches and schemes present combined with information and advice to support any transition in the adoption of new techniques and practices.

(ii) Instruments that encourage investment in food system developments subject to a high degree of economic, climatic and/or political risk

Consumer awareness or pressure for SDG-compliant products may be insufficient in creating the demand-pull for supply-side change, and hence may need to be complimented by smarter incentives that target producers, processors and retailers.

In particular, encouraging and facilitating food system development compatible with sustainable development goals is likely to depend on de-risking investments in regions where human and environmental insecurity are great and food system governance is weak. International Finance Institutions need to improve their provision of inclusive oriented lending as articulated

in the G20 Inclusive Business Framework. This will require that food system thinking informs the international finance infrastructure and associated public sector initiatives to crowd-in private sector investment in inclusive and resilient food systems by reducing levels of risk faced by investors as reflected in section 3 of the 2017 G20 Hamburg Action Plan.

Instruments to promote “high risk” investment include:

a. Blending of public and private sector funding to underwrite higher risk investment for financial institutions and private sector investors. This can facilitate favourable lending agreements, including by the multilateral development banks, for projects that have demonstrable returns in terms of delivering towards the achievement of the SDGs, but which may be less attractive to investors than higher return, but non-SDG compliant, investments.

b. Tying loans and grants to compliance with safeguards and/or benchmarks. This could be achieved by, for example, translating existing or revised voluntary guidelines (see below) into tangible safeguards and benchmarks, with tighter criteria and more robust governance frameworks.

c. Public sector investment, including through Public-Private Partnership mechanisms, in market infrastructure such as storage and wet market facilities, aimed at reducing volatility in returns on investment.

B. Improving food system governance to mobilize investment

The approaches outlined above will depend on strong food system governance that creates a more conducive enabling environment if they are to result in the delivery of investment in the right places and in the

right ways, and to do so effectively and in alignment with the SDGs.

Food policies which have traditionally focused on ways to enhance agricultural productivity and to keep food prices at levels that balance (farm-level) producer and consumer interests, need to be reoriented to take advantage of the opportunities provided by changing food systems. As recognized in the 2015 G20 Action Plan on Food Security and Sustainable Food Systems, the traditional approach to food policy must be reoriented towards food-system-wide approaches that provide incentives for investments in inclusive and sustainable development of food systems and for steering consumer behaviour and food preferences toward healthier and more sustainable diets.

»Private food businesses have taken primacy over public entities in setting food commodity standards.«

While policy in favour of enhancing productivity through subsidies on modern farm inputs, direct income support to farmers and/or subsidies to keep food prices

low for consumers has been argued, under certain circumstances, to be supportive of improved food security, such support measures do not tend to incentivise the adoption of climate smart practices, nor do they necessarily promote the supply of food that contributes to healthier diets.

Realigning support policies and incentive schemes will require action at a number of levels. The transboundary nature of food systems and the public good nature of health and environmental challenges means that global governance processes that ensure coordination of required measures will be a key entry point in shaping the environment in which investments in food system development are made. In turn, strengthened global governance of food systems provides more robust frameworks within which countries design and implement national policies, standards, regulations and mechanisms affecting these systems.

PROPOSAL

In facilitating the redirection of investment in food systems compatible with the 2030 Agenda, we suggest that the G20 take action in relation to each of the three categories of action elaborated above:

1. Strengthen global platforms for the benchmarking and coordination of private sector sustainability initiatives that build on growing consumer awareness (A.(i))

The G20 should request that global platforms such as the United Nations Forum on Sustainability Standards (UNFSS) and the G20 Inclusive Business Platform are strengthened to assist in reducing the complexity and multiplicity of private sector led schemes which can result in a situ-

ation where producers lack information on which standard is best, where suppliers need to comply with multiple standards to sell to different buyers, and/or where consumers face difficulties in interpreting labelling and certification schemes.

Global policy platforms provide the opportunity to improve information and analysis from a more holistic perspective, and to promote initiatives that avoid multiplication and instead facilitate coordination among schemes, their convergence, and/or their mutual recognition. Such

»International finance institutions need to improve their provision of inclusive oriented lending.«

platforms could also be strengthened to provide outreach and training to make producers aware of the opportunities and to support the establishment of the product supply chains/link up with food processors, certification schemes and ultimately consumers and allow these standards to be compared and coordinated so that a product can be deemed compliant across trade boundaries.

The G20 should also promote enhanced evidence-based decision making with im-

proved transparency and accountability, by supporting the development of indicators of social and environmental externalities associated with developments in food systems by endorsing partnerships and collaboration between organizations developing sustainability indicators and policy-makers. For example, by supporting the Chatham House initiative on building land, carbon and water footprints into www.resource-trade.org, as well as indicators of social impact such as resource conflicts.

Greater accountability will need to be facilitated by policy research to provide greater understanding of the effectiveness of context-specific interventions and by greater investments in research and development to ensure that technologies and practices for sustainable agriculture, land, and water management, as well as sustainable and inclusive downstream food chain development are locally adoptable. The G20 should encourage sufficient resources to be made available for the related policy research and R&D investments.

2. Support coordinated implementation of voluntary guidelines to foster SDG-compliant investment in higher risk contexts (A.(ii))

The G20 should promote greater coherence, simplification and harmonization in the translation of existing sets of voluntary guidelines³ into toolkits and practical steps that can be used by value chain actors in ensuring that their investment actions are aligned with the SDGs, and their extension to all components of the food system. In line with paragraph 5 of their 2015 Action Plan on Food Security and Sustainable Food Systems, the G20 may wish to request relevant International Organiza-

tions including FAO, IFPRI, OECD and the World Bank to translate existing guidelines into toolkits and practical steps, under the guidance of the Committee on World Food Security (CFS) where appropriate.

In follow-up to the G20 Inclusive Business framework issued by the G20 Development Working Group in 2015, the G20 should request that development banks upscale responsible investment through improved approaches to blended financing by promoting the integration of existing voluntary guidelines into the design of loan products and contractual arrangements supportive of SDG compatible investment; that the G20 Eminent Persons Group on Global Financial Governance consider improvements to the global financial architecture required to support such initiatives; and that the G20 Global Platform on Inclusive Business be further strengthened.

3. Promote greater coordination between multilateral fora to strengthen the global governance of food system challenges (B)

The G20 should act to ensure improved coherence in the development of the global governance frameworks that are key to promoting the realignment of national policies affecting food system development to address contemporary cross cutting challenges of health and environment and hence in creating the environment for SDG compliant investment in food system development.

To achieve this, the G20 should request involved agencies to establish joint task forces to review the current international architecture to identify areas in which coordination is required. For example, the WHO, WTO, FAO and UNFCCC, collectively responsible for the global governance of

food safety, trade, nutrition and sustainability, could be requested to identify actions required to ensure that strengthening rules on the use of policy instruments through multilateral and regional trade agreements; regulating the use of non-tariff barriers to trade; enforcing regulations to stamp out illegal or unsustainable production practices where they continue; enhancing food system transparency and supply chain traceability, including through intergovernmental platforms such as the Agricultural Market Information System (a G20 initiative); and building momentum behind non-financial disclosure of environmental and social risks, are compatible with and incentivise development in food systems supportive of the achievement of the SDGs.

¹ Achieving inclusive, equitable and sustainable food system development implies achieving a broad spectrum of Sustainable Development Goals on which the nature of food system development will have a direct impact, from good health and wellbeing, zero hunger and responsible consumption and production, through climate action and sustainable life on land and below water, to industry innovation, infrastructure decent work and new models of economic growth.

² In China, for example, there is a dual push by NGOs and by emerging middle-class consumers for organic food and products on the one hand and 'agro-tourism' on the other

³ Existing guidelines for which toolkits, safeguards and benchmarks need to be developed and harmonized include the CFS Principles for Responsible Investment in Agriculture and Food Systems, the OECD-FAO Guidance for Responsible Agricultural Supply Chains, the Code of Conduct for Responsible Fisheries, and the Voluntary Guidelines on Small-scale Fisheries. They also include voluntary principles for green finance promoted in the 2016 Hangzhou Action Plan

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Technological innovation and the future of work: A view from the South

The authors:

Ramiro Albrieu

Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC)

Urvashi Aneja

Tandem Research

Krish Chetty

Human Sciences Research Council (HSRC)

Vikrom Mathur

Tandem Research

Martín Rapetti

Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC)

Antje Uhlig

Deutsche Gesellschaft für Internationale Zusammenarbeit

The Task Force:



The Future of Work and Education for the Digital Age

This Task Force will make recommendations on how to achieve a well-balanced labor market capable of matching the supply and demand of skills while reducing inequalities and promoting economic and social development. It also aims to provide policy advice to develop educational systems that promote equal opportunities.

ABSTRACT

A global narrative about technological change and the future of work is emerging. It states that technological innovation will be pervasive across the world, and the impacts on labor markets will be deep but largely transitory. Will the future of work look the same everywhere? On the one hand, evidence points to developing countries lagging behind in terms of technological diffusion and the re-skilling of their current and future workers. This could exacerbate development gaps with respect to advanced countries as has happened in

previous technological "revolutions". On the other, structural factors that are country-specific -such as demographics, factor endowments, gender gaps- may cause new technologies to have different impacts on labor markets. We believe that the menu of policy options that the G20 is developing should ideally start with country-specific diagnoses taking into account these structural factors. However, given that this may be unreachable in the short run, we recommend to start monitoring the trends in technological adoption and skills development in each G20 country. For this, more and better data is needed.

CHALLENGE

A global narrative about technological change and the future of work is gaining attention: the ubiquitous adoption of cheaper, more intelligent machines will disrupt labor markets but the effects will be transitory in nature. Eventually, a new equilibrium will be achieved based on a balance between new technologies and the required skills.

From a developing-country perspective, this narrative presents some shortcomings. In particular, it does not appear to fit the way global technological change and economic development interacted in the past. History shows that periods of technological revolutions were also phases of great bifurcations in income, productivity and welfare across countries. To make it this time different, developing countries must adapt their policies and institutions to foster technological adoption and skills development.

This seems quite challenging. First, the diffusion of technologies is lower now than in past technological revolutions. Second, learning systems for building and readapt-

ing skills are largely dysfunctional. But this evidence is partial as the global economy still lacks a comparable set of cross-country data for developing countries about these fundamental issues.

These data gaps are key. To manage this transition, developing countries must first be able to measure their present performance regarding technological adoption and skills development. The G20 offers a suitable forum to evaluate these data gaps and help countries assess their own challenges related to the future of work.

PROPOSAL

1. Technology and the future of work: the global narrative

Building on existing advances in Information and Communication Technologies (ICTs), a set of new technologies (Internet of Things, big data analytics, 3D printing, artificial intelligence, smart sensors, etc.) is reshaping the way we produce, consume, trade, and, of course, the way we work (Schwab 2016). In this new technological revolution, labeled "The Fourth Industrial Revolution" or "industry 4.0", the pace of change seems faster than previous technological revolutions, such as the steam engine at the end of the 18th century or electricity, mass production at the beginning of the 20th century, and even the ICT revolution late in that century (Skilton and Hovsepian 2018). Nonetheless, the speed and concrete consequences of this transformation into a "digitization of everything" - as the US National Academy of Sciences, Engineering and Medicine called it in a recent report (NASEM, 2017) - are highly uncertain.

In this scenario, a global narrative on how these new technologies may shape

labor markets in the near future is gaining attention (e.g., IMF, 2018a). According to it, the ubiquitous adoption of cheaper, more intelligent machines and new forms of capital will disrupt labor markets through two forces. First, the adoption of digital technologies will create new job opportunities, particularly in the set of tasks that complements and augments the power of these

»Learning systems for building and readapting skills are largely dysfunctional.«

technologies, that is, in digital-intensive sectors (e.g., software) and digital-related tasks elsewhere in the economy (e.g., design and marketing)¹. Employment should grow in these sectors, as well as the premium on digital skills. Second, it will threaten jobs that involve tasks that will become obsolete because of the adoption of these new technologies. Employment levels and return to skills are expected to decrease for these jobs. We cannot foresee the overall impact yet, the narrative goes, but historical evidence suggests that in the long run, the first effect offsets the second effect, and both employment and real wages will ultimately increase. Even if the transformation

seems to go further this time -threatening high- skilled, cognitive-intensive jobs- its impact will be pretty much the same as in previous technological revolutions.

Thus, according to this narrative, these adverse effects of digitization are transitory in nature. Eventually, a new equilibrium will be attained based on a balance between new technologies and the required skills. In the meantime, there is a race between technology and education, similar to what happened in previous technological disruptions (Goldin and Katz, 2008), which can create frictions between the demand and the supply of skills. These frictions, in turn, will lead to an increase in income inequality - and political backlash - like the ones we are witnessing now in the US and Europe. Public policies can deal with the adjustment costs by investing in the reskilling of current and future workers to "win the race" against technology, and by setting policies to address the technology-induced widening of income inequality.²

2. Possible futures: a view from the South

From a developing-country perspective, this narrative presents some shortcomings. In particular, it does not seem to fit the way global technological change and economic development interacted in the past. History shows that periods of technological revolutions were also phases of great bifurcations in income, productivity and welfare across countries - the emergence of winners and losers at the global level (Pritchett 1997). In the latter set of countries, one of the key factors that explain its relative decline is the inability of firms and workers to fully absorb new technologies and translate them into productivity gains. Thus, when it comes to global technological disruptions,

one of the main lessons we can learn from developing countries' performance is that there is a long road from technological feasibility to technological adoption (Clark and Feenstra, 2003).

The developing countries that belong to the G20 are largely middle-income countries. Such countries are especially prone to enter a "middle-income trap"; that is, they could fail to "make a timely transition from resource-driven growth, with low-cost labor and capital, to productivity-driven growth" (Kharas and Kohli, 2011). In every country, a productivity-driven balanced growth path requires sizable and joint investments in both technology and skills.³ Decisions by firms and workers are thus strategic complements: they mutually reinforce one another (Acemoglu, 1998). Innovation and productivity growth will not surge if a country invests only in technology or only in skills. In this context, developing countries can easily become trapped in a "bad equilibrium" of low technological adoption/low skills development and no incentives for firms and workers to move to a different equilibrium (Cirera and Maloney, 2017). And this would not be a mere transition; this could well be the new normal.

Will this time be different? To answer this question, research teams from CIPPEC, Tandem and HSRC under the auspices of the EMSD conducted country-specific technology foresight exercises for three G20 developing countries: Argentina, India, and South Africa.⁴ In these exercises, specialists and key actors from technology, social sciences, economics, the government and the private sector that are concerned with technology and the future of work engaged in a participatory, action-oriented, open-to-alternative-futures process

of debate and systematic reasoning. In this case, key questions to answer were: How far are we from the global narrative? How prone are these countries to fall into a new development trap?

»Innovation and productivity growth will not surge if a country invests only in technology or only in skills.«

Four main takeaways were obtained from these exercises. First, it is not evident that the global narrative's steady state "new technology - new skills" is the fate for developing economies. It was found that strategic complementarity and its challenges are present. Second, lags in the diffusion of new technologies are significant and causes a greater challenge than in previous technological revolutions for the vast majority of firms. Third, learning systems in developing countries are largely dysfunctional, and it is not only a matter of increasing spending on education or addressing curricular issues. Fourth, the degree of technological diffusion and skill development interact with key structural factors such as demographics, factor en-

dowments, gender gaps and others; and as a result, the impact of new technologies on labor markets will have a significant country-specific component.

3. Lags in technology and skills that matter to the future of work

The takeaways related to the lags in technology diffusion and skills development from the technology-foresight exercises in Argentina, India and South Africa seem to be representative of the challenges facing other developing countries as well. Although there is no comparable set of cross-country data for developing countries (we will return to this later), the available information points to this conclusion.

Consider, first, technological adoption. A bird's-eye view of recent developments provides room for optimism. Higher economic integration through falling transportation and communication costs, more open trade, and the emergence of Global Value Chains have all eased firms' access to new technologies (IMF 2018b). Besides, the very nature of these technologies tends to be more open-sourced and in many cases crowd-based in design, which makes it easier for non-incumbents to access and adopt them. Leapfrogging strategies seem easier to implement now than in previous technological revolutions. As a result, not only has the average time between an invention and its use as a technology decreased in the current technological revolution, but also the cross-country differences in adoption lags have diminished sharply in recent decades (particularly in the case of Asia, see Comin and Hobijn, 2010).

The evaluation is not that optimistic when one looks at the degree of diffusion of new technologies in developing countries.

Indeed, if we consider the data available on the diffusion rate of a new technology and not just its adoption, we see a completely different picture: the gap between technological leaders and technological followers has widened and, according to Comin and Mestieri (2017), is wider for recent technologies than for those invented in the past. Figure 1 confirms this hypothesis. It shows the Digital Adoption Index compiled by the World Bank (2016) for businesses in G20 countries. This index is a broad measure of technological adoption, but it can provide a general picture of the divergent trajectories of specific countries.⁵ Note that the difference between developed and developing countries is striking.

Now consider skills. Over the last 50 years, skills development in emerging countries has changed drastically. First, there was a dramatic increase in educational attainment measured as years of schooling (see Barro and Lee, 2015). Second, public expenditure on education has been growing faster than GDP in the majority of developing countries (UNESCO, 2015).

However, neither schooling nor expenditure in education can accurately measure human capital accumulation. When we use these variables as proxies of skills formation, we are assuming that: (a) a year of schooling or a dollar spent on education delivers the same outcome in skills, regardless of the education system; and (b) non-school factors have a negligible effect on education outcomes (Hanushek and Woessmann, 2015). When we analyze actual measures of learning, the outlook is different: with some notable exceptions, current skills development systems in developing countries are far from fulfilling their functions (Pritchett, 2013). According

Figure 1. Degree of digital adoption in G20 countries

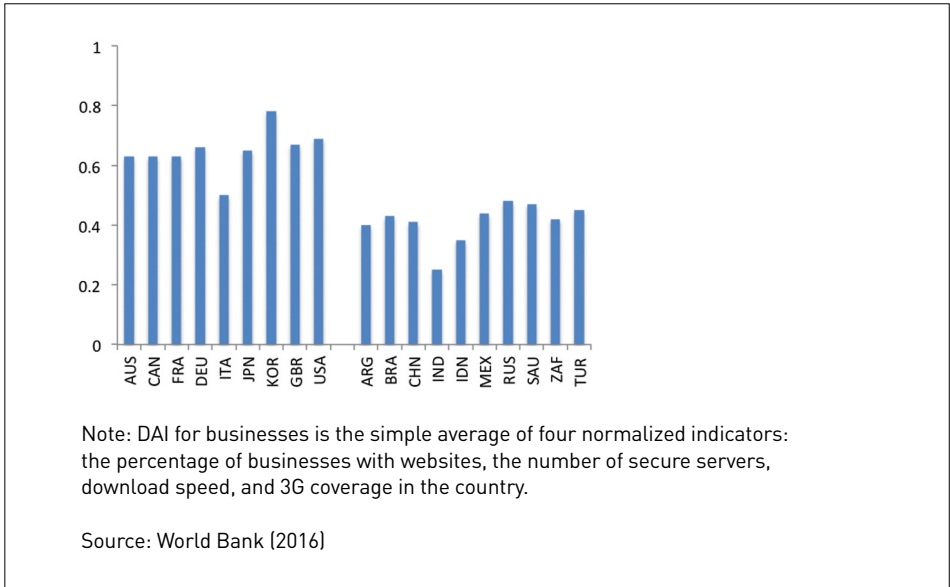
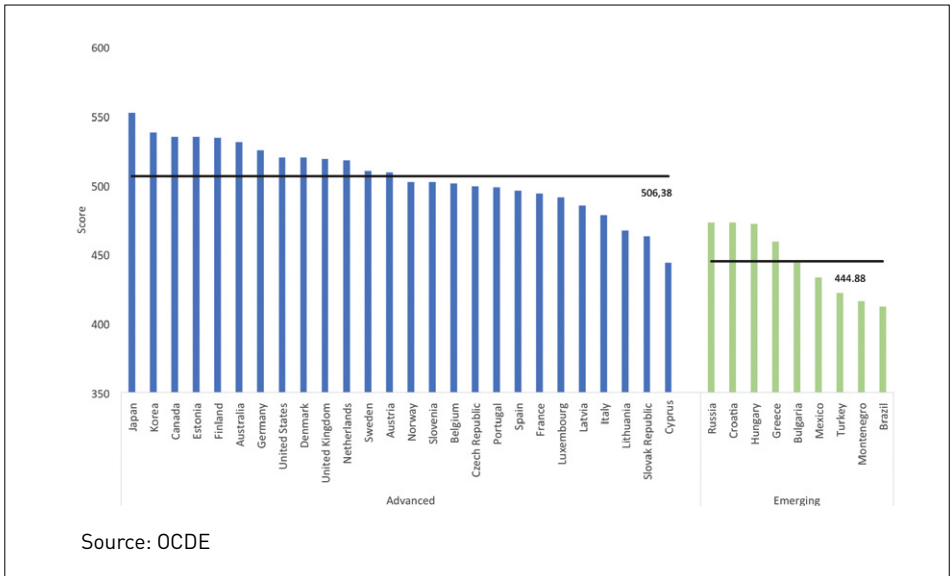


Figure 2. Learning outcomes (PISA results) in 2015 (Averages for science, readings, and mathematics)



to the Programme for International Students Assessment (PISA) conducted by the OECD, average education outcomes in the developing world are significantly lower than those obtained in high income countries (see Figure 2). And, as with technological diffusion, the disparities within countries are higher in developing countries.⁶

»The gap between technological leaders and technological followers has widened.«

4. The way ahead

The digitization of everything is just beginning. As with previous General-Purpose Technologies,⁷ it will take time until its full potential is realized. This opens a "window of opportunity" for both developed and developing countries: there is still time to adapt policies and institutions to the world to come.

The G20 has begun to build a common understanding of the nature of these changes. The Framework Working Group (FWG) of the Finance Track is developing a menu of policy options to address the economic and social implications of technological change. It is key to make progress here because, as Mitchell and Brynjolfsson

(2017), the co-chairs of the NASEM report, summarized, "Policymakers are flying blind into what has been called the fourth industrial revolution". However, since most research and available data refer to developed economies, there is a risk that the construction of a shared view and the menu of policy options neglect factors and trends that are relevant to developing economies.

We, therefore, recommend that the G20 develops its initiative bearing in mind that the impact of technology and the future of work will not look the same everywhere. Moreover, the challenges for the future of work diverge not only between developed and developing countries, but also within these groups. Importing the global agenda without checking whether - and how - it must be adapted to the context of each country is a big risk that has to be avoided. As mentioned above, our country-specific exercises from Argentina, India, and South Africa show that a variety of structural factors interact with the pace of technological diffusion and skills development:

- The stage of the demographic transition. Automation is largely a response to labor scarcity in aging countries. Developing countries are at earlier stages of the demographic transition, and, thus, labor is cheaper than in Europe or Japan.
- Factor endowments. The effects of automation will also depend on factor endowments, which are country-specific. For example, automation will be more prevalent in countries specialized in labor-intensive activities than in those with abundance of natural resources. However, not all labor-intensive activities will face the threat of automatization similarly. Some medium-skill jobs-like the care economy-are less likely to be replaced by machines.

Given the lack of capital, this type of activities is more prevalent in developing countries than developed countries.

- Gender and other gaps. Women's access to digital technologies is likely to increase as the affordability and penetration of internet services and devices increase. However, the impact may be different in developed than developing countries. In the latter, low levels of literacy, education, and skilling combined with/reinforced by socio-cultural norms are likely to restrict women's capacity to leverage new technologies for their economic empowerment. Other gaps, like religion and race, may also be very relevant in the developing world.

»The digitization of everything is just beginning.«

Ideally, the menu of policy options should start from an individual diagnosis taking into account the above-mentioned structural factors that make the impact of new technologies different in different countries. Given that this may be unreachable for the FWG in the short run, we recommend monitoring the trends in technological adoption and skills development in each G20 country. Therefore, the menu of policy options should not be taken as one-time product but as a starting point of a continuous work on the effects of new technologies on labor markets.

Another problem is that developing countries lack basic information about these issues. There are not official and

comparable information about the ways in which firms are dealing with technological change and how children, teenagers and adults are adapting their stock of skills to face the future. We believe the G20 is the proper forum to address this issue. In light of the challenges they face, we strongly recommend that the G20 continues working on closing data gaps. More specifically, we recommend the Digital Economy Task Force (DETF) -that has as one of its main topic to measure the digital economy- to strengthen their efforts to fill the data gaps regarding trends in the adoption and diffusion of the new digital technologies and the development of skills, particularly for developing countries, with a focus on the within-country asymmetries.

We strongly believe that these two recommendations -one for the FWG and the other for the DETF- constitute a necessary first step for any policy framework that hopes to take advantage of the digital revolution and start a successful development process.

¹ Employment opportunities will appear whenever new technologies enable the creation of new markets. Thus, they are not limited to high-skilled sectors.

² Other dystopian views exist about technology and the future of work. One is the threat of a world of technological unemployment, like the one that worried John Maynard Keynes in the 1930s, John Stuart Mill in the 19th century and even Queen Elizabeth I in the late 16th century (Mokyr et al., 2015). Another has to do with the "Solow Paradox", that is, the idea that this technological revolution is not going to boost productivity as in previous revolutions. For an analysis of the US economy along these lines, see Gordon (2012).

³ That is another way to say that technical change favors skilled over unskilled labor. For a literature review of this type of skill-biased technical change, see Violante (2016).

⁴ See Aneja and Mathur (2018), Chetty (2018), and Albrieu and Rapetti (2018).

⁵ There are several, rather isolated initiatives in the private sector (i.e., business, university) and the public sector to try to measure the evolution of the industry 4.0 in their countries. The picture that emerges from these unbalanced data shows that technological lags matter in developing countries. See CNI-UFRJ-Campinas (2018) for Brazil and BCG- Ministerio de Producción (2018) for Argentina.

⁶ For example, in South Africa, the impact of income inequality has had a direct influence on the opportunities available for the poor. It has been found that the poor attend ill-functioning schools, gain few opportunities to access tertiary education and ultimately contribute to the unemployed or unskilled labor force.

⁷ According to Lipsey et al. (2006), a General-Purpose Technology is defined as a generic technology that "initially has much scope for improvement and eventually comes to be widely used, to have many uses, and to have spillover effects".

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Building on the Hamburg Statement and the G20 roadmap for digitalization – Towards a G20 framework for artificial intelligence in the workplace

The author:

Paul Twomey

Centre for International Governance
Innovation (CIGI)

The Task Force:



The Future of Work and Education for the Digital Age

This Task Force will make recommendations on how to achieve a well-balanced labor market capable of matching the supply and demand of skills while reducing inequalities and promoting economic and social development. It also aims to provide policy advice to develop educational systems that promote equal opportunities.

ABSTRACT

Building on the 2017 Hamburg Statement and the G20 Roadmap for Digitalization, this Policy Brief recommends a G20 framework for Artificial Intelligence in the Workplace. It proposes high level principles for such a framework for G-20 governments to enable the smoother, internationally broader and more socially acceptable introduction of Big Data and AI. The principles are dedicated to the work space. It summarises the main issues behind the framework principles. It also suggests two paths towards adoption of a G-20 Framework for Artificial Intelligence in the Workplace.

CHALLENGE

In their 2017 Hamburg Statement¹, G-20 leaders recognized that “digital transformation is a driving force of global, innova-

tive, inclusive and sustainable growth” and committed “to foster favourable conditions for the development of the digital economy and recognise the need to ensure effective competition to foster investment and innovation.”

Leaders also recognised that the swift adoption of ICT is rapidly changing the workplace and placing stresses on citizens, societies and economies.

“Well-functioning labour markets contribute to inclusive and cohesive societies and resilient economies. Digitalisation offers the opportunity for creating new and better jobs, while at the same time raising challenges regarding skills, social protection and job quality... Acknowledging the increasing diversity of employment, we will assess its impact on social protection and working conditions and continue to monitor global trends, including the impact of new technologies, demographic transition, globalisation and changing working relationships on labour markets. We will promote decent work opportunities during the transition of the labour market.”

Responding to the rise of Big Data and Artificial Intelligence (AI)² is one of the most important ways that G-20 leaders could address their Hamburg Statement goals.

In Hamburg, leaders stated that the “G20 Roadmap for Digitalisation will help us guide our future work.” In that Roadmap, Ministers responsible for the Digital Economy, said that they would further discuss “frameworks as enablers for... workforce digitalization.” Some aspects for such frameworks were indicated: “In order to better prepare our citizens for the opportunities and challenges of globalisation and the digital revolution we need to ensure that everyone can benefit and adapt to new oc-

cupations and skills needs... Trust and security are fundamental to the functioning of the digital economy; without them, uptake of digital technologies may be limited, undermining an important source of potential growth and social progress... Within the Argentinian Presidency of the G20 we will discuss international public policy issues related to privacy and security in the digital economy.”³

These issues –trust, security, the need to adapt, privacy, skills– all are central as workers and citizens react to the rapid introduction of Big Data collection and related AI. Confronted with forecasts that these technologies may affect up to nearly half of all jobs⁴, workers worry about their employment and what skills they will need. People seek assurance that the introduction of AI and automation will be in a manner which ensures respect for the human integrity of workers and is done under a framework of accountability while still delivering the productivity, safety, and innovation benefits promised.

»Respect for the human integrity of workers.«

This Policy Brief offers such a framework for G-20 governments to enable the smoother and more socially acceptable introduction of Big Data and AI. It explores the main issues and proposes framework principles. It also suggests two paths towards adoption of a G-20 Framework for Artificial Intelligence in the Workplace.

A detailed discussion of the issues which are addressed by the principles in this framework is attached in the Appendix.

PROPOSAL

Building on the thinking of companies, think tanks, unions, academics and analytical media⁹, the following set of principles on data collection and AI in the workplace are proposed for consideration by the G-20 in Buenos Aires.

The Framework Principles

Data collection in the work environment

Right to know data is being collected, for what and from where Workers, be they employees or contractors, or prospective employees and contractors, must have the right to know what data is being collected on them by their employers, for what purpose and from what sources.

Right to ensure worker data is accurate and compliant with legal rights to privacy An important feature for worker understanding and productivity is that workers, ex-workers and job applicants have access to the data held on them in the workplace and/or have means to ensure that the data is accurate and can be rectified, blocked or erased if it is inaccurate or breaches legally established rights to privacy. The collection and processing of biometric data and other Personally Identifying Information (PII) must be proportional to its stated purpose, based on scientifically recognised methods and be held and transmitted very securely.

Principle of proportionality The data collected on present or prospective employees or contractors should be proportional

to its purpose. As one group has proposed: “Collect data and only the right data for the right purposes and only the right purposes, to be used by the right people and only the right people and for the appropriate amount of time and only the appropriate amount of time.”

Principle of anonymization Data should be anonymized where possible. Personally Identifying Data should only be available where it is important to the data collection’s prime purpose, and its visibility limited only to the employee and the relevant manager. Aggregated, anonymized data is preferable for many management and productivity purposes.

Right to be informed about the use of data Employees and contractors should be fully informed when internal and/or external data has been used in a decision effecting their career. Any data processing of present or prospective employees’ or contractors’ data should be transparent and the Personally Identifying Information be available for their review. The right to understand and appeal against both the rationale employed and the data used to achieve that rationale is essential to safeguard present or prospective workers against poor/inaccurate input data and/or discriminative decisions.

Monitoring of the workplace by employers should be limited to specific positive purposes Proportional data collection and processing should not be allowed to develop into broad scale monitoring of employees or contractors. While monitoring can be an indirect consequence of steps taken to protect production, health and safety or to

ensure the efficient running of an organization, continuous general monitoring of workers should not be the primary intent of the deployment of workplace technology. Given the potential to violate the rights and freedoms of persons concerned by the use of such technology, employers must be actively engaged to ensure that the use is constrained so as not to breach these rights. This is not just a matter of workplace freedoms, it is also a practical step towards maintaining morale and productivity.

Accuracy of data inputs and the “many eyes” principle Employers should ensure the accuracy, both in detail and its intended purpose, of the data models and sources for AI. Poor data results in flawed decision making. The establishment of training data and training features should be reviewed by many eyes to identify possible flaws and to counter the “garbage in garbage out” trap. There should be a clear and testable explanation of the type and purpose of the data being sourced. Workers and contractors with experience of the work processes and data environment of the firm should be incorporated into the review of data sources. Such data should be regularly reviewed for accuracy and fit for purpose. Algorithms used by firms to hire, fire and promote should be regularly reviewed for data integrity, bias and unintended consequences.

Artificial Intelligence in the workplace

Human-focused

Human control of AI should be mandatory and be testable by regulators.

AI should be developed with a focus on the human consequences as well as the economic benefits. A human impact review

should be part of the AI development process and a workplace plan for managing disruption and transitions should be part of the deployment process. Ongoing training in the workplace should be reinforced to help workers adapt. Governments should plan for transition support as jobs disappear or are significantly changed.

Benefits should be shared AI should benefit as many people as possible. Access to AI technologies should be open to all countries. The wealth created by AI should benefit workers and society as a whole as well as the innovators.

Fairness and inclusion AI systems should make the same recommendations for everyone with similar characteristics or qualifications. Employers should be required to test AI in the workplace on a regular basis to ensure that the system is built for purpose and is not harmfully influenced by bias - be it gender, race, sexual orientation, age, religion, income, family status etc. AI should adopt inclusive design efforts to anticipate any potential deployment issues that could unintentionally exclude people. Workplace AI should be tested to ensure that it does not discriminate against the vulnerable in our communities.

Governments should review the impact of workplace, governmental and social AI on the opportunities and rights of the poor, the indigenous and the vulnerable. In particular the impact of overlapping AI systems towards profiling and marginalization should be identified and countered.

Reliability AI should be designed within explicit operational requirements and undergo exhaustive testing to ensure that it

responds safely to unanticipated situations and does not evolve in unexpected ways. Human control is essential. People-inclusive processes should be followed when workplaces are considering how and when AI systems are deployed.

Privacy and security Big Data collection and AI must comply with laws that regulate privacy, data collection, use and storage. AI data and algorithms must be protected against theft and employers or AI providers need to inform employees, customers and partners of any breach of information, especially Personally Identifying Information as soon as possible.

Transparency As AI increasingly changes the nature of work, workers and customers/vendors need to have information about how AI systems operate so that they can understand how decisions are made. Their involvement will help identify potential bias, errors and unintended outcomes. Transparency is not necessarily nor sufficiently just a question of open source code. While in some circumstances this will be helpful, what is more important is clear, complete and testable explanations of what the system is doing and why.

Intellectual property and sometimes even cybersecurity is rewarded by a lack of transparency. Innovation generally, including in algorithms, is a value which should be encouraged. How are these competing values to be balanced? One possibility is to require algorithmic verifiability rather than full algorithmic disclosure. Algorithmic verifiability would require companies to disclose information allowing the effect of their algorithms to be independently assessed, but not the actual code driving the

algorithm. Without such transparency as to purpose and actual effect it is impossible to ensure that competition, labour, workplace safety, privacy and liability laws are being upheld.⁶

When accidents occur, the AI and related data will need to be transparent and accountable to an accident investigator, so that the process that led to the accident can be understood.

»The data collected on present or prospective employees should be proportional to its purpose.«

Accountability People and corporations who design and deploy AI systems must be accountable for how their systems are designed and operated. The development of AI must be responsible, safe and useful. AI must maintain the legal status of tools, and legal persons need to retain control over, and responsibility for, these tools at all times.

Workers, job applicants and ex-workers must also have the 'right of explanation' when AI systems are used in human-re-

source procedures, such as recruitment, promotion or dismissal⁷. They should also be able to appeal decisions by AI and have them reviewed by a human.

GOING FORWARD

This Policy Brief offers principles for G-20 governments to consider in enabling the smoother and more socially acceptable introduction of Big Data and AI into the workplace.

»Poor data results in flawed decision making.«

There are two paths towards the adoption of a G-20 Framework for AI in the Workplace.

First, building on the G20 Roadmap for Digitalisation Ministers responsible for the Digital Economy could consider the principles outlined in this Policy Brief. T-20 participants could work with officials to prepare a document for consideration by the 2nd Meeting of the Digital Economy Task Force on 21-22 August 2018.

Secondly, and not inconsistently with the first path, Ministers could consider establishing a multi-stakeholder grouping from with the G-20 process to flesh out more details of the principles outlined in this Policy Brief. This group could report to Ministers as part of the Japanese presidency of the G-20. Drawing on the T20, B20, and L20, AI designers and developers, research-

ers, employers, consumer organisations, lawyers, unions and government officials could work on a more detailed framework for principles, monitoring procedures and compliance process recommendations.

APPENDIX

The Issues

The use of automated decision-making informed by algorithms is penetrating the modern workplace, and broader society, at a rapid rate. In ways not visible to, nor fully apprehended by, the vast majority the population, algorithms are determining our present rights and future opportunities. To take just land transport, they help drive our cars, determine whether we can get a loan to buy our cars, decide which roads should be repaired, identify if we have broken the road rules, even determine whether we should be imprisoned if we have⁸.

Benefits

Big Data and AI can provide many benefits. They can assemble and consider more data points than humans can incorporate and often provide less biased or unclear outcomes than humans making decisions. Examples include the prevention of medical errors to increasing productivity and reducing risks in the workplace. Machine learning can improve job descriptions and provide more “blind” recruitment processes which can increase both the pool of qualified candidates and boost recruitment of non-conventional applicants⁹. Written well, algorithms can be more impartial and pick up patterns people may miss.

Many commentators point to the productivity benefits of AI. For instance, analysis by Accenture of twelve developed economies indicates that AI could double annual economic growth rates in 2035. “The impact of AI technologies on business is projected to increase labor productivity by up to 40 percent and enable people to make more efficient use of their time.”¹⁰

The World Bank is exploring the benefits of AI for development.¹¹ Others identify farming, resource provision and healthcare as sectors in the developing economies which will benefit greatly from the application of AI.¹²

Impact on employment

Much has been made of the impact of AI and related robotics on jobs, especially since Osborne and Frey’s 2013 article estimating that 47 percent of jobs in the US were “at risk” of being automated in the next 20 years.¹³ Debate has ensued on the exact nature of this impact: the full or part erosion of existing job tasks, the impact across sectors and across developed, emerging and developing economies. Forecasting such things is inherently difficult. But a recent summary by the McKinsey Global Institute reflects a mid-way analysis.

Automation technologies including artificial intelligence and robotics will generate significant benefits for users, businesses, and economies, lifting productivity and economic growth. The extent to which these technologies displace workers will depend on the pace of their development and adoption, economic growth, and growth in demand for work. Even as it causes declines in some occupations, automation will change many more—60 percent of occupations have at least 30 percent of constituent work activities that could be automated. It will also create new occupations that do not exist today, much as technologies of the past have done...

Our scenarios across 46 countries suggest that between almost zero and one-third of work activities could be displaced by 2030, with a midpoint of 15 percent. The proportion varies widely across countries,

with advanced economies more affected by automation than developing ones, reflecting higher wage rates and thus economic incentives to automate.... Even if there is enough work to ensure full employment by 2030, major transitions lie ahead that could match or even exceed the scale of historical shifts out of agriculture and manufacturing. Our scenarios suggest that by 2030, 75 million to 375 million workers (3 to 14 percent of the global workforce) will need to switch occupational categories. Moreover, all workers will need to adapt, as their occupations evolve alongside increasingly capable machines.¹⁴

Whatever the specifics, the result is clearly going to be very significant for G-20 economies and their citizens. And if the pace of adoption continues to outpace previous major technological adoption¹⁵, the scale of social dislocation is likely to be greater. Even more reason for the G-20 to work now on a framework for AI adoption.

The risk of bias

Code is written by humans and its complexity can accentuate the flaws humans inevitably bring to any task.

As Airbnb says¹⁶, bias in the writing of algorithms is inevitable. It can have chilling effects on individual rights, choices, and the application of worker and consumer protections. Researchers have discovered bias in the algorithms for systems used for university admissions, human resources, credit ratings, banking, child support systems, social security systems, and more. Algorithms are not neutral: they incorporate built-in values and serve business models that may lead to unintended biases, discrimination or economic harm¹⁷. Compounding this problem is the fact that

algorithms are often written by relatively inexperienced programmers, who may not have a correct picture of the entire application, or a broad experience of a complex world. The dependency of the workplace on algorithms imparts tremendous power to those who write them, and they may not even be aware of this power, or the potential harm that an incorrectly coded algorithm may have. Because the complex market of interacting algorithms continues to evolve, it's also likely that existing algorithms that may have been innocuous yesterday will have significant impact tomorrow.

AI can present two big flaws:

- bias in its coding, or
- selection bias in or distortion/corruption in its data inputs.

Either can result in significantly flawed results delivered under the patina of "independent" automated decision making.

The criticality of truly applicable and accurate data inputs

While much contemporary commentary has focused on the question of bias, the long experience of software development teaches that the proper scope, understanding, and accuracy of data has a dominant impact on the efficacy of programming. In simple terms, "garbage in, garbage out". This is particularly true with AI. AI is a process of machine learning – or more accurately machine teaching. The inaccuracies in data often come from reflections of human biases or human judgements about what data sets tell us which is not necessarily the case. The establishment of training data and training features is at the heart of AI. As Rahul Barghava says, "In machine learning, the questions that matter are "what is the textbook" and "who

is the teacher.”¹⁸ The more scrutiny these can receive the more likely that the data will be fit for purpose. Some local governments in the US have been making more use of algorithmic tools to guide responses to potential cases of children at risk. Some of the best implementations involve widespread academic and community scrutiny on purpose, process and data. And the evidence is that these systems can be more comprehensive and objective than the different biases people display when making high-stress screenings. But even then, the data accuracy problem emerges. “It is a conundrum. All of the data on which the algorithm is based is biased. Black children are, relatively speaking, over-surveilled in our systems, and white children are under-surveilled. Who we investigate is not a function of who abuses. It’s a function of who gets reported.”¹⁹ Sometimes the data is just flawed. But the more scrutiny it receives the better that is understood. In the workplace workers often have the customer and workflow experience to help identify such data accuracy challenges.

Acceptance of data inputs to AI in the workplace is not just a question of ensuring accuracy and fit for purpose. It is also one of transparency and proportionality.

The Facebook crisis has shown that there is a crisis in ethics and public acceptance in the data collection companies. Only a subset of issues raised include:

- A realization of the massive collection of data beyond the comprehension of the ordinary user
- Corporate capacity to collate internal and external data and analyse that data to achieve personally recognizable data profile outcomes of which the users did not understand nor explicitly approve

- The collection of data on people with whom there is no contractual or other authority to do so

- Lack of transparency in the data collection processes, sources, detail, purposes, and use

These issues are more pressing when they have a direct impact on people’s working lives. It is important for the pressing needs of data accuracy and worker confidence that employees and contractors have access to the data being collected for enterprise, especially workplace, AI. Data quality improves when many eyes have it under scrutiny. Furthermore, to preserve workplace morale workers need to know that their own personal information is being treated with respect and in accordance with laws on privacy and labour rights.

Community interests are not just individual or corporate rights

The present discussion about the ethics of data gathering and algorithmic decision-making has focused on the rights of individuals. The principals for the adoption of AI need also to include an expression of the policy concerns of the community as a whole as well as those of individuals. Four instance the individual right of intellectual property protection may need to be traded off against the community interest in non-discrimination and hence a requirement for greater transparency as to the purpose, inputs and outputs of a particular algorithmic decision-making tool.

Risk of further marginalization of the vulnerable

AI at its heart is a system of probability analysis for presenting predictions about certain possible outcomes. Whatever the

use of different tools for probability analysis, the problem of outliers remains. In a world run by algorithms, the outlier problem has real human costs. A society-level analysis of the impact of Big Data and AI shows that its tendency towards profiling and limited proof decisions results in the further marginalisation of the poor, the indigenous and the vulnerable.²⁰

One account reported by Virginia Eubanks explains how interrelated systems reinforce discrimination and narrow life opportunities for the poor and marginalised:

What I found was stunning. Across the country, poor and working-class people are targeted by new tools of digital poverty management and face life-threatening consequences as a result. Automated eligibility systems discourage them from claiming public resources that they need to survive and thrive. Complex integrated databases collect their most personal information, with few safeguards for privacy or data security, while offering almost nothing in return. Predictive models and algorithms tag them as risky investments and problematic parents. Vast complexes of social service, law enforcement, and neighborhood surveillance make their every move visible and offer up their behavior for government, commercial, and public scrutiny.²¹

This highlights the issue of unintended consequences, especially when they impact the marginalized. It is unlikely that the code-writers of the systems described above started off with the goal: "let's make life more difficult for the poor". But by not appreciating how powerful would be the outcome of the semi-random integration of systems, each narrowly incented by the

desired outcomes for the common and the privileged, that is exactly what these programmers did.

The same concerns apply to the work place. At first glance it may appear intuitive to record how far an applicant lives from the workplace for an algorithm designed to determine more likely long-term employees. But it inherently discriminates against poorer applicants dependent on cheaper housing and public transport. AI written around a narrow definition of completed output per hour, may end up discriminating against slower older employees, whose experience is not reflected in the software model.

Over the last decades, many employers have adopted Corporate Social Responsibilities partly in recognition that their contribution to society is more than just profitability. It is essential as the AI revolution continues, that a concerted effort is made to ensure that the broader societal responsibilities are not unwittingly eroded through the invisible operation of narrowly written deterministic algorithms which reinforce each other inside and beyond the enterprise.

Big Data and AI should not result in some sort of poorly understood, interlinked algorithmic Benthamism, where the minority is left with diminished life opportunities and further constrained autonomy.

AI is the ongoing product of humans, and hence they are accountable

With complex and opaque decision making, there is tendency by some to see the AI as being separate and unified entity unto itself. This is a grave error and fails to understand the true role of the human within the algorithm. It essential to emphasise

the human agency within the building, populating and interpretation of the algorithm. Humans need to be held accountable for the product of algorithmic decision making.

As Lorena Jaume-Palasi and Matthias Spielkamp, state:

The results of algorithmic processes ...are patterns identified by means of induction. They are nothing more than statements of probability. The patterns identified do not themselves constitute a conclusive judgment or an intention. All that patterns do is suggest a particular (human) interpretation and the decisions that follow on logically from that interpretation. It therefore seems inappropriate to speak of "machine agency", of machines as subjects capable of bearing "causal responsibility"... While it is true that preliminary automated decisions can be made by means of algorithmic processes (regarding the ranking of postings that appear on a person's Facebook timeline, for example), these decisions are the result of a combination of the intentions of the various actors who (co-) design the algorithmic processes involved: the designer of the personalization algorithm, the data scientist who trains the algorithm with specific data only and continues to co-design it as it develops further and, not least, the individual toward whom this personalization algorithm is directed and to whom it is adapted. All these actors have an influence on the algorithmic process. Attributing causal responsibility to an automated procedure –even in the case of more complex algorithms– is to fail to appreciate how significant the contextual entanglement is between an algorithm and those who co-shape it.²²

A human centric model is essential for acceptance and to ensure a safe AI future

Hundreds of technical and scientific leaders have warned of the risk of integrated networks of AI superseding human controls unless governments intervene to ensure human control is mandated in AI development. The British physicist Stephen Hawking warned of the importance of regulating artificial intelligence: "Unless we learn how to prepare for, and avoid, the potential risks, AI could be the worst event in the history of our civilization. It brings dangers, like powerful autonomous weapons, or new ways for the few to oppress the many."²³

"It would take off on its own, and redesign itself at an ever increasing rate. Humans, who are limited by slow biological evolution, couldn't compete, and would be superseded."²⁴

More specifically within the workplace, Big Data and AI could result in a new caste system imposed on people by systems which determine and limit their opportunities or choices in the name of the code-writers' assumptions about the best outcome for the managerial purpose. One can imagine an AI controlled recruitment environment where the freedom of the person to radically change career is punished by algorithms only rewarding commonly accepted traits as being suitable for positions.

AI should not be allowed to diminish the ability of people to exercise autonomy in their working lives and in determining the projection of their own life path. This is an essential part of what makes us human. As UNI Global Union says, in the deployment of these technologies, workplaces should "show respect for human dignity, privacy and the protection of personal data should

be safeguarded in the processing of personal data for employment purposes, notably to allow for the free development of the employee's personality as well as for possibilities of individual and social relationships in the work place."²⁵

Microsoft has called "to put humans at the center" of AI²⁶. This is important both to control its potential power, and especially in the work place, including the gig economy, to ensure that AI serves the values and rights we have developed as individuals in societies over the last centuries.

As the Economist has concluded: "The march of AI into the workplace calls for trade-offs between privacy and performance. A fairer, more productive workforce is a prize worth having, but not if it shackles and dehumanises employees. Striking a balance will require thought, a willingness for both employers and employees to adapt, and a strong dose of humanity".²⁷

The need for a governance framework

The Facebook crisis has shown how government's role in protecting the rights and wellbeing of citizens and workers lagged behind the solely market driven incentives for companies to conduct large scale, detailed, poorly accountable and shared surveillance of millions of people. The potential disruption of AI signals that it is best both for business certainty and worker adaption, that this governance lag not be repeated. In an environment where changes to the scope, content, control and reward of work are accelerating, ensuring that workers' apprehensions are addressed in an open and accountable way will be important for ensuring ongoing productivity improvements and avoiding unintended social disruptions. Now is the time for G-20

governments to establish a set of principles which should guide the adoption of artificial information and automation in the workplace.

¹ https://www.g20germany.de/Content/EN/_Anlagen/G20/G20-leaders-declaration.html;jsessionid=0C16852EEB7D1B06ADE151F7FDCE44FB.s6t2?nn=2186554

² Nearly all software contains some form of algorithm and poses little disruption to the workplace. But the complex algorithms that drive significant decision making in the workplace have drawn public attention. For the purpose of this policy brief I will use the term Artificial Intelligence (AI) to cover automated decision-making informed by complex algorithms and machine learning capabilities

³ <https://www.bmwi.de/Redaktion/DE/Downloads/G/g20-digital-economy-ministerial-declaration-english-version.pdf?blob=publicationFile&v=12>

⁴ KPMG reports: Between now and 2025, up to two-thirds of the US\$9 trillion knowledge worker marketplace may be affected. The Bank of England estimates that robotic automation will eliminate 15 million jobs from the UK economy in the next 20 years. Digital technologies will conceivably off- set the jobs of 130 million knowledge workers — or 47 per cent of total US employment — by 2025. Across the OECD some 57 per cent of jobs are threatened. In China, that number soars to 77 per cent. KPMG, *The Rise of the Humans*, 2016 <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2016/11/rise-of-the-humans.pdf>

⁵ These works are outlined in the bibliography.

⁶ This is explored in some degree by the Report of the Global Commission for Internet Governance, p 45 <https://www.ourinternet.org/report>

⁷ The EU General Data Protection Regulation (GDPR) seems to infer a “right to explanation”. See Andrew Burt, “Is there a ‘right to explanation’ for machine learning in the GDPR?”, *International Association of Privacy Professionals*, 1 June 2017 <https://iapp.org/news/a/is-there-a-right-to-explanation-for-machine-learning-in-the-gdpr/>

⁸ See Julia Angwin, Jeff Larson, Surya Mattu and Lauren Kirchner, “Machine Bias” *ProPublica* May 23, 2016 <https://www.propublica.org/article/machine-bias-risk-assessments-in-criminal-sentencing>

⁹ See firms like Textio and Pymetrics

¹⁰ Mark Purdy and Paul Daugherty, *Why Artificial Intelligence is the Future of Growth*, Accenture, <https://www.accenture.com/us-en/insight-artificial-intelligence-future-growth>

¹¹ See <https://www.measuredev.org/>

¹² See James Owendon, “AI in Developing Countries: Artificial Intelligence is not just for driverless cars”, *Innovation Enterprise*, 6 October 2016, <https://channels.theinnovationenterprise.com/articles/ai-in-developing-countries>

¹³ Carl Benedikt Frey and Michael A. Osborne, *The Future of Employment: How Susceptible Are Jobs to Computerisation?*, Published by the Oxford Martin Programme on Technology and Employment, 2013

¹⁴ McKinsey Global Institute, “Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation”, 2017 <https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Future%20of%20Organizations/What%20the%20future%20of%20work%20will%20mean%20for%20jobs%20skills%20and%20wages/MGI-Jobs-Lost-Jobs-Gained-Report-December-6-2017.ashx>

¹⁵ See discussion in Seve Lohr, “A.I. will transform the Economy. But How Much, and How Soon?”, *New York Times*, November 30, 2017.

¹⁶ <https://airbnb.design/anotherlens/>

¹⁷ For instance, media reports have pointed out clear racial bias resulting from reliance on sentencing algorithms used by many US courts. <https://www.nytimes.com/2017/06/13/opinion/how-computers-are-harming-criminal-justice.html>

¹⁸ Rahul Barghava, “The algorithms are not biased, we are”, *MIT Media Lab*, January 3, 2017 <https://medium.com/mit-media-lab/the-algorithms-arent-biased-we-are-a691f5f6f6f2>

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It takes more than a village. Effective early childhood development, education and care services require competent systems

The authors:

Mathias Urban

Dublin City University

Alejandra Cardini

CIPPEC

Rita Flórez Romero

Universidad Nacional de Colombia

The Task Force:



The Future of Work and Education for the Digital Age

This Task Force will make recommendations on how to achieve a well-balanced labor market capable of matching the supply and demand of skills while reducing inequalities and promoting economic and social development. It also aims to provide policy advice to develop educational systems that promote equal opportunities.

ABSTRACT

There is a global consensus about the importance of high quality early childhood development, education and care (ECDEC) programmes. Increasingly, the systemic characteristics of early childhood programmes are recognised by policy makers and international bodies. This 'systemic turn' has created new challenges. Education, primary healthcare, nutrition, children's rights, social cohesion, equality and other aspects that contribute to the ECDEC system are often grounded in different, and not necessarily matching, conceptualisations, understandings, terminologies and accepted practices. Bringing them together in a Competent System (Urban et al, 2012) requires coordinated approaches to governance, resourcing, professional preparation, and evaluation that embrace complexity.

CHALLENGE

Early childhood development, education and care (ECDEC) has rightly gained a prominent place on national and international policy agendas. In recent years a broad global consensus has emerged that ensuring access to high quality early childhood development, education and care programmes is one of the most effective policy tools countries can employ to impact both individual and collective (i.e. national) well-being and educational achievement. Children learn and make significant experiences from birth, long before they enter formal schooling.

The importance of the earliest years of human life as a 'critical period' (Woodhead, 1996) is recognised not least through the inclusion of early childhood in the frameworks of lifelong learning, encompassing all stages of education, in Goal 4 of the Sustainable Development Goals (SDGs). One of the targets of Strategic Development Goal 4 (Education) is to ensure, by 2030, 'that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education' (<https://www.un.org/sustainabledevelopment/sustainable-development-goals>)¹. While there is a strong focus on formal education in SDG 4, it comes with a clear understanding that educational achievement and lifelong learning are embedded in, and dependent on, contextual factors that impact a child's holistic development from the very beginning of their life.

However, early childhood development, education and care programmes don't exist in a vacuum. The fact that they are embedded in complex social, cultural and political systems and, despite being of global concern, the upbringing of young children

is an inevitably local practice. This raises fundamental questions that can only be addressed through democratic debate of all stakeholders within countries, and at all levels of government. As John Bennett, writing for the Organisation for Economic Co-operation and Development (OECD) puts it, early childhood policy is 'deeply influenced by underlying assumptions about childhood and education: what does childhood mean in this society? How should young children be reared and educated? What are the purposes of education and care, of early childhood institutions? What are the functions of early childhood staff?' (OECD, 2001, p. 63)

»Systemic characteristics of early childhood programmes are increasingly recognised by policy makers.«

Moreover, caring for, and educating young children comprises physical, emotional, cognitive, social, cultural and spiritual aspects from birth (Cardini et al., 2017).

It has to be welcomed that the systemic characteristics of early childhood programmes are increasingly recognised by

policy makers and international bodies.

Countries in both the global north and south are increasingly adopting policy frameworks that address early childhood from a holistic perspective (Cardini & Guevara, in press). Examples include the European Union Quality Framework for Early Childhood Education and Care (Working Group on Early Childhood Education and Care, 2014) and the Comprehensive Care Strategy De Cero a Siempre in Colombia (Republic of Colombia, 2013). These documents (and similar approaches in a growing number of countries) urgently require new and effective approaches to governance, resourcing, professional preparation and evaluation at all levels of the early childhood system. They also point to the need – and possibility – for shared learning from, with, and between policy and practice initiatives in the global south and north.

This need for a ‘systemic turn’ has created new challenges. Education, primary healthcare, nutrition, children’s rights, social cohesion, equality and other aspects that contribute to the ECD/ECEC system are often grounded in different, and not necessarily matching, conceptualisations, understandings, terminologies and accepted practices. The need to coordinate not only within one professional system (early education) but across several professional and disciplinary systems in ECD adds to the complexity of the task. Bringing them together in a Competent System (Urban, Vandebroek, Van Laere, Lazzari, & Peeters, 2012) that ensure practices, knowledge and orienting values are shared between actors with a wide range of professional and disciplinary backgrounds, and across all levels of the system requires coordinated approaches to governance,

resourcing, professional preparation, and evaluation that embrace complexity. This policy brief identifies such possibilities and suggests a course of action that should be taken by governments of G20 countries in order to build effective, holistic, and sustainable support systems for young children and their families.

PROPOSAL

Supporting the systemic turn in early childhood development, education and care

The acknowledgement that access to high quality early childhood development and care services from birth is an important precondition for educational achievement (and therefore a critical factor for achieving SDG 4) is supported by a strong body of research evidence and, increasingly, by policy makers and international ECD/ECE advocates (World Bank, 2011).

Increasingly, countries in both the global south and north are beginning to adopt systemic approaches to developing early childhood development, education and care services. Examples include programmes that are designed to provide health, nutrition, early education as well as a range of other supports for young children from birth, their families and communities. Programmes are framed, at policy level, by intersectoral and interdepartmental approaches to governance, implementation and evaluation. For instance, the European Union has adopted Council Conclusions that emphasise the need for systemic approaches to professionalising the early childhood workforce in its 28 member states (Council of the European Union, 2011). In Latin America, some countries are

developing new, intersectoral and holistic public policy approaches to early childhood development, education and care systems, e.g. Uruguay Crece Contigo (<http://crececontigo.opp.gub.uy/>), Chile Crece Contigo (<http://www.crececontigo.gob.cl/>) and De Cero a Siempre (<http://www.deceroasiempre.gov.co/>). Moreover, the World Bank, as part of its SABER initiative (Systems Approach for Better Education Results - <http://saber.worldbank.org/>), recognises that 'ECE exists within a larger [social, cultural and political] context' and points to the importance of coordinated ECD approaches that span 'education, health, protections and social welfare', requiring 'both horizontal and vertical coordination' (Powers & Paulsell, 2018).²

»» Recognition will have to be matched with proactive measures.««

The increasing recognition that early childhood development programmes require systemic, cross-sectoral approaches (i.e. Competent Systems) in order to be effective has to be welcomed. However, such recognition will have to be matched with proactive measures at the levels of policy, practice, professional preparation and research.

Research into early childhood systems commissioned by the European Union

has shown that Competent Systems (Urban, Vandebroek, Van Laere, Lazzari, & Peeters, 2011; Urban et al., 2012) require matching relationships, communication and coordination between all levels of an early childhood system:

- Individual (educators, teachers, child-care workers etc.)
- Institutional (e.g. preschool settings)
- Inter-institutional (e.g. preschool settings and professional preparation, various child and family services in the community, practice and research)
- Governance (e.g. strategic planning, policy formulation, regulation, resourcing, implementation and evaluation)

Relationships in and between the levels of a Competent System unfold in three interconnected dimensions:

- Knowledge(s)
- Practice(s)
- Values

At all levels of a Competent System, actors require a sound body of knowledge (e.g. about the purpose and aims of EC-DEC, about children's rights, democracy, about the importance of addressing diversity, equality, and social justice). At present, individual and institutional actors with different roles and professional backgrounds often operate on the basis of distinct bodies of knowledge (e.g. pedagogical, medical, legal, administrative). Shared knowledge and understanding across the entire system is the precondition for the development of shared and matching practices. If, for instance, national policy frameworks expect practitioners to work with children and families in rights-based, non-discriminatory, culturally appropriate and participatory ways, matching practices are required by administrators, by local, regional

and national policy makers, in professional preparation, evaluation etc. Systemic and rights-based practices (at all levels of the system) develop on the basis of shared orienting values. It is a crucial task to enable systematic encounters and democratic dialogue between all stakeholders in order to raise awareness of own and others' values, and to work towards a shared orientation towards rights, equality, and social justice for all children and families.

The need to coordinate not only within one professional system (early education) but across several professional and disciplinary systems in ECDEC adds to the complexity of the task. Education, primary healthcare, nutrition, children's rights, social cohesion, equality and other aspects that contribute to the ECD/ECEC system are often grounded in different, and not necessarily matching, conceptualisations, understandings, terminologies and accepted practices. Bringing them together in a Competent System requires targeted action at systems level that G20 governments should seek to provide.

G20 governments can and should take decisive action, taking a three-pronged approach: supporting the systemic turn in early childhood development, education and care.

I. Initiate and support measures that make systemic approaches sustainable

In order to build sustainable and effective early childhood development, education and care services, G20 governments should:

1. systematically develop national (i.e. State) policy frameworks and strategies that reach beyond electoral cycles and policies of a specific government. In order to be sustainable, the frameworks need to be

strong enough to resist changes in government and administration;

2. proactively initiate, support and resource multi-dimensional networks of all actors involved in developing and providing ECD services at all levels of government: local, regional and national;

3. systematically take into account and build on the capabilities, desires, aspirations and needs of all families and communities. Integrated ECDEC programmes should always aim at empowering and supporting, never at supplanting families;

»G20 governments can and should take decisive action.«

4. always conceptualise and develop ECDEC programmes and services as universal services for all children and families in order to avoid stigmatisation of services targeted at disadvantaged groups as services for the poor. Within a universal system additional resources can and should then be allocated according to specific needs (progressive universalism);

5. support a systemic qualification framework: shared approaches to professional preparation, qualification, and continuous professional development across all practitioners and professionals working with young children, families and communities including (but not limited to) health workers, childcare workers, educators and teachers;

6. initiate processes to include the roles, competences and professional profile of facilitators for such networks into the professional role profiles of ECD/ECEC personnel, and initiate, commission and adequately resource 'systems research [that] looks beyond evaluation of individual programs and policies (beyond "proximate causes" of child outcomes)' with a view on how to take systemic ECD/ECEC approaches to scale (Powers & Paulsell, 2018).

II. Initiate and support joint learning from and with forward-looking ECD/ECEC initiatives across G20 countries

ECDEC contexts and needs of diverse communities differ widely in individual countries and across the G20 group. Countries have developed a wealth of approaches to meet the needs of these diverse communities. While life situations of young children and their families and communities are always specific, concrete and local, there are also shared experiences across country contexts, and increasingly across the global south and global north. They include often traumatic experiences, e.g. with migration and displacement, marginalisation and exclusion of minority and indigenous groups, poverty, malnutrition and other issues affecting the wellbeing of young children. Even in the most affluent G20 countries an increasing number of children are growing up under conditions that some (arrogantly and entirely inappropriately) still call 'third world conditions'.

Many G20 countries in Europe and North America have attempted to integrate the early education and care aspects of early childhood services, albeit with varying levels of commitment and success. G20 countries in other regions, on the other

hand, are operating on a much broader understanding of 'integrated services' that comprise health and well-being, nutrition, education, social cohesion and reconciliation, and equality. Excellent examples for such approaches can be found in Latin America.

Governments should draw on the wealth and diversity of policy and practice approaches within the G20 group and initiate systematic learning:

1. proactively initiate, support and resource cross-national exchange and networking between policy makers, practitioners, ECD advocates, and researchers in order to make successful and forward-looking approaches to holistic ECD/ ECEC services in the global south accessible to stakeholders in other countries;

2. encourage and equip these cross-national initiatives to systematically explore possible shared understandings across differences, with particular attention to questions of purpose and values that underpin approaches to ECD/ECEC services (e.g. public good vs. private responsibilities);

3. enable and resource cross-national, cross-professional and cross-disciplinary initiatives to explore and develop shared bodies of knowledge, shared practices, and first and foremost shared concepts and language.

III. Embrace and support systemic approaches to ECD/ECEC governance, policy implementation, and evaluation

Competent Systems require new approaches to governance, policy implementation and evaluation. Overcoming traditional and often simplistic understandings remains a major challenge. Governance theory and systems theory

have shown that top-down approaches to policy implementation don't work, and that the only way to influence ('govern') a complex system is through influencing and shaping its context (Pressman & Wildavsky, 1984; Willke, 1998). However, in ECD/ECEC the standard mode of governance often tends to follow an implicit top-down logic: Step one involves developing policy (often based on research evidence and/or internationally accepted 'best practice'); step two involves devising an implementation strategy ('from theory to practice'). This, ideally, is followed by step three which comprises measures to assess the effectiveness of the policy at ground level.

»Proactively initiate, support and resource multi-dimensional networks of all actors.«

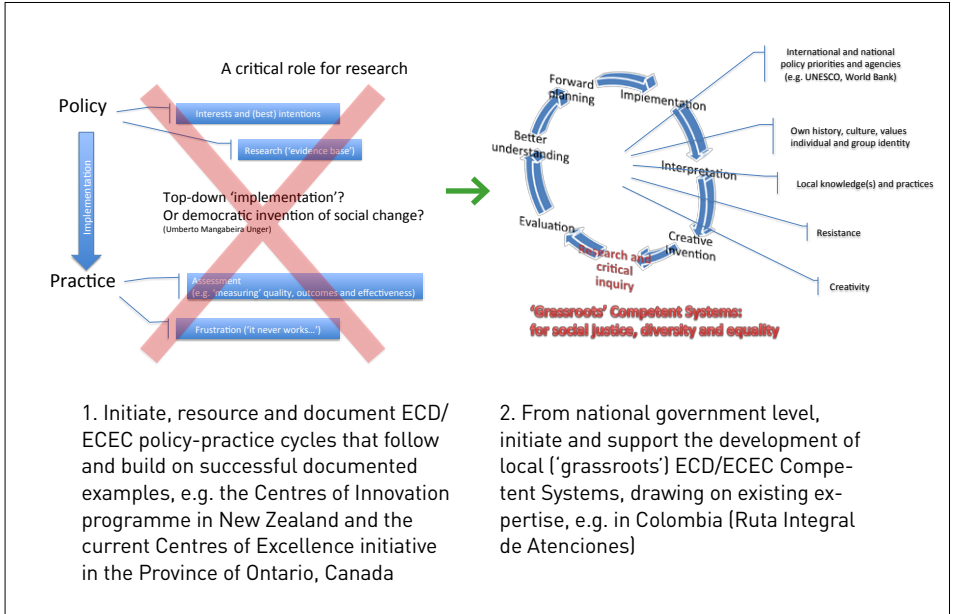
Not only are such models overly simplistic; they lend themselves to inappropriately and evidently ineffective technocratic approaches aimed at managing professional performance regulating autonomous professional practice and measuring only predetermined outcomes.

Competent Systems in ECD/ECEC thrive on the agency of all actors and stakeholders: children and families, practition-

ers, community leaders ('elders'), scholars, administrators, policy makers all shape the early childhood system through their everyday (inter-)actions. Inevitably, they all bring their own readings and interpretations of national policy frameworks into the picture. Herein lies a tremendous opportunity to make use of what the Brazilian author Roberto M. Unger (2005) calls democratic experimentalism. In consequence, G20 governments should proactively encourage the shift from linear ('top-down') approaches to ECD/ECEC policy making and implementation to circular processes that systematically connect policy development, implementation/interpretation at local and regional level with careful systemic evaluation that feeds back into the policy making cycle.

Initiate, commission and resource systemic, participatory evaluation of local processes in the context of national ECD/ECEC policy frameworks.

Figure 1 and 2.



¹ As the 2017 SDG report states, 'Pre-primary education is, in fact, considered an important part of a holistic and robust educational system' (United Nations, 2017, p. 24). Participation in 'pre-primary or primary education in the year prior to the official entrance age to primary school' (ibid) has increased to around 9 out of 10 children in Europe, Latin America, the Caribbean and North America; the rate in the least developed countries remains much lower (4 out of 10).

² The existence of these policy frameworks marks important progress towards integrated systems. However, for them to affect sustainable change governments will have to address two main challenges: 1. Ensure a 'strong and equal relationship' (Bennett) between ECDEC and the compulsory school system. 2. Adopt participatory implementation strategies that avoid inappropriate 'top-down' processes. These are still prevalent in national policy documents, for instance in expressions like 'bajar la política a los territorios' (De Cero a Siempre).

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Achieving “25 by 25”: Actions to make women’s labour inclusion a G20 priority

The authors:

Gala Díaz Langou

Centro de Implementación de Políticas
Públicas para la Equidad y el Crecimiento,
(CIPPEC)

Florencia Caro Sachetti

Centro de Implementación de Políticas
Públicas para la Equidad y el Crecimiento,
(CIPPEC)

Estela Rivero Fuentes

Counting Women’s Work

Margarita Beneke de Sanfelici

Fundación Salvadoreña Para El Desarrollo
Economico Y Social (FUSADES)

Cynthia L. Drakeman

DoubleXEconomy

Paloma Ochoa

Fundación ICBC

Carolina Robino

International Development Research Center
(IDRC)

Boris Branisa

Instituto de Estudios Avanzados en
Desarrollo (INESAD)

Alina Sorgner

John Cabot University & Kiel Institute
for the World Economy

The Task Force:



Gender Economic Equity

Given that the G20 has a huge potential to deliver on gender equality due to its key role in the global economy, this Task Force will aim to contribute knowledge and evidence to multilateral forum discussions on how to foster women’s economic rights.

ABSTRACT

While women’s labour insertion has significantly increased, wide gender gaps persist: women participate less in labour markets, their employment conditions are worse, they face glass walls and ceilings and they are discriminated by the law. Achieving gender equity is not only a moral imperative, but it also key for growth and development. The G20 countries have committed to reduce the gap in labour participation 25% by 2025, yet progress has been slim and thus innovative solutions need to be implemented. This document aims to provide policy

recommendations to achieve this goal and bridge gender gaps in the world of work.

CHALLENGE

During the last decades women have massively entered the labour market. However, wide gender gaps persist. In 2017, global female labour force participation reached 49.4%, 26.7 p.p. lower than for men and no improvements are expected in the short term (ILO, 2017). Women are more likely to remain economically inactive and, when they do participate in labour markets, they are more prone to be unemployed, work in the informal economy, receive lower wages, concentrate in less dynamic sectors and be under-represented at the top (Kabeer, 2017). Thus, while female labour insertion and conditions have progressed, these have not necessarily translated into decent work or economic empowerment.

These gender inequalities are an obstacle to women's effective exercise of their rights. Yet promoting gender equality in labour markets is not only right for women, but also for the economy and society as a whole. A growing body of literature highlights the economic returns of closing gender labour gaps and the benefits of a diverse workforce for business performance (Brosio, Díaz Langou, & Rapetti, 2018). Therefore, the absence of a trade-off between equity and growth and its benefits in all dimensions make it imperative to advance towards women's empowerment.

Two interrelated factors are at play behind these gender gaps. First, social norms and customs create gender stereotypes that are deeply rooted in societies and internalized by men and women, affecting their decision to engage in labour activities in general and in certain sectors or occupa-

tions particularly. Second, the sexual division of labour has historically considered women as primarily responsible for domestic and care work, hampering female participation in paid activities and generating a "double burden". While female labour force participation has increased, there has been no recognition of the importance of unpaid work or a redistribution between men and women.

Gender prejudices are also associated to legal restrictions on women's agency. According to Women, Business and the Law report (World Bank, 2018), in 167 out of 189 countries laws hinder women's economic opportunities and 104 have legal gender-based job restrictions on women. These can affect their access to financial assets, property rights and social networks, and even constrain women's freedom of movement or labour insertion.

Education is another factor closely associated to labour inclusion. Educational achievements are correlated with greater participation in decision-making, improved employment outcomes, reduced early marriage, reduced maternal mortality and greater awareness of rights (UN Women, 2016). Over the last decades, girls' educational attainment has significantly improved and some countries exhibit a positive gap for women, yet in others it remains a problem.

Given its key role in the global economy, the G20 has a huge potential to deliver on gender equality. In 2014, the G20 leaders committed to reduce the gender gap in participation by 25% by 2025, which would bring more than 100 million women into the labour force. Despite the compromise and the heightened relevance of the W20 within the G20 process, overall progress has been

slim and thus innovative solutions need to be pushed forward.

PROPOSAL

Empowering women is not only correct from a rights' perspective, but it is also smart economics: evidence suggests that reducing gender gaps in the labour market can contribute to economic growth and sustainable and inclusive development. In this sense, reducing gender gaps is essential to achieve the 2030 Agenda goal of "leaving no one behind".

»Women are more likely to remain economically inactive and more prone to be unemployed.«

Unequal power structures limit the opportunities for women, for they exclude them from certain activities while mostly relegating them to the private sphere. These asymmetries are reinforced by existing social norms, laws and public policies, and they translate not only in lower female labour force participation and lower pay for women, but also in constraints on women's freedom of movement, on their decision-

making and on their actions more broadly. While culture and social norms are hard to change in the short term, policy can foster and accelerate the debunking of gender stereotypes.

One symptom of our patriarchal societies is the fact that women exhibit higher levels of time poverty due to the disproportionate amount of unpaid work they perform, which often leads to a double burden of work. Therefore, increasing female labour force participation requires encouraging co-responsibility between different actors to redistribute these activities.

Moreover, as a new wave of innovation and technology disrupts the world of work, new challenges and opportunities arise to bridge gender gaps. According to the WEF (2016), the future of work will have different implications for men and women. As domestic chores are further automated, the amount of unpaid work could be reduced, decreasing women's double burden. Nonetheless, a globally ageing population means that care needs will increase in the near future. Additionally, the STEM field, in which women are underrepresented, is likely to register the highest employment growth, so reducing the digital, educational and entrepreneurial divides is essential to prevent women from lagging behind these opportunities.

Given existing information gaps, a necessary step to address inequalities is to collect better sex-disaggregated data and perform gender analyses of policies and events. Only by "engendering" data we will be able to produce better evidence and thus improve policymaking and planning to empower women. This requires gender mainstreaming in developing standards and methodologies for data collection and

analysis, both in rural and urban environments. In this vein, striving towards the “25 by 25” goal set during the Australian G20 Presidency requires monitoring progress with quality data. For this purpose, the ILO and the OECD have developed a set of indicators (ILO & OECD, 2015) that are described in the Appendix.

»Empowering women is smart economics.«

As women face multiple and intersecting barriers in order to enter and remain in the labour market, a multidimensional and comprehensive approach is required to address each of the obstacles and deconstruct cultural and social representations in order to leverage female talent. Additionally, especial attention must be put on minority groups of women, such as migrants, who face additional barriers. The following sections provide policy recommendations building on previous research and the W20 2017 Communiqué and Implementation Plan.

1. Relaxing constraints on women's time

Evidence shows that investing in the care economy can have positive implications in female employment and economic growth (GROW, 2015; ITUC, 2016; Melesse & O'Neill, forthcoming), as it can contribute to alleviate women's time poverty.

All individuals have the right to care and be cared for, yet care responsibilities and domestic work remain as key obsta-

cles hindering women's full economic participation. Social norms have traditionally led to women being considered primarily responsible for unpaid work, yet with their massive insertion into the labour market the traditional divide man breadwinner/women caregiver is becoming obsolete. Additionally, while vital from an economic and social perspective, unpaid work remains invisible in economic accounts (Dutkiewicz & Ellis, 2018).

While the distribution of these activities remains far from egalitarian between men and women, many countries lack sufficient and quality care services. This situation is particularly troublesome for women in vulnerable environments, as they lack resources to afford care services and therefore cannot balance their time between paid and unpaid work. Progress in gender equality has been uneven between different groups of women and socioeconomic cleavages have increased in many countries (UN Women, 2016).

Following the recommendations put forth on the T20 Policy Brief on Care, the ensuing policies are proposed:

- Recognise care and domestic activities as unpaid work.
 - Carry out periodic time-use surveys.
 - Measure the contribution of unpaid work in national accounts.
 - Foster the formalization and professionalization of care workers.
- Reduce the burden of care and domestic work.
 - Invest in the provision of care services for children, people with disabilities, people living with diseases and the elderly.
 - Provide technology, infrastructure and public services that contribute to diminish the burden of domestic work: piped wa-

ter, electricity connections, roads, quality childcare and education services (Chopra & Zambelli, 2017).

- Redistribute these tasks more equally between men and women.

- Design public campaigns to challenge gender stereotypes regarding paid and unpaid work and shape more supportive social norms.

- Foster paid maternity, paternity and parental leave regimes that promote co-responsibility between mothers, fathers and the State. Establish a number of non-transferrable leave days for fathers. Ensure this right for all family conformations.

- Enact fiscal incentives for companies to implement family-friendly policies and flexible working arrangements for women and men.

- Enact fiscal incentives for women to participate in the labour market, e.g. tax cuts for families' second earners.

2. Removing legal barriers to women's economic empowerment

It is crucial to abolish all policies, laws and regulations that constrain women and foster legislations that protect them from being discriminated in order to allow their empowerment, strengthen their role in private and public decision-making and fulfil their rights. Legal discrimination based on gender hinders not only women's economic participation, but also the road towards sustainable and inclusive growth and development.

Despite improvements in gender equality, around the world women still face legal restrictions on their actions and opportunities. These limitations are correlated with fewer girls receiving education than boys, fewer working women and wider gender

wage differentials (World Bank, 2016), all of which affect women's economic prospects and choices. Building on the UN Secretary-General's High-Level Panel on Women's Economic Empowerment and previous W20 processes, the following measures are put forward:

- Abolish policies, laws and regulations that prevent or restrict women's agency. These include regulations affecting women's freedom of movement, participation in economic activities, access to education, access to sexual and reproductive health services, working during night shifts, among others.

- Enact legislation to ensure women's equal access to assets and resources, including credit, land ownership, inheritance.

- Promote laws that guarantee equal pay for equal work regardless of gender.

- Reform inequitable laws and regulations and ensure legal protection and non-discrimination.

- Promote equal women's access to justice and legal aid.

- Prevent violence against women and girls in all contexts, including the workplace.

3. Foster women in STEM careers and traditionally male-dominated sectors

Women who enter the labour market tend to concentrate in sectors considered as "female", which are an extension of women traditional tasks in the private sphere - i.e. education, health and domestic work. Socio-cultural norms and factors affect their career and occupation choices (Beneke, Polanco, Vásquez, & Calderón, 2016) and educational systems reinforce stereotypical expectations for women (OECD, 2012), leading to reduced female

participation in certain fields. While girls' education has progressed over the last decades, this improvement has been uneven among different subjects. In a changing world, the Fourth Industrial Revolution is leading to a future of work in which jobs in science and technology will be the fastest growing and better paid (WEF, 2016) and in which men are currently predominant, while new jobs can become an opportunity for women.

Additionally, evidence shows that diversity in a group is associated with better performance and results, as people from different backgrounds bring different insights and perspectives (Page, 2007; WEF, 2016). Therefore, it is necessary to encourage women to get involved in traditionally male sectors, and vice versa, since an early age, while building pipelines to leverage the wide diversity of female and male talents that exists in non-traditional fields. Some concrete policies that could contribute to these purposes are the following:

- Eliminate gender biases and stereotypes from schools' curricula and teachers' education.
- Provide career counselling at schools and universities that challenge gender stereotypes among youngsters.
- Implement vocational training and skills development in emerging fields and support women and girls' enrollment.
- Encourage mentoring and coaching programmes to attract women to STEM careers and other traditionally male-dominated fields.
- Promote scholarships for women in STEM fields.
- Articulate with the private sector to foster the insertion of women in tradition-

ally male-dominated sectors. Design a diversity certification for companies that promote gender equity.

- Set specific targets for female enrollment in STEM university degrees.
- Provide equal access to technology for girls and boys, women and men.
- Support research initiatives to evaluate and monitor the effect of digitisation on women, especially in developing countries.
- Design public campaigns that challenge gender stereotypes in certain fields.

»Investing in the care economy can have positive implications in female employment.«

4. Gender mainstreaming in active labour market policies

Training programmes are essential to promote skill acquisition and enhance women's employability in the short term. Nonetheless, women face additional barriers to men in order to enroll and remain in these programmes, especially concerning care and domestic responsibilities. Moreover, participation in vocational training tends to imitate and reinforce the occupational segregation observed in the labour market.

As they dropout from programmes, women lose the chance to acquire skills that can help them get a job. Therefore, gender mainstreaming is necessary across labour market policies since their inception to address the specific needs of women to participate in the world of work. A call for action could include the following measures:

- Ensure equal access to labour market policies regardless of gender, tailoring programmes to address the specific barriers that women face.
 - Consider men and women's different needs on training programmes's design.
 - Set participation targets by gender and monitor progress.
 - Articulate training programmes with childcare services.
- Foster gender mainstreaming in instructors' training.
 - Design specific training modules for women entrepreneurs¹. Foster links between women and funding possibilities.
 - Provide guidance for women and men that participate in vocational training to avoid the reproduction of occupational segregation.
 - Foster women's financial inclusion and literacy².
 - Design national strategies to collect data and measure skills mismatches in the economy to implement vocational programmes based on market demand. Promote actions to reduce these gaps by increasing women enrollment.
 - Encourage gender-neutral job descriptions and blind recruitment processes to neutralize unconscious biases that prevent employers from hiring women.
 - Strengthen policies to recognize and reduce informality in feminized sectors, such as domestic services.

5. Breaking the glass ceiling

Women who enter the labour market usually find difficulties to reach decision-making and leadership positions, both in the public and private sector. This phenomenon of vertical segregation is also known as "glass ceiling", as women encounter an invisible limit to their professional development based on social norms, prejudices, unconscious biases, traditionally male-dominated corporate structures, confidence gaps, among others. Minority groups of women even face a "concrete ceiling", harder to break, to see through and aspire.

While on average women are at least as skilled and educated as men, they are under-represented at higher-level positions. This is sometimes described as a "leaky pipeline": as one moves up the career ladder, the number of women decreases, as if they seeped along different professional stages so that only a few reach the top.

The barriers that women face can be related to care responsibilities that constrain the time they devote to paid work. Additionally, a corporate masculine culture and a lack of female role-models may impact on the ambitions and aspirations of high-potential women. In hiring and promotion processes, also recruiters could have unconscious biases and pre-conceived gender stereotypes.

G20 member states overall depict lower percentages of women in c-suite and board positions than the global average (Dutkiewicz & Ellis, 2018). It is imperative to amplify women's voice and provide them with equal opportunities to become leaders.

- Implement gender quotas in high level positions in all economic sectors, including G20 Parliaments or Congresses, public firms' boards, trade unions, NGOs.

- Design public campaigns in media to raise visibility of female role-models in leadership positions and to challenge gender stereotypes.

- Implement mentoring programmes to strengthen the role model effect of female leaders.

- Support networks of women in high-level positions.

- Promote work-life balance policies in order to retain women with care responsibilities and support their professional growth.

- Promote setting gender targets at all levels of organisations and monitor progress.

- Encourage firms to disclose wage gap information.

- In public procurement, ponder firms' gender diversity in the selection process.

6. Entrepreneurship and self-employment

Women entrepreneurs, defined as those who start a business either for subsistence or profit, make a huge contribution to national economies, as they create jobs, provide valuable products and services to communities and generate incomes for their families (Global Entrepreneurship Monitor, 2017). Nonetheless, their capacity for growth and their potential impact are significantly hindered by a myriad of barriers: women worldwide have restricted access to financial assets, resources, insurance and markets, and this affects their possibilities to increase productivity, scale-up their activities and engage in international trade. Moreover, women often lack entrepreneurship-relevant skills, such as experience in management positions, and they have less developed social networks that are crucial for a successful business

start-up. These limitations also constrain the possibilities of women-owned businesses to enter value chains and compete in public procurement processes.

Nevertheless, female entrepreneurship is growing steadily. According to the Global Entrepreneurship Monitor (2017), between 2016 and 2014 female entrepreneurial activity increased 10%, while the overall gender gap in entrepreneurship decreased 5%. Moreover, while women are still more necessity-driven than men, they are increasingly opportunity-driven into business. In this context, it is necessary to leverage the huge potential of women entrepreneurs to contribute to the global economy, for which governments must create an enabling environment.

»It is necessary to encourage women to get involved in traditionally male sectors.«

- Implement women-only training programs, incubators and accelerators aimed at developing entrepreneurial and leadership skills. Help them understand how they can transfer skills from household management into business development.

- Develop infrastructure (e.g. internet access) to enable non-urban entrepreneurs to access the market, raise funds (e.g., via

crowdfunding), participate in online training programmes, and build and maintain social networks.

- Promote positive social attitudes and foster women's self-confidence in entrepreneurship by implementing ambassador programmes and designing public campaigns that showcase female role models in business (OECD, 2017a).

- Foster initiatives and events to build female entrepreneurial networks that do not reinforce gender differences and to integrate women to existing networks.

- Ensure social security protection and family policies (e.g. maternity leave) for the self-employed.

- In public procurement processes, foster the participation and selection of women-owned businesses.

- Ensure equal access of women to finance. Review financial instruments for start-ups and SMEs and remove biases that hamper women's access.

- Implement tailored support for women entrepreneurs with growth-oriented business or working for subsistence.

- Encourage women to become business venture capitalists and business angels.

APPENDIX

During the Australian G20 Presidency, leaders committed to reduce the labour force participation gap by 25% by 2025. In this vein, the ILO and OECD proposed a set of indicators to measure progress. Following their joint report (ILO & OECD, 2015), these indicators are mentioned below.

Gender gaps in labour markets

- Labour force participation rate, by sex, 15-64 (source: ILO, OECD; coverage: all countries).
- Employment/population ratio, by sex, 15-64 (source: ILO, OECD; coverage: all countries).
- Proportion of youth not in education, employment and training, 15-24 (source: ILO, OECD; coverage: all countries)
- Incidence of part-time employment, by sex (source: OECD, ILO; coverage: 18/20)
- Gender gap in senior managers, 15+ years (source: ILO, OECD; coverage: 18/20)
- % entrepreneurs, by sex (source: OECD; coverage: 18/20)
- Gender pay gap (source: OECD, ILO; coverage: 15/20)
- Gender Gap in PIAAC numeracy proficiency, 15-64 (source: OECD; coverage: 12/20)

Gender gaps in opportunities

- Gender gap in OECD PISA reading and mathematics performance (source: OECD; coverage: 18/20)
- Gender gap in population with tertiary education, 25-64 (source: OECD; coverage: 19/20).
- Percentage of tertiary qualifications awarded to women in engineering (source: OECD; coverage: 18/20)

- Differences in legal treatment of men and women (source: WB; coverage: 19/20)
- Legal incentives to encourage women to work (source: WB; coverage: 19/20)
- Gender gap informal employment/total employment (source: ILO, coverage 15/20)
- Gender gap in coverage of social protection systems (source: ILO, coverage 15/20)
- Proportion of respondents who agreed with the statement: when jobs are scarce, men should have more right to a job than women (source World Value Survey (20/20)
- Total weeks of paid maternity leave and exclusive days for fathers (source: OECD; coverage 19/20)
- Preschool enrolment rate, children 3-5 years (source: OECD; coverage 17/20).

Gender gaps in benchmark indicators

	Employment			Entrepreneurship
	Gap in labour force participation, all ages pp (A)	Share of female managers, all ages, % (B)	Gender gap median earnings, full-time employees, pp (C)	Gap in self-employment, pp (D)
Argentina	24.4	30.6	...	8.4
Australia	10.2	36.6	14.3	8.3
Brazil	21.9	38.4	...	8.0
Canada	5.7	35.5	18.2	6.4
China	14.0
European Union	10.5	31.61	12.46	8.5
France	6.6	33.4	9.9	5.9
Germany	7.6	29.2	15.5	4.9
India	51.2	12.9	...	-3.2
Indonesia	31.1	27.5	...	-11.7
Italy	18.4	27.5	5.6	10.7
Japan	16.4	13	25.7	2.7
Korea	19.6	10.5	36.7	4.7
Mexico	33.5	36.4	16.5	-0.2
Russia	10.0	41.3
Saudi Arabia	56.9	5.8
South Africa	12.2	32.1	...	4.2
Spain	10.7	30.6	11.5	7.9
Turkey	38.9	15.0	6.9	-5.6
United Kingdom	9.6	36.2	16.8	8.2
United States	10.8	40.5	18.1	1.8

Source: OECD, (2017)

A. Data for 2016, except from Brazil (2015), Indonesia (2013), India (2012) and China (2010).

B. Data for 2017, except from Australia (2016), Japan (2016), Saudi Arabia (2015), Korea (2015), Canada (2014), Argentina (2014) and India (2012).

C. Data for 2016, except from Japan (2015), France (2014), Italy (2014), Spain (2014) and Turkey (2014).

D. Data for 2017, except from Korea (2016), Brazil (2015), Argentina (2014) and India (2012).

¹ More details in the last section.

² For detailed recommendations, please see the T20 policy brief on Financial Inclusion.

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The imperative of addressing care needs for G20 countries

The authors:

Sarah Gammage

ICRW

Abigail Hunt

ODI

Gala Díaz Langou

CIPPEC

Estela Rivero Fuentes

Counting Women's Work

Carla Isnaldi

Women 20

Urvashi Aneja

Tandem Research

Margo Thomas

Chatham House

Carolina Robino

IDRC

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ABSTRACT

This document outlines the position of a group of research and non-governmental organizations on care needs and care policies in the G20 countries. It provides a summary of why addressing care needs is fundamental for women's economic empowerment and labour market participation and frames these policies in terms of protecting the right to care and be cared for. We call for more effort to recognize, reduce, redistribute and represent unpaid care work and to protect the rights of paid care workers. We provide a number of examples of successful policy and programme initiatives for G20 countries to consider expanding in their own domestic policy agenda

as well as their development assistance to further women’s economic empowerment globally.

CHALLENGE

Worldwide, the responsibility for unpaid care work (UCW) falls disproportionately on women and girls, leaving them less time for education, leisure, self-care, political participation, paid work and other economic activities. The social construction of gender roles and responsibilities shapes and reinforces the gender division of labour where men are over-represented in paid work and women in unpaid care work. Yet while these

patterns are changing and more women are entering paid work, the bulk of unpaid care work continues to be undertaken by women and girls (Figure 1), leading to longer work days and more time poverty.

Much of unpaid care work is devoted to caring for household members and household provisioning such as cooking, cleaning, washing, mending and making clothes. Gender gaps in unpaid care work tend to be greater in those countries with poorer infrastructure and less well-developed education and social protection systems (Figure 1). They are also higher in those countries with more discriminatory social

Figure 1. Unpaid care work by region (2014)

Figure 2. Gender inequality in unpaid care work (2014)

Figure 1

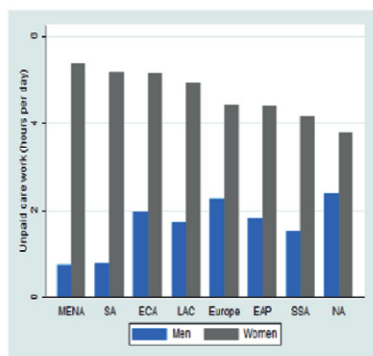
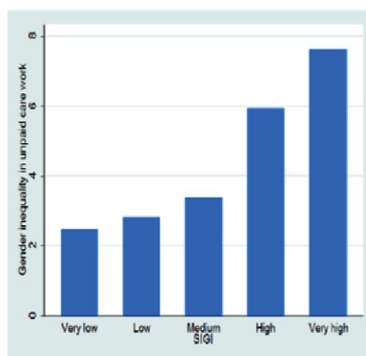


Figure 2



Note: The Social Institutions and Gender Index (SIGI) database is a cross-country measure of discrimination against women in social institutions (formal and informal laws, social norms, and practices) across 160 countries. Gender inequality in unpaid work is defined as the female-to- male ratio of time devoted to unpaid care activities by region and income group. <https://www.genderindex.org/>

Source: Ferrant,G., L. M. Pesando and K. Nowacka (2014) “Unpaid Care Work: the Missing Link in the Analysis of Gender Gaps and Labor Outcomes, OECD, Retrieved from https://www.oecd.org/dev/development-gender/Unpaid_care_work.pdf

institutions that place normative and legal restrictions on women's economic and social rights and mobility (Figure 2). This said, however, it should be noted that in all G20 countries, women spend more time on UCW than men.

»The bulk of unpaid care work continues to be undertaken by women and girls.«

Care work takes up a significant amount of women's time in many countries, and particularly in contexts where infrastructure is poor and publicly provided services are limited or absent (Counting Women's Work 2018; ICRW 2005; ADB 2015; Oxfam 2018; OECD 2016a,b). The burden of care work is more acute in rural settings, in contexts with growing numbers of single-parent households headed by women, high-fertility countries and in ageing societies. Women's responsibilities for care work limit their engagement in labour market activities, exacerbate gender gaps in labour force participation (see Figure 3), reduce their productivity, increase labour market segmentation and lead them to concentrate in low-paid, more insecure, part-time, informal and home-based work as a means of reconciling unpaid care work and paid employment. The disproportionate repre-

sentation of women in certain sectors and occupations contributes to gender wage gaps that undervalue women's labour and inflate the numbers of the working poor (ILO, 2016; Labour Participation T20 Policy Brief; UN Women, 2015). Globally, the gender pay gap is estimated to be 20% which means that on average women earn 80% of what men earn (ILO, 2016). The gender pay gap rises for workers with childcare responsibilities (ILO, 2016; Grimshaw and Rubery, 2015; Elming, Joyce and Costa Dias 2016; Flynn and Harris 2015). In this scenario, where carers are disproportionately exposed to unemployment, informality and poverty, we consider it essential to move towards universal access to care as a right.

Care crisis & implications

Across the world we confront persistent care deficits where care services are either not available, not affordable or are inadequate and insufficient and where women disproportionately bear the responsibilities for caring for others, devoting a greater proportion of their time to caring (Alfers, 2016). Recent research by the Overseas Development Institute underscores that we are indeed facing a global care crisis where care needs outstrip the supply of care services (Samman, Presler-Marshall, & Jones, 2016). These authors found that:

- Across 53 developing countries, some 35.5 million children under five were without adult supervision for at least an hour in a given week.
- Across 66 countries covering two-thirds of the world's people, women take on an extra ten or more weeks per year of unpaid care work.
- On average, women spend 45 minutes more than men daily on paid and un-

paid work – and over 2 hours more in the most unequal countries. The difference is the equivalent of 5.7 weeks of more work per year.

- Across 37 countries covering 20% of the global population, women typically undertake 75% of childcare responsibilities – with a range of 63% (Sweden) to 93% (Ireland).

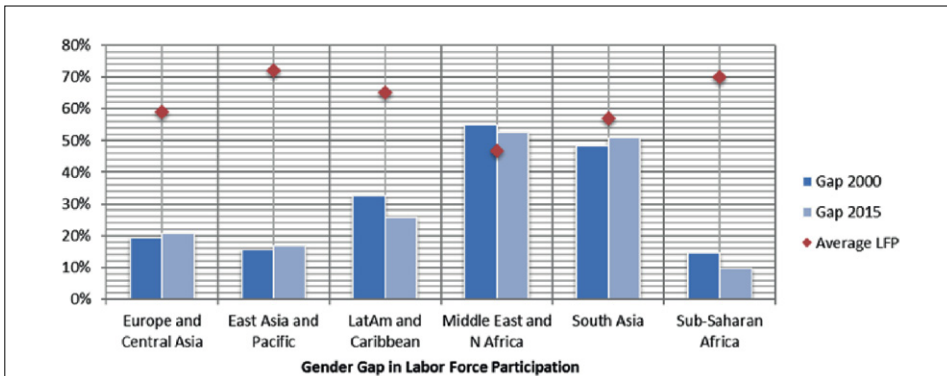
The current social organization of care is largely by default and not by design. Rising female labour market participation in most of the world has not occurred with the equivalent redistribution of unpaid care work and as a result time burdens have risen and care provision has been compromised. The market and the state do

not offer sufficient services and care provision continues to be resolved informally in many contexts (Samman et al 2016; Alfers

»We are facing a global care crisis.«

2016). This imbalance between care supply and demand will only increase as more countries advance in their demographic transition and elder care needs and care requirements for the sick and those with

Figure 3. Gender gap in labour force participation



Notes: Gap in labour force participation rates between the percentage of men and women over the age of 15 who are working. Average LFP refers to average labour force participation for men and women over 15 years of age. Data are from the World Bank, World Development Indicators.

Source: Gammage et al (2017). "Evidence and Guidance on Women's Wage Employment," report to USAID. <https://www.marketlinks.org/library/evidence-and-guidance-womens-wage-employment>

disabilities rise (Help Age 2018¹; Scheil Adlung 2015). One example of this challenge is in Mexico, where it is projected that between 2015 and 2030, the demand for direct care will increase due to the combined effect of population aging and an increase in the prevalence of chronic diseases and disabilities, as people live longer and disease burdens and disability increases. This rise in care needs will happen despite the declining need for child care (Figure 4).

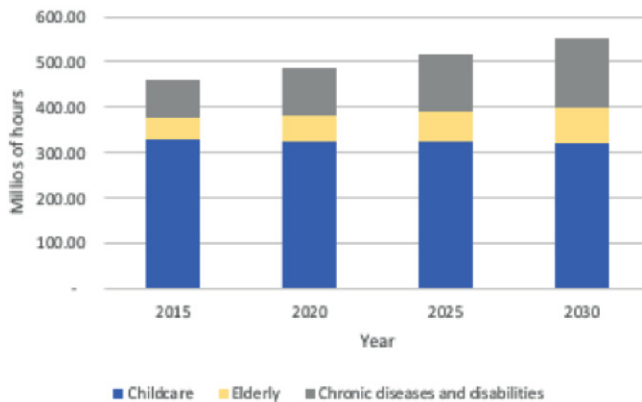
The European Quality of Life Survey underscores that multiple barriers exist reducing access to care services in G20 countries and beyond. These barriers include span affordability (the services that are available in the market are expensive

and unaffordable for many), availability (there are insufficient services on offer), accessibility (physical distance or inappropriate opening hours limit use) and quality concerns (Eurofound, 2012). Addressing these barriers will be critical if we are to reduce the burden of unpaid care and guarantee the right to care and be cared for and adhere to commitments enshrined in the 2014 Brisbane commitment to reduce the gender gap in labor force participation (University of Toronto 2014).

PROPOSAL

Care is essential for the young, the sick and the elderly. At some point in our lives we all need care and benefit from the care of

Figure 4. Projected direct care needs in hours, Mexico



Notes: Projections assume that unpaid care time received by individuals will remain constant.

Source: Rivero, E; E. Troncoso and E. Max. (2018) "Informe prospectiva de cuidados," report to UN Women.

others. This policy brief underscores that we all have a right to care and to be cared for (United Nations, 1948; WHO, 2017; RELAF/UNICEF, 2015).² The goal is to develop health care, education and social protection systems that support caring without penalty, either for those who receive care or for those who may choose to enter the labour market. In practice, this means that those who choose to care can do so and those who choose to work can be sure that their loved ones and family members are being cared for adequately.

Social protection systems can be essential platforms for integrating care services and meeting care needs, establishing the right to care and be cared for. Fully funded social protection systems require a commitment to increased public spending financed by progressive tax systems (Action Aid 2017). This is central to Uruguay's Care system (see Box 1) which recognizes care as fundamental human right.

Box 1. Uruguay's National Care System

Uruguay's Integrated National Care System (SNIC) was established in 2015 following an extensive process of alliance-building and negotiation. Founded on a principle of co-responsibility between the state, community, market and families, the SNIC aims change the sexual division of labour within households and ensure the social (re)valuation of paid care work in the market sphere. It notably mandates the provision of a range of public care services – including early years childcare, elder care, the regulation of private suppliers, improvements in quality standards, and training for caregivers.

The SNIC is a valuable example of progress on a national-level care agenda, re-

sulting from a 'virtuous cycle of data, policy and advocacy'. Key ingredients in the recipe for success included:

- Fiscal space Progressive tax reforms starting in 2006 raised addition revenue, directed towards social protection, health and education.

- The right to care Care was firmly established as a human right for both care providers and receivers across Latin America during the 11th Regional Conference on Women in Latin America, creating an obligation for the state to act.

- Data and evidence Time-use surveys, initiated by academics and subsequently carried out by the National Statistical Office, quantified women's and men's unequal role in unpaid care and domestic work and were used to raise consciousness about the need to address care deficits.

- Feminist alliances Women's and labour movement activists, women politicians and feminist academics established the Gender and Family Network. They used the time-use survey findings to put care on the public policy agenda and engaged in strategic advocacy until the SNIC's adoption in 2015.

- Political will Gender and Family Network engagement with the government and political parties raised care up the political agenda, and in 2009 the ruling Frente Amplio included the National Care System in its electoral campaign programme for 2010–2015.

- A strong institutional mandate In 2010, a governmental working group was established to design a new care system, creating a sense of ownership among state institutional actors. Following this, framework legislation for the SNIC was formally proposed in 2012.

- National debate 2011 saw a high-visibility national debate on care provision take place, attracting broad-based participation from politicians, technical experts, labour unions and women's rights organisations, among others, and galvanising public support for the SNIC.

The care system addresses care needs for the young, elderly, disabled and sick and embeds the right to care in social protection systems and public provision. Uruguay provides early years child care provision; the care of disabled, the dependent and the old; and the need for support for care-givers. Key services include a cash-for-care system for home-based services, day centres and residential and nursing homes, and regulations regarding carers' work. The November 2013 Law 19.161 introduced new entitlements, including the extension of paid parental leave when children are born, six months leave entitlement for child care, which can be taken by either parent from 2016 onwards, and new forms of financial support for parents in low income or families with young children that may not have public day-care centres and need to use privately provided services. The government also committed to the provision of 28,000 free preschool places by 2018-2019. New programmes for social assistance and services for the elderly were introduced in 2016, including 80 hours of care per month for those assessed as being in need. In addition, care homes were established to provide comprehensive care during the day and/or night for the elderly in situations of mild to moderate dependence residing in their homes, and to provide relief to the caregiving family. Part of these commitments also included the expansion of training programs for paid caregivers and the professionalization of care services.

Source: Adapted from J. Grugel (2016) "Care provision and financing and policies to reduce and redistribute care work: Preliminary observations from Bolivia and Uruguay," UNICEF, https://www.unicef-irc.org/files/documents/d-3922-Jean%20Grugel_Care%20abd%20child-ren%20roundtable.pdf

»The goal is to develop health care, education and social protection systems that support caring without penalty.«

Recognizing the rights to care and be cared for also includes providing critical support to those who care including health care, training, financial support and time off from caring. The UK's Model of Care for Carers provides an important example of a set of principles that can guide how to recognize carers needs and care for carers (see Box 2). Ensuring that both paid and unpaid carers are supported and able to care in dignified conditions will be essential if we are to resolve the care crisis. Unpaid carers are frequently forgotten as their work is considered a labour of love that is offered up freely and even "naturalized" as the role that mothers, wives and spouses play.

Box 2. Ensuring Care for Carers in the UK and Australia

The Model of Care for Carers was developed to assist social services identify gaps or areas of weakness in the assistance and support provided to unpaid carers caring for the sick and the elderly in the UK – often family members of those receiving the care – and has been adapted to provide similar support to carers in Australia. The Carers Compass identifies 8 key concerns that unpaid carers have identified as being important to them. This includes questions about information about caring and how to care, recognition of their own health needs and wellbeing, the right to a life of their own and quality services for the carer as well as the person being cared for.

»Ensuring that both paid and unpaid carers are supported will be essential.«

It also collects information about time off from caring, emotional support, training and support to care, financial security and a voice in care needs and policies. It has been used as an audit and performance management tool for National Health Services and local Authority commissions to improve support to carers in the United Kingdom and Australia.

Source: Adapted from NSW (2007) Model of Care for Carers: Carers' Compass and Checklist http://www.seslhd.health.nsw.gov.au/Carer_Support_Program/Model_of_Care_for_Carers.asp and the WHO (2018) Women on the Move, Migration, Care Work and Health, <http://www.who.int/gender-equity-rights/knowledge/women-on-the-move/en/>

National statistics are also important to recognize the volume and value of unpaid care work and its contribution to national economies. Governments must implement surveys and other instruments to measure these activities and identify the effectiveness of social programs and policies. Mexico has implemented time use surveys to help identify the value of unpaid care work on its GDP (see Box 3).

Box 3. Survey of Time Use and Valuation of Unpaid Domestic Work in Mexico

Mexico is the first country in Latin America that calculates the value and volume of Unpaid Household Work. The National Survey on Use of Time (ENUT) is the product of inter-institutional work carried out by the National Institute of Women (INMUJERES) and the National Institute of Statistics and Geography (INEGI). The objectives were to provide statistical information for the measurement of paid and unpaid work, and to make visible the importance of domestic production and its contribution to the economy and, in general; the way men and women use their time in urban and rural areas. Five time use surveys have been conducted: 1996 (ENTAUT), 1998, 2002, 2009 and 2014. Until 2002, the ENUT surveys were carried out as a module of the National Household Survey of Income and Expenditures (ENIGH), in in 2009 and 2014 the ENUT was then carried out as a stand-alone survey.

Moreover, since 2011, INEGI has a Satellite Account of Unpaid Household Work (CSTNRHM), that provides information on the economic value of unpaid work that women and men contribute to meeting household care needs. This valuation demonstrates the importance of unpaid care work in consumption and wellbeing. The results have been used to shape key indicators for the policy processes, such as the proportion of GDP made up of the economic value of unpaid care work provided by households inscribed in the National Program for equal Opportunity and non-Discrimination against women 2013-2018, which aims to achieve substantive equality between women and men through public policies focused on reducing existing inequality gaps.

During 2015, the economic value of unpaid domestic and care work reached a level equivalent to 4.4 billion pesos, which represented 24.2% of the country's GDP; of this, women contributed 18 points and men 6.2 points. The value generated by unpaid domestic work and household care as a proportion of the country's GDP in 2015 was higher than that achieved by some other economic activities including manufacturing, trade and real estate services and the rental of goods.

Source: <http://www.inegi.org.mx/>

Importantly, women are not a homogeneous group, and the burden of care is experienced differently among women. Care is often provided through 'local' or 'global care chains', in which those better off financially can often afford to purchase care services, thereby freeing up their time for paid work or other activities, while those providing services are often lower-income, or migrant women who do not have the

same opportunity or choice about how they redistribute their own care work and responsibilities (Ehrenreich and Hochschild 2003; Parreñas 2012).

Ensuring that paid care workers have a right to decent work and social protection is a fundamental step in resolving the care crisis that protects the terms and conditions of employment for paid carers. In many countries facing growing care deficits, paid care work is often undertaken by informal workers without social protection and full labour rights (WHO 2018). Ensuring that paid care work is formal, regulated and of high quality will be essential if the redistribution of care responsibilities is going to take place through the state and in the market.

The world of work is changing, however, and the challenges of the gig economy and technological advancement are also likely to affect care provision and quality and the terms and conditions of work in care services (see Box 4).

Box 4: The Future of Work and Care

The other alternative is that as the care economy grows, and leverages new technological solutions, barriers to entry into these newly technologized jobs and sectors may increase for women. Already, much R&D is being directed towards creating robotic assistants for hospitals and homes. In this scenario, many women are likely to be displaced from their existing paid-care jobs, and the new jobs that are created within a care economy are more likely to be dominated by men, particularly if this change is technology-driven. Studies already show that gender biases restrict women's entry into science and technology related industries, which tend

to be associated with male capabilities (Tejani and Milberg, 2010). While women's unpaid care responsibilities are likely to decrease, opportunities for decent work in other sectors will simultaneously be shrinking as well (Balakrishnan, R. L. McGowan and C. Waters, 2017). Moreover, only middle-high income households will be able to access such care-technologies, and the burden of care work on women in poor households will remain as high as before.

Scenario one is undoubtedly where we want to be - but will require proactive government interventions in public infrastructure and services, education and skilling and the deliberative use of policy to steer these technological trajectories. Scenario two is much more likely if the care economy in the future of work is left to market forces alone.

Policy recommendations for meeting care needs in the G20 and through development assistance

The UN High-Level Panel on Women's Economic Empowerment identified some key principles for addressing care deficits through policies and programmes (United Nations, 2017). These embrace the recognition, reduction and redistribution of unpaid care ("3 Rs") and added a fourth "R" for representation:

- Recognition of unpaid care work means that the work performed, which is primarily undertaken by women in the household, is both "seen" and valued economically. It also means that it is recognized as being "work." Recognition can take several forms, including provision of compensation for the work, recognizing it when determining other benefits, such as

pension payments, or measuring unpaid care work in national statistics (Budlender & Moussié, 2013).

» **Governments must implement surveys and other instruments to identify the effectiveness of social programs and policies.** «

- Reduction of unpaid care work means that the burden of caring is reduced for carers and for society more generally. This can happen when the service is provided in a different way. For example, women's childcare responsibility could be reduced if governments provided accessible and affordable child care services. Similarly, unpaid care work would be reduced if key services were provided closer to where people live and work so that less time is spent accessing healthcare and education (Budlender & Moussié, 2013).

- Redistribution of unpaid care work means that the overall amount of unpaid care work remains the same, but it is more

fairly shared among different people, the market and the state. One example of this is where male household members take on a greater share of housework and child-care. Another example is where governments provide after school care or elder care (Budlender & Moussié, 2013; Esquivel, 2008; UN Women, 2016).

- Representation of paid and unpaid carers within the policy environment and the world of work is essential. This means supporting collectives and unions and groups of organized carers to project their concerns about paid and unpaid care work into the policy discussion and in negotiations about the terms and conditions of employment.

Some examples of concrete policies that foster the 4 Rs include:

1. Recognition

I. Conduct time use surveys for men and women. These should be conducted regularly and used to monitor the impact of programs and policies.

II. Incorporate unpaid care in the system of national accounts and GDP estimations.

III. Account for the time devoted to care in pension schemes, unemployment benefits and other contributory benefit schemes, crediting carers with time worked performing caring activities.

IV. Account for the time devoted to care within marriage, dividing the contributions made to pension schemes between spouses when couples divorce and or a spouse dies.

2. Reduction

I. Services:

i. Guarantee universal and easy access to high quality early and elder care services (these should be open beyond the typical hours of work to facilitate their use by working carers).

ii. Invest in the development of quality public care services.

iii. Expand hours of formal education and before and after-school programs so that children can be cared for in schools accommodating their parents' hours of work.

iv. Ensure access to care facilities for the dependent population (those with disabilities, the sick and the elderly).

v. Provide support to carers including training, financial assistance, connecting them with carer networks and other sources of support to break isolation and provide time off from caring.

vi. Recognize the skills of paid carers and develop skilling pathways that offer courses and credentials that support a transition from informal to formal work and foster higher quality caring and decent work in the care sector.

vii. Reinforce preventive health services that lessen the burden of disease and disability in ageing societies.

II. Money:

i. Where care needs are met in the market, provide cash and non-cash transfers, tax credits and vouchers for families to access high quality and regulated care services.

III. Infrastructure:

i. Ensure households and workers have access to infrastructure and transport to reduce the time burdens providing care, accessing care services and engaging in the labour market.

ii. Commit to supporting overseas development investments in infrastructure, energy and technology that reduce women's time burdens.

3. Redistribution

I. Time:

i. Expand paid maternity, paternity and carer leave and workplace flexibility schemes.

ii. Introduce incentives within family leaves schemes for men to use these leave schemes, such as non-transferrable 'use it or lose it' entitlements for men.

iii. Engage men to actively change gender norms that foster more equal caring roles and responsibilities.

iv. Incorporate gender and reproductive rights into the education programs for children and youth to deconstruct gender stereotypes.

v. Engage men to be more involved in careers related to early childhood care and education.

4. Representation

I. Support collectives of organized carers and care workers to enable them to engage with policy processes and negotiate improvements in the terms and conditions of their employment.

II. Ratify Conventions 156 on workers with family responsibilities³ and 189⁴ on decent work for domestic workers.

APPENDIX

Care and fiscal space

Expanding care service provision and ensuring the right to care and be cared for should be seen as an investment. Indeed, making “investments” in social care infrastructure can be essential for achieving greater gender equality and higher job growth. This is particularly true when these investments expand human capital development, reduce poverty and inequality, increase employment for both men and women, stimulate tax revenue generation and, as a result, increase fiscal space (Seguino 2013). A recent study by Ilkkaracan et al. (2015) in Turkey explored the employment opportunities that could be created by increasing expenditures on early childhood care centres and preschools in comparison to physical infrastructure and public housing, modelling the direct and indirect employment that would be generated. The authors found that investments in physical infrastructure would generate a total of 290,000 new jobs in construction and other sectors, while an equivalent injection into early childhood education would generate 719,000 new jobs in childcare and other sectors (2.5 times as many jobs). In addition to creating more jobs in total and more jobs for women and the unemployed, the authors determined that an expansion in childcare services would create more decent jobs than a construction boom. Of the new jobs that would be generated in care services, 85 percent were estimated to come with social security benefits, versus 30.2 percent in the case of construction-generated new jobs.⁵

The ITUC (2016) undertook a similar study for seven OECD countries, Australia,

Denmark, Germany, Italy, Japan, UK and US. The report estimates the employment impact of increased public investment in the construction and care sector. The analysis shows that investing in either the construction or care sector would generate substantial increases in employment. The authors find that, “If 2% of GDP was invested in the care industry, and there was sufficient spare capacity for that increased investment to be met without transforming the industry or the supply of labour to other industries, increases in overall employment ranging from 2.4% to 6.1% would be generated depending on the country. This would mean that nearly 13 million new jobs would be created in the US, 3.5 million in Japan, nearly 2 million in Germany, 1.5 million in the UK, 1 million in Italy, 600,000 in Australia and nearly 120,000 in Denmark.” The result is that women’s employment rates also rise 3.3 to 8.2 percentage points (and by 1.4 to 4.0 percentage points for men) and the gender gap in employment rates would be reduced (by between half in the US and 10% in Japan and Italy. A similar level of investment in the construction industries would also generate new jobs, but approximately only half as many and investment in this sector was forecast to increase rather than decrease the gender gap in employment.

As women’s labour force participation rises, tax revenue tends to increase [see Figure 5], chiefly in those countries where employment is mostly formal. Yet increased women’s labour force participation can come at the cost of raising women’s time burdens, particularly where little investment is made in recognizing, reducing and redistributing unpaid care work and socia-

lizing the cost of care through expenditures on health, education and social protection.

Malta chose to do this by supporting the Free Childcare Scheme. The Free Childcare Scheme was launched in April 2014. The Government of Malta provides free childcare services to parents/guardians who work or who are pursuing their education. The childcare service is offered through the Registered Childcare Centres. The concept behind the scheme is to create ideal conditions for an enhanced work-family life balance, and stimulate an increased participation of women in the workforce: an important pillar for economic growth and sustainability.

Since the introduction of the scheme, over 12,000 children aged between 0 to 3 years have benefitted from free care at any particular month. As a result, the number of childcare centres which are currently providing their services as part of the Free Childcare Scheme has risen from 69 in April 2014 to 112 by the end of 2017; 88 per cent of which are privately owned.

Throughout 2017, approximately 5,940 children made use of the Free Childcare Scheme in any particular month, out of which over 3,000 were new applicants. The Free Childcare Scheme office received a total of 3,323 new applications, processed a total of 21,369 change requests, and issued payments to centres amounting to a total of €15.6 million.

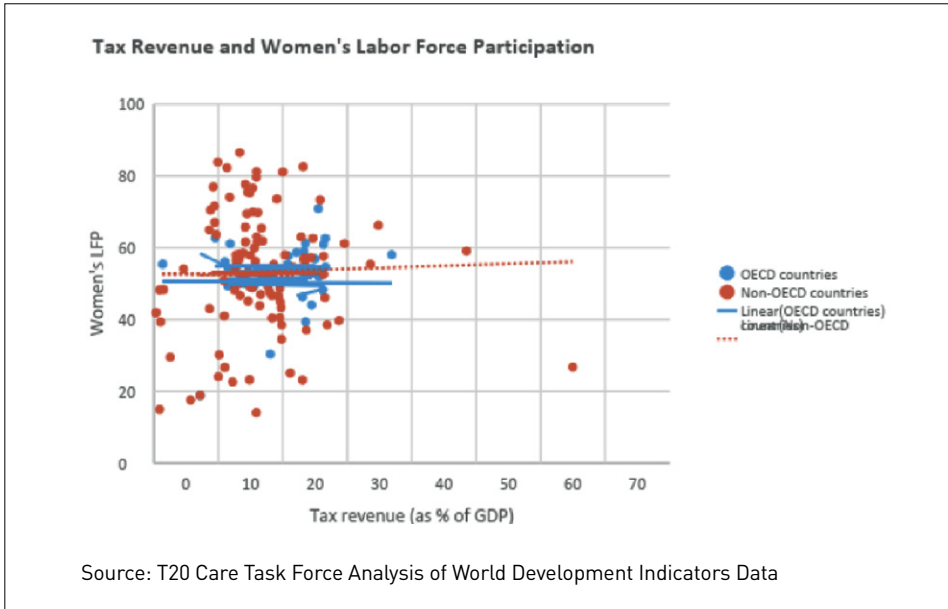
In order to guarantee the quality of the service being offered, the Quality Control Unit was set up in order to conduct rigorous monitoring checks. These checks included a series of unannounced site visits covering all the childcare centres which were completed throughout Q3 and Q4 of 2017. A cross-matching exercise was also

conducted against Jobsplus records to verify the employment status of parents with active applications. In cases where discrepancies were noted, emails to the respective parents' childcare centres were sent out in order for them to regularise their situation. The Free Childcare Scheme builds both social and economic infrastructure in Malta. With the number of mothers in the labour market steadily increasing, this leads to higher state contributions and reduced dependency on state welfare. The Scheme also has a positive effect on increased investment in human capital, and helps prevent the transmission of inequalities and ensure more gender-balanced labour markets.

As these examples demonstrate, making resources available for social programs requires reframing these expenditures as investments, precisely because by stimulating economy-wide improvements in living standards, this type of spending yields a stream of income in the future. Yet all too often, we are told there are insufficient resources available for such investments. This is simply not true. Not only do such investments generate fiscal space, and garner more taxes as a result of their positive impact on growth and employment, but more fiscal space exists than otherwise expected. A recent article by the International Labour Organisation (ILO), UNICEF and UN Women concludes that we have many more options to expand fiscal space for social spending by reducing tax evasion and under-reporting, reprioritizing public expenditures away from military spending and reducing corruption and illicit financial flows. This article reports that the global cost of corruption is estimated to be more than 5 per cent of global GDP (US\$ 2.6 tril-

lion). The African Union estimates that 25 per cent of African states' GDP, amounting to US\$148 billion, is lost to corruption every year. Surely, redoubling efforts to fight corruption are indispensable when there is such a pressing need to fund social protection, health and education – all positively associated with gender equality. Similarly, the 1997 Asian financial crisis in Thailand prompted the government to respond to civil society calls to address neglected social policies by reorienting spending away from national defence (a reduction of about 10% from the 1970s to the 2000s) and towards the creation of a Universal Health Care Scheme (at the time, one third of the population had no health coverage), People's Bank and other measures to stimulate spending nationally and improve financial and social conditions.

Figure 5. Tax revenue and women's labour force participation



¹ As societies age, people live longer with chronic ailments and a greater proportion of their lives is spent with mobility or other physical and mental challenges that limit their autonomy and independence.

² Key relevant rights frameworks include Convention on the Rights of Persons with Disabilities, Convention on the Rights of the Child and the InterAmerican Convention on human rights (includes the right of the elderly to care) and the outcome document of the 11th Regional Conference on Women in Latin America.

³ See Convention 156. http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C156

⁴ See Convention 189. http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C189

⁵ This estimate reflects the levels of informality in construction and the seasonal nature of these jobs.

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Gender mainstreaming: A strategic approach

The authors:

Margo Thomas

Chatham House

Cesar Cordova Novion

Jacobs, Cordova and Associates

Arjan de Haan

IDRC

Gimena de León

CIPEC Maxime Forest, Sciences Po

Maxime Forest

Sciences Po

Sandhya S. Iyer

Centre for Public Policy,
Habitat and Human Development,
Tata Institute of Social Sciences

The Task Force:



Gender Economic Equity

Given that the G20 has a huge potential to deliver on gender equality due to its key role in the global economy, this task force will aim to contribute knowledge and evidence to multilateral forum discussions on how to foster women's economic rights.

ABSTRACT

"Women make up a little over half the world's population, but their contribution to measured economic activity, growth, and well-being is far below its potential, with serious macroeconomic consequences. The challenges of growth, job creation, and inclusion are closely intertwined." [Elborgh-Woytek et al., 2013]

As a starting point, this brief recognizes the importance of gender equity for economic growth, societal well-being, and sustainable development. Moreover, the brief acknowledges that while women make up half of the world's population, most policy, program and government initiatives affect women and men differently. To address gaps in policies, implementation and impacts the authors propose a strategic approach to gender mainstreaming that strengthens inclusive policy making by adding a gender lens and tools for assessing the impact of policies on women and other under-represented groups and targets the determinants of gender inequity, based on three pillars: systematic reviews of policies, laws and regulations that limit women's economic activity; gender budgeting; and improving the quality of gender disaggregated data to support impact assessments, policy analyses, and advocacy.

The commitment of the Argentine presidency to fostering a gender mainstreaming strategy across the whole G20

agenda and boosting “women’s empowerment, the elimination of gender disparities in employment, science, technology and education, and protection from all forms of gender-based violence.” provides an opportunity for bringing this issue forward for the 2018 G20.

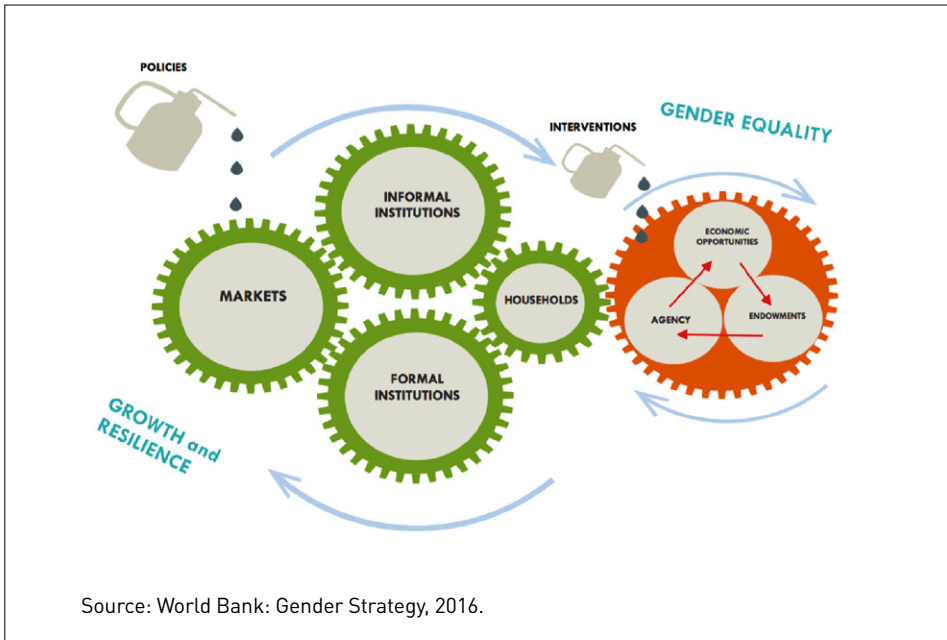
CHALLENGE

As a starting point, we recognize that because of the inherent and pervasive structural inequalities globally, the impact of most policies has inherently different impacts and outcomes for men and women. The challenge faced by policy makers in addressing gender gaps and systemic constraints (Figure 1) is the complexity and

inter-connectedness of the wide range of policy interventions and multiple paths to reform, since “gender-differentiated market failures, institutional constraints, and persistent social norms often combine to reinforce gender inequalities and make improving gender equality much more complex. When there are multiple constraints, they all need to be addressed.” [World Bank, 2011]

The 1995 Beijing Platform for Action called for the end of gender inequality through a range of actions including gender mainstreaming policies, gender assessment of policy impacts, and preparation of national budgets and programs to ensure that resources are allocated to

Figure 1: World Bank Group. Conceptual framework: gender equality, poverty reduction and inclusive growth



support programs and policies beneficial to women. This call has been amplified in several international declarations and conventions, including the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

In assessing the impact and progress of gender mainstreaming over the past two decades, feminist and policy scholars have largely concluded that the results are mixed and often disappointing, particularly at the national government level. Similar conclusions have been made about gender mainstreaming in multilateral institutions.

In effect, efforts to mainstream gender in policy formulation and implementation have had limited impact as strategies and tools were technically flawed, poorly framed, lacked specific and measurable goals, and were subjected to considerable political and institutional resistance [Gülay Caglar, 2015]. Moreover, the institutions and policy actors tasked with implementation are often politically weak and poorly resourced [Moser, 2005; Chant, 2012; True and Mintrom, 2001].

Clearly gender mainstreaming is a broad and challenging agenda that requires a strategic and targeted approach in order to achieve impact and meaningful outcomes. This brief proposes to address some of the challenges of mainstreaming gender policies and implementation. It makes recommendations for: reframing and strengthening inclusive policy making processes, recognizing the importance of political support and action; addressing systemic issues including data gaps; allocating budgets to support more robust impact analyses, policy design and implementation, and accountability for results; and, addressing data gaps to achieve the

requisite outcomes and impacts. Mindful of the target audience of the G20, we have focused the discussion and recommendations of this brief on gender mainstreaming in the context of governmental policies and governmental institutions.

»Gender mainstreaming is a broad and challenging agenda that requires a strategic and targeted approach.«

PROPOSAL

A new approach to mainstreaming

Recognizing that “gender gaps are often the result of multiple and mutually reinforcing constraints require coordinated multi-sectoral interventions, or sequential interventions,” the World Bank proposed four principles including: comprehensive gender diagnostics, targeting determinants of gender equity; and strategic mainstreaming [WDR 2012].

The 2015 OECD Recommendation on Gender Equality in Public Life called for

speeding up progress on gender equality goals, emphasized the need for policy makers in government and state institutions to

»The effective implementation of gender mainstreaming strategies requires political support.«

implement new and innovative ways to promote gender equality, and avoid pitfalls in institutionalising gender equality to create systemic change across state institutions and decision processes. As stated by Gabriela Ramos, OECD Chief of Staff, G20 Sherpa and leader of OECD work on gender, the aim is to get state institutions and policy actors “to consider every aspect of policy through a gender lens”.

Drawing on the existing body of analytical work and the lessons of experience from various governments, this brief proposes a strategic approach to gender mainstreaming that targets the determinants of gender inequity and is based on three pillars:

1. Systematic reviews of policies, laws and regulations that limit women’s economic activity;

2. Strengthening inclusive policy making processes by adding a gender lens and tools for assessing the impact of policies

on women and other under- represented groups; and

3. Improving the quality of gender disaggregated data to support evidence-based policy making.

Policy process: systematically applying a gender lens

The case can be made that the goal of systematically applying a gender lens to policy should be considered as integral to efforts aimed at strengthening policy making processes, the quality of policies, and the impact of policies by applying the principles of inclusiveness, consistency, transparency. In principle, the systematic approach of ex ante and ex post impact assessments of policies, legal and regulatory frameworks, and their implementation, should be applied to all under-valued and under-represented groups, including for example, women and the disabled who represent more than half of the world’s population. This would be consistent with inclusive, evidence-based policy making in democratic systems.

The findings of the 2018 Women, Business and Law Report underscore the pervasiveness of legal and policy impediments affecting women by scoring seven indicators across 189 economies. According to the report and as reflected in Figure 1 below, “over a third of the economies examined have at least one constraint on women’s legal capacity as measured by accessing institutions. Similarly close to 40% of economies have at least one constraint on women’s property rights as measured by the using property indicator.”

The politics of policies

Several G20 member countries can potentially serve as models for systematically

Figure 1: On average, OECD high-income economies perform best across most indicators

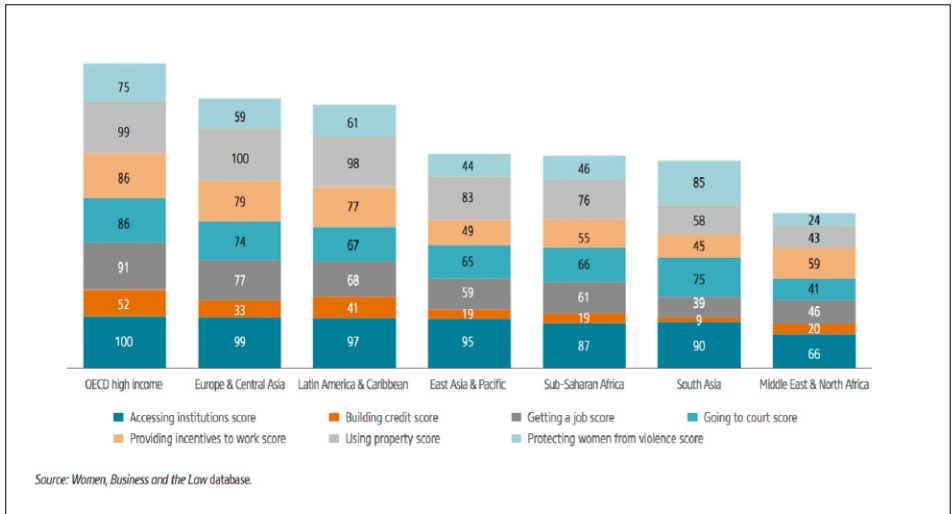
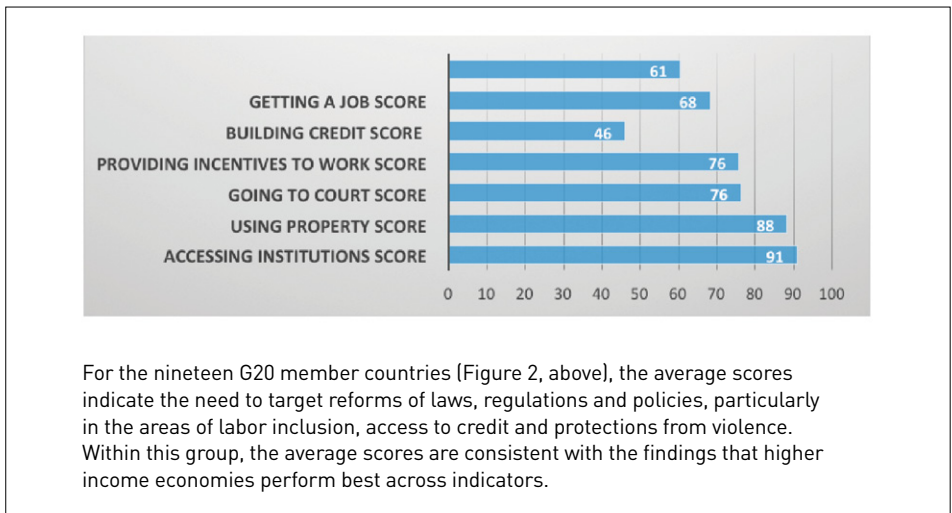


Figure 2: G20 member countries Women, Business and Law 2018 Indicators (average scores).



tackling the determinants of gender inequities by applying a gender lens in assessing policies, aligning policies and programs, and reforming the relevant laws and regulations. The effective implementation of gender mainstreaming strategies requires political support and demonstrated actions at high levels of government.

The United Kingdom's passage of the Gender Pay Gap legislation requiring firms with 250 or more employees to report on pay differentials for men and women has had considerable impact since its implementation in 2017. It provides an example of a coordinated effort to tackle one of the persistent gaps in women's labor force participation by changing policy and related legislation to institute a mechanism for collecting data to establish baselines and measure progress in addressing systemic pay inequities.

In 2016, Canada's Standing Committee on the Status of Women took stock of the implementation of the government's 1995 commitment to Gender-Based Analysis Plus (GBA+) analysis and concluded, to the surprise of few, that "despite the long history of work on the topic of GBA+, the federal government's commitment to the implementation of GBA+ is far from being fulfilled." The Committee concluded that in 2009 only 29 of approximately 110 federal organizations committed to GBA+ through the 2009 Departmental Action Plan on Gender- Based Analysis and identified political will as an important determinant of success in implementation. The incoming Government of Canada announced a feminist agenda and set about systematically and strategically aligning politics, policies and programs in support of this agenda. See Annex 1.

Mexico provides yet another example of efforts to align of politics, policies, and programs aimed at advancing gender equity by establishing the key elements of the framework outlined in Box 1 below. The OECD report "Building an Inclusive Mexico: Policies and Good Governance for Gender Equality" noted that Mexico has taken very important actions at the policy level to promote gender equality, including the establishment of "the National System of Equality between Men and Women – headed, for the first time, by President Peña Nieto ... The presence of the President showed renewed commitment to allow a better integration of gender considerations into the policy cycle, in line with the original objective outlined in the National Development Plan 2013-2018. It also meant strong engagement to achieve better outcomes in the gender agenda and reaffirmed Mexico's commitment to the G20 gender target" (OECD, 2017). Yet there are significant challenges regarding implementation of the framework as Mexico continues to significantly lag behind OECD members and countries in the LAC region on issues such as female labor force participation (47% in Mexico compared with Chile, Colombia, Peru and Brazil at 60%) and violence against women.

Box 1. Mexico: Building an advanced legal and policy framework for gender

- The 2006 General Law of Equality between Women and Men proscribed the establishment of gender mainstreaming requirements within the Planning Act and the Federal Budget and Fiscal Accountability Act.
- The National Programme for Equality and Non-Discrimination (PROIGUALDAD) 2013-2018 demonstrate increasing

legal and political commitments to gender equality”.

Gender impact assessments

The Gender impact assessment (GIA) is one of several evidence-based, policy-making tools that may be applied to facilitate the implementation of gender mainstreaming by systematically and objectively assessing the ex-ante impact of policies, laws, and implementing regulations and establishing a baseline against which subsequent implementation can be measured. The GIA is typically an ex-ante assessment of a proposed piece of legislation or policy from a gender perspective. Depending on context and the nature of the policy being assessed, the GIA can be performed at different stages of the law-making or policy cycles.

»Gender expertise is required to identify evidence of potential gender-blindness.«

As summarized in Box 2, several member states of the European Union (EU) have established frameworks for GIA implementation.

One of the main findings of the European Institute for Gender Equality (EIGE, 2014) review of GIA implementation case studies shows that for GIAs to effectively challenge gender-blind policies, they must be performed early enough in the policy making/ legislative cycle to influence policy design and facilitate inputs by technical experts to substantively amend the proposed policy or legislation. Under these conditions, the evidence shows that ex-ante GIAs contribute to the quality and transparency of the law/policy making process and improve the overall impact of new policies and regulations. In a similar vein, the evidence shows that ex-post policy and legislative evaluation undertaken from a gender perspective, also contribute to increase accountability and quality governance.

Box 2. GIA in European Union member countries

GIAs are regularly performed ex ante on policies or legislations, for example:

- Austria. GIA is framed by constitutional provisions on gender mainstreaming and gender budgeting adopted in 2013.
- Spain. A 2003 Law requires bills and propositions of regulation introduced by the government, to include a GIA; 2007 Law on effective gender equality, and a Royal decree of 2009 introduced GIA for policy planning; Regional governments, e.g. Catalonia, have managed to develop and implement GIAs that are more comprehensive than those implemented at the State level.

Gender expertise is required to identify evidence of potential gender-blindness and the undesirable impacts of policies/laws on gender equality. In France, the High Gender Equality Council, an advisory body established by decree in 2013 and embed-

ded into the law in 2017, has rapidly gained credit through its evaluation role, pointing out gaps to be filled in current legislation, acknowledging progresses, supporting the government in implementing gender mainstreaming and raising pending challenges to be addressed.

Gender budgeting

Gender budgeting has emerged as one of the critical pillars of efforts to advance gender equity in developed and developing economies.

There is a broad range of experience and lesson drawing from approaches to gender budgeting, starting with Australia in 1984 where the government was required to assess budgetary impacts on women and girls [Elson, 2006]. The IMF survey [2016] of gender budgeting efforts covering more than 80 countries noted a range of outcomes, including: changes in fiscal policies (e.g., India and Mexico); improved accountability systems for public spending on gender-focused initiatives (e.g., Austria and Ecuador); incorporating relevant line ministries into gender budgeting processes and institutionalizing tools such as gender budget statements, circulars, and spending reviews (e.g., Morocco, Philippines, and Timor-Leste); and incorporating gender budgeting at the level of sub-national entities (e.g., Bolivia and India) [Stotsky 2016].

In response to the challenges of implementing policies and programs to advance gender equity, the Finance Ministers' Working Group on Gender Equity was convened during the 2015 World Bank Spring Meetings. A founding member of the Working Group, Ngozi Okonjo-Iweala [2016] opined that gender mainstreaming simply was not

getting results fast enough and proposed that finance ministers leverage the budget more effectively to incentivize reform and achieve concrete impacts on gender equity. The assessment of the IMF Survey amplifies and substantiates this view with the assessment that gender budgeting efforts "seem to have led to meaningful fiscal policy changes only when they had the support of the political center of fiscal decision-making ... the leadership of the minister of finance has clearly been essential... Parliamentarians and parliamentary committees are important supports to the executive branch and have sometimes been catalytic." [Stotsky 2016, pg. 25-26].

»Gender budgeting should be viewed as critical for strengthening policy processes.«

"Gender budgeting efforts are intended to commit public budgeting to weighing the benefits and costs of policies that would promote gender equality and girls' and women's development, and then to taking action in response to this evaluation. The important point is not whether an initiative is labeled as gender budgeting but whether fiscal policies and administration are for-

mulated with an eye to promoting gender equality and girls' and women's development" [Stotsky, 2016]. In this context, gender budgeting should be viewed not just as an essential tool for assuring implementation and impact, but also as critical for strengthening policy processes.

Mexico's experience with gender budgeting provides insights into the challenges of implementation despite political commitment. As noted in the 2017 OECD-report, "Mexico has been making progress in strengthening the integration of gender requirements through the Planning and the Federal Budget and Fiscal Accountability Acts, as well as the National Development Plan of Mexico, which includes gender equality as a cross-cutting principle in support of Mexico's goal to "unlock its full potential" (OECD, 2017). Despite the legal and procedural requirements for all government policies and budgets to be assessed in terms of their different impacts on men and women and boys and girls, "gender analysis is still missing from the mainstream budgetary process and women's initiatives are seen as 'add-ons.'" (OECD, 2017).

In 2017, the IMF Report "Women Are Key for Future Growth: Evidence from Canada" noted that if the "gap of 7 percentage points between male and female labor force participation with high educational attainment were eliminated, the level of real GDP could be about 4 percent higher today" (Petersson et al, 2017). Canada's implementation of gender budgeting has received a new impetus with the feminist mandate of the current government and its efforts to increase economic growth [See Annex 2]. The 2017 Budget included a 'gender statement', said to be the first of its kind. The 2018 budget, included a proposal

for "adopting a comprehensive and permanent approach to gender budgeting" and set out a 'gender results framework' with specific objectives and outcomes indicators covering education, economic participation, leadership and political participation, gender-based violence and poverty reduction. This rigorous approach to analysis and implementation provides a basis for assessing the gaps and increasing accountability for results.

India offers a robust example of gender budgeting on the national and state level, with potential lessons on the complementarities, benefits and challenges of gender budgeting within this framework. The IMF conducted an empirical analysis of gender budgeting at the state level in India where 16 out of 29 states adopted and sustained gender budgeting efforts over a 15-year period, "with varying degrees of intensity, complementing a central (or Union) government initiative" (Stotsky, 2016). The study concluded that "gender equality, as measured by gender equality indices for enrollment in primary schools, improved significantly in gender budgeting states compared to states that did not put in place gender budgeting, [and] had an ambiguous influence on sector-level fiscal spending" (Stotsky, 2016).

On a regional level, within the European Union, several member states have developed and implemented gender budgeting. In Austria, Article 51 of the constitution establishes the principle of a gender-sensitive state budget, requiring each ministry to formulate gender-impact objectives for proposed budgetary measures. In Finland, national gender equality plans have been adopted starting in 2008, with specific requirements for each ministry's budget pro-

cess. In Spain, the 2003 law requiring GIA in the State budgeting process has been complied with only twice on the national level – in 2011 and 2017. However, implementation at the regional government level has been more successful with Madrid or Valencia leading the way.

Information and measurement: gender disaggregated data

The collection and dissemination of robust and consistent sex-disaggregated economic and social data to inform and support evidence-based policy making poses a significant challenge. Therefore, the integration and implementation of a gender focus on data collection, disaggregation, analysis and publication all demographic, social and economic statistics are critical for designing, implementing and monitoring gender-informed policies.

According to the World Bank, while 80 percent of the its member countries regularly produce sex-disaggregated statistics on mortality, labor force participation, and education and training, less 33 percent disaggregate statistics by sex on informal employment, entrepreneurship (ownership and management of a firm or business) and unpaid work, or collect data about violence against women. In recognition of this challenge and the critical importance of data to track progress, the Sustainable Development Goals framework includes requirements for the collection and dissemination of sex-disaggregated data. The 2014 Report on Mapping Gender Data Gaps (Buvinic et al, 2014) identified 5 domains of gender equality and women’s empowerment in which there are significant data gaps. In the domain of economic opportunities, the gaps cover a broad spectrum in 4 buckets:

1. Labor inclusion: informal employment and unpaid work; earnings disparities and the opportunity cost of paid work; labor migration; employment mobility and job segregation; entrepreneurial activities and asset ownership;
2. Access to financial, digital and information resources;
3. Participation in the agricultural and agri-business sectors. These data are essential for the design of gender-informed agricultural policies; and
4. Access to child care.

Box 3. Commentary on the importance of gender disaggregated data

“When we don’t count women or girls, they literally become invisible,” says Sarah Hendriks, director of gender equality at the Bill & Melinda Gates Foundation.

The dearth of data makes it difficult to set policies and gauge progress, preventing governments and organizations from taking measurable steps to empower women and improve lives, says Mayra Buvinic, a U.N. Foundation senior fellow working on Data2X, an initiative aimed at closing the gender data gap.

Source: Gates Foundation, New York Times, 2015

Mexico has been heralded as one of the leading countries in the Latin America and Caribbean (LAC) region in collecting gender statistics, with the extensive adaptation of surveys conducted by the Institute of Statistics and Geography (INEGI) to collect gender- disaggregated information. Despite the availability of good quality gender- disaggregated data, the OECD reported that important “gaps remain when it comes to systematic collection and use of sex-disaggregated data at the crafting and

evaluation stage of many sectoral policies that are perceived to be gender-neutral, but instead are gender blind” (OECD, 2017).

In Argentina, the City of Buenos Aires provides a model for sub-national data collection. The City has embarked on an ambitious project to systematically collect gender disaggregated data on the economic activities of its citizens to address gaps in critical data necessary to support policy design, implementation and assessment, the delivery of services to its citizens and reporting on the national level. This is a nascent effort (See Box 4) intended to support the gender mainstreaming strategy at the sub-national level in Argentina. It is clearly benefiting from the experience of other countries and initiatives within Latin America and other parts of the world.

Box 4. Closing gender information gaps to strengthen policies for growth and development: the Gender Indicator System of Buenos Aires City

The Gender Indicators System of Buenos Aires City was launched at the beginning of 2018. It collects data on different variables concerning the situation of women and men in the demographic, economic and political fields. The system aims at closing the statistical gap, based on the idea that information is essential to intervene through more and better public policies. Key elements of this initiative include:

1. Adoption of the conceptual framework of the Economic Commission for Latin America and the Caribbean (ECLAC) for three spheres of women’s autonomy: physical, economic and decision-making processes.
2. Inclusion of all major stakeholders (including government, civil society, priva-

te sector, and academia) in the process of designing the data collection system and adapting collection instruments and processes.

The collection of gender disaggregated statistics is not an end in itself, but a means to achieving better gender policies and, therefore critical for the gender mainstreaming strategy by:

- Making visible the main inequalities women face and critical issues that require policy intervention;
- Informing the policy making process and facilitating the design of policies within a gender lens; and
- Contributing to the follow up and monitoring of policies.

»An overall vision and strategy for inclusive, gender sensitive, and sustainable development is indispensable.«

The European Union provides a model for collection at the regional level and member country level. In 2015, the European Institute of Gender Equality (EIGE) developed a regional Gender Equality Index, covering women’s access to employ-

ment, money, knowledge, time use, power and health. Drawing upon Eurostat, the EU statistical data collection system, the index provides a basis for identifying trends, establishing benchmarks and measuring progress on gender equality. In addition, several EU member states have developed increasingly comprehensive systems to collect, process and publish gender-disaggregated data.

These systems include:

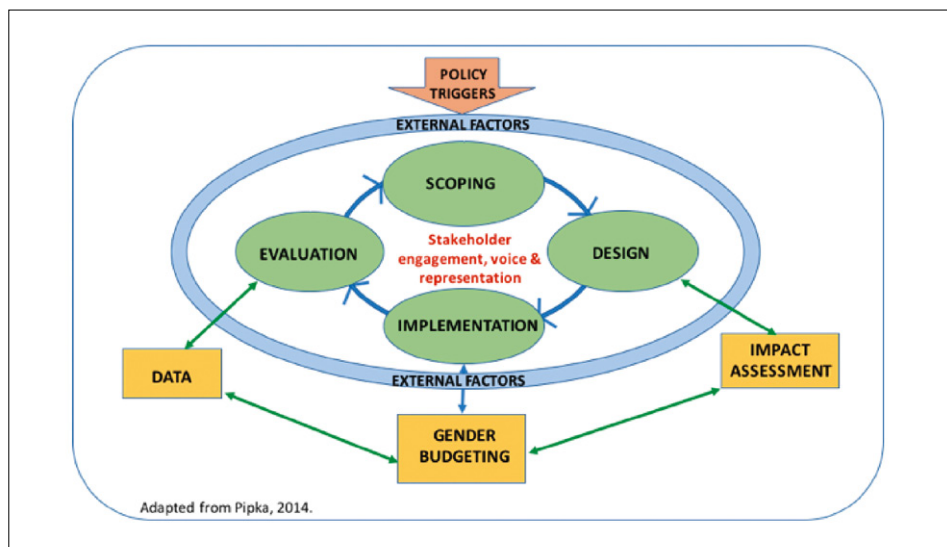
- National annual statistics on men and women, as in the Czech Republic, Croatia or Sweden;
- Legally binding obligations to collect sex-disaggregated data entrenched in general gender equality laws, as in Spain; and
- Data collection on specific topics such as gender-based violence where collec-

tions have been fragmentary and lacking a unified definition due to the number of institutions involved in collecting the data. For this purpose, extensive surveys have been carried out on gender-based violence to reflect the multiple dimensions of this phenomena and inform policy making – such as the VIRAGE survey carried out in France in 2015-2017, and observatories of gender-based violence were established within different state bodies (as the Council of the Judiciary and the Ministry in charge of equality in Spain).

Recommendations for action

An overall vision and strategy for inclusive, gender sensitive, and sustainable development is indispensable for framing policy reform with positive long-term goals. Efforts

Figure 2. Evidence-based policy making: framework for supporting gender mainstreaming



to integrate gender equality in public life should be anchored by a coherent national strategy and action plan instead of a piecemeal and ad hoc or reactive approach to addressing gender equity. A coherent, strategic approach is more likely to generate the

»A coherent, strategic approach is more likely to generate the support of key stakeholders, including the private sector.«

support of key stakeholders, including the private sector. It would improve consistency across policies and foster policy certainty. These factors contribute to a more secure policy environment, making it more likely that political, public and private resources will be invested in long-term initiatives such as gender mainstreaming. In addition, it must be recognized that the implementation of these recommendations will require not only resources but also capacity development.

Figure 2, provides a model or framework for strengthening policy processes to ensure transparency, consistency and

accountability for gender mainstreaming. to capture a more inclusive process, active in advocacy and policy making

1. Design and implement policy processes to systematically include a gender focus on the determinants of gender inequities by requiring, implementing, and resourcing impact assessments to assure inclusivity, transparency, consistency and accountability. In line with the methodological approach outlined in Annex 2, implement impact assessments for:

A. Fast paced and streamlined ex-post reviews of targeted, existing policies, laws, regulations, procedures which have been embedded with systemic constraints to women's economic activity; and

B. Ex-ante analyses of new policies, laws, regulations, and procedures to limit biases that may disproportionately and negatively impact women.

2. Implement gender budgeting at national and sub-national levels, placing implementation and accountability at the political center of fiscal decision-making on the ministries of finance. As articulated by the OECD, effective gender budgeting would "require that agencies mandated to verify the quality of proposed budgets, such as the Ministry of Finance and Credit, the Office of the President and the Parliament, would integrate the inclusion of gender impact assessments as a requirement within any stage of quality control. This commitment should show tangible results in terms of resource re-prioritization and re-allocation decisions across sectors, and ultimately result in better public spending, for the benefit of both men and women" (OECD, 2017).

3. Improve the collection and dissemination of gender disaggregated data to

support policy making and implementation, identification of gaps, and reporting on progress in closing these gaps. Data constitute essential inputs for quality policy design, benchmarking and measuring progress on implementation, and accountability. We recommend that governments take the following steps:

A. Provide resources to close the data gaps.

B. Give priority to the following categories of statistical data collection:

- i. Labor inclusion;
- ii. Participation in the agricultural and agri-business sectors; and
- iii. Access to child care.

C. Develop robust reporting and communication mechanisms to share this information with stakeholders for analysis, policy design, impact assessments, monitoring and evaluation, and advocacy.

ANNEX 1. The Canadian Approach to Gender Mainstreaming¹

Canada's government commitment to gender equality has a long history, but became a top priority after the 2015 general election. With continued leadership from the top, articulated for example in G7² and international trade debates³, the efforts to mainstream gender have been extensive. This note describes the most significant efforts made, particularly in the promotion of gender-based analysis.

Investments in the previous two decades (1980s – 2000)

In 2016, the Standing Committee on the Status of Women took stock of the implementation of the government's 1995 commitment to Gender-Based Analysis Plus (GBA+) analysis,⁴ the implementation of which was articulated in the Minister for the Status of Women's mandate letter in November 2015.⁵ It concluded, to the surprise of few, that "despite the long history of work on the topic of GBA+, the federal government's commitment to the implementation of GBA+ is far from being fulfilled."

GBA+, Gender-Based Analysis Plus, is defined as "an analytical process which examines the possible effects of legislation, policies, and programs on diverse groups of women and men, girls and boys." It takes into consideration gender and other identity factors.

The Committee concluded found that in 2009 only 29 of approximately 110 federal organizations committed to GBA+ through the 2009 Departmental Action Plan on Gender-Based Analysis. The Committee observed the "positive difference that the

implementation of GBA+ makes to the quality, responsiveness, and effectiveness of government policies, programs and legislation."

Political will was considered an important determinant of success in implementation: "When we look at the departments that have been successful in implementing GBA, it's because it came from the top and was taken seriously from the top. It was seen not as something that they were doing because they were told, but because they understood the intrinsic value of doing this type of analysis and were able to translate that to the people who work for them."

Further, the Committee highlighted four elements key to implementation: practical considerations, such as the need to implement GBA+ at the earliest stages of the development of policies, programs and legislation; resources and incentives; a workplace culture that supports GBA+; and data and research.

Progress since 2015

A March 2018 report of Minister of the Status of Women – with the Privy Council office (PCO) and the Treasury Board of Canada Office Secretariat (TBS) – to the Standing Committee on the Status of Women provides an overview of measures taken since 2016.⁶ This included the following. Budget 2017 included a new gender statement (discussed below). The Minister of Finance communicated to Cabinet colleagues that "funding proposals would no longer be considered without a clear and rigorous GBA+" (and this was matched by communication and training within the Finance Ministry – see Box). It also proposes that the gender analysis is presented when Finance presents the Budget in the House

of Commons. Measures to ensure GBA+ is integrated have included new template for Cabinet Memoranda and TBS submissions, including a GBA+ annex and due diligence tool, with a SWC GBA+ Implementation Survey showing that over 90 per cent of respondents feel gender analysis is integrated in all ('often or always') submissions. The report further highlights future work on regulatory impact analysis (by TBS), and on integrating GBA+ into accountability mechanisms like departmental reports, and in the way the Governments consults the public on the impact of its policies.⁷ And Status of Women will be made an official Department of the Government of Canada.⁸

Budget 2017 included a 'gender statement', said to be the first of its kind. This joint report was published just after the 2018 budget, which demonstrated the continued high-level and mainstreaming commitment ("adopting a comprehensive and permanent approach to gender budgeting"). Chapter 5 of the budget sets out a 'gender results framework'.⁹ This starts with objectives, in terms of outcomes in education, economic participation, leadership and political participation, gender based violence and poverty reduction. It also highlights the "feminist international approach to all policies and programs, including diplomacy, trade, security and development".

Promoting gender equality – the role of the Finance Ministry

Feminist economists have long advocated for ensuring policy for gender equality is anchored in Finance Ministries, to ensure strengthening of gender analysis across all policies. The Canadian approach provides an important example of this. As menti-

oned, the Minister of Finance communicated the need for GBA+ to cabinet colleagues, and he consistently emphasises the same within the Department. All staff responsible for assessing proposals need to pass the GBA+ course test. The training of analysts is regarded as a long-term transformative investment.

The 2018 budget includes a number of initiatives with clear gender dimensions, including: enhancing the Canada Workers Benefit; increasing uptake of the Canada Child Benefit and other benefits among Indigenous Peoples; Employment Insurance reforms to support sharing of child care responsibilities, and help individuals stay connected to the labor market; skills training support; promoting gender equality in research; and business innovation.

The budget received praise. Kate McInturff Policy Alternatives blog highlighted:¹⁰ "The government promised us a budget guided by gender analysis this year, and they delivered: on pay equity, on supports for women entrepreneurs Investments in child care, women's organizations and ending violence against women were more baby steps than the needed giant leap, but they still represent progress. And yes, there was a little something for the men and boys too." And to track future progress: "This budget includes the most thorough gender analysis we have yet to see in a public budget in Canada. It also sets benchmarks for progress. That means we can all see where the gaps are closing and where they are not. Which truly is a big step forward."

Concluding thoughts

There are concerns, including in the development policy experience¹¹, that mainstreaming gender is unlikely to yield ne-

cessary results. It is too early to describe or analyze results of the Canadian efforts, and the gender-based analysis is only one of the instruments needed for transformational change. However, it is clear that efforts made are well-positioned to promote long-term transformation, in particular the systematic consideration of gender constraints and disadvantages in all policy areas, and the training of policy makers to understand how gender inequality matters across public policy.

ANNEX 2. Gender Mainstreaming Policy Process: Impact Assessment

Table 1. Methodological approach to impact assessment

IA steps for a policy or regulation proposal	Objectives	Gender based aspects and dimension to develop
Problem Definition Objectives Options Selection	Evaluate baseline Scope key topics Identify key stakeholders early on Select options	<ul style="list-style-type: none"> ○ Assess the gender impacts in the current system ○ Identify gender aware and organized stakeholders ○ Provide methods and resources to
Impact Assessment	Assess options Collect data & evidence Validate results	<ul style="list-style-type: none"> • Ensure that gender aspects are discussed through panels & Focus Groups discussed the proposal • Include test questions on consultation documents and 'Notice and Comment' of the proposal
Compare options 'Preferred option' Refine proposal	Minimize burdens while maintaining benefits of preferred option	<p>(1) Assess the option in terms of its positive and negative effects on gender</p> <p>(2) Ensure though gender budgeting that the preferer option is adequately resourced</p>
Monitor outcomes	Monitor the cost of implementation	<p>I. Ensure the implementation of the policy includes monitoring of the impacts on women</p>

¹ Note prepared by Arjan de Haan, IDRC; comments and suggestions of colleagues are gratefully acknowledged.

² <https://pm.gc.ca/eng/news/2018/04/26/statement-prime-minister-gender-equality-top-priority- canadas-g7-presidency>

³ <https://www.cigionline.org/articles/advancing-gender-equality-through-trade>

⁴ <http://www.ourcommons.ca/DocumentViewer/en/42-1/FEWO/report-4/>

⁵ <https://pm.gc.ca/eng/minister-status-women-mandate-letter>

⁶ <http://www.ourcommons.ca/DocumentViewer/en/42-1/FEWO/related-document/9759318>

⁷ SWC departmental plan 2018-19 is here <http://swc-cfc.gc.ca/trans/account-resp/pr/dp-pm/1819/index-en.html>

⁸ See interview here: <http://www.cbc.ca/news/politics/status-women-monsef-budget-1.4556093>

⁹ <https://www.budget.gc.ca/2018/docs/plan/chap-05-en.html>

¹⁰ <http://behindthenumbers.ca/2018/02/27/baby-steps-dad-big-steps-forward-women/>

¹¹ Grown, C., Addison, T. & Tarp, F. (2016) Aid for Gender Equality and Development: Lessons and Challenges, Aid for Gender Equality and Development, Journal of International Development. 28 (3).

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Strengthening data on migration to inform policy making

The authors:

Marcela Cerrutti

Centro de Estudios de Población

Mariana Beheran

International Organization for Migration

Katharine Donato

Institute for the Study of International Migration, Georgetown University

Silvia Giorguli

El Colegio de México

The Task Force:



Migration

The Task Force will study each country's experiences regarding forced migration as well as migration flows driven by economic and demographical factors.

ABSTRACT

International migration constitutes a central component of the globalized world, motivated for the search to improve life prospects. It has become a more complex phenomenon regarding the drivers, management and governability, and reception and integration. In this context, there is a need to count on robust empirical based evidence to inform and contribute to policy discussions and recommendations about international migration matters. It is necessary to better understand how individuals and states can best take advantage of the opportunities migration offers while addressing its challenges for societies and individuals in full respect of their human rights.

CHALLENGE

International migration constitutes a phenomenon that affects most countries at a global level. However, debates about international migration remain poorly informed, leading to misconceptions and stereotypical views about both drivers and impacts of migration. The need to improve the contributions of international migration to sustainable development while reducing the risks and vulnerability that migrants confront at different stages of the migratory process drew the attention of the

international community that is currently debating the promotion of safe, orderly and regular migration. Both the Global Compact on Migration¹ and the 2030 Sustainab-

»Debates about international migration remain poorly informed.«

le Development agenda require that States share basic concepts, produce compatible and comparable data, and promote instruments to design and monitor migration related policies. Nowadays the availability of information on migration processes and migrants themselves vary considerably across countries. Data collection systems and data sources differ in number and quality. There is still a poor understanding about the drivers of migration, migration types, migrants' contributions to both host and origin countries and the overall impacts of specific migration policies.

The aim of this Policy Brief is to propose how to reinforce traditional public data collection systems but also develop more innovative ways to gather and produce official information by public offices on migration and migration processes, at regional and international levels.

The main challenges for G20 countries are:

- To improve data production on international migration using appropriate, com-

patible, updated and comparable information that will serve to inform and monitor migration related policies.

- To enhance the understanding of the drivers of migrations, the contributions of migrations for host and origin countries, and migrants' integration and its determinants.

- To strengthen international cooperation to improve data collection and research on international migration in accordance with the objectives of the Global Compact on Migration.

PROPOSAL

1. Reaching agreements on definitions and on minimum standards of data collection systems on international migration

International migration constitutes a global phenomenon but each country defines categories of migrants and establishes particular ways to measure and characterized them. IOM defines a migrant as any person who is moving or has moved across an international border or within a State away from his/her habitual place of residence. This definition is not straightforwardly transformed into an operational, unequivocal mode of data collection.ⁱⁱⁱ

Countries should reach an agreement in order to globally and comparably count migrants and returnee stocks. There is also a need to gather information on migration flows using similar methodologies and using similar variables. Thus, the harmonization of administrative sources (examples, border records, visas and residence permits) to improve the assessment on migrant flows should be promoted. It would be essential that stock and flow data furnish information about migrants' characteristics.

There is considerable debate on the operational definitions of other, more com-

plex, situations that are difficult to measure, such as transit, temporary, circular or permanent migration; voluntary or forced nature of migration (ie, differentiation between a migrant and an asylum seeker or refugee is particularly relevant); and variations within irregular statuses.

G20 should urge that countries' official statistical system reach agreements on how to define and to measure these aforementioned phenomena in order to inform policy making.

»Countries should reach an agreement in order to globally and comparably count migrants and returnee stocks.«

2. Assessing migrants' contribution to development and integration challenges

Migration and development are linked in several and complex ways.^{iv} Nowadays there appears to be an increasing divergence between those who assess international migration as a contributor to human and economic development and those who regard it as a threat to the economy, iden-

tity and security in receiving countries. In this context it is important to better establish and understand the drivers and contributions of migrants in order to propose migration policies in receiving countries that will not promote unintended effects, such as xenophobic and discriminatory practices.

Bi-national and multisite studies conducted in sending and receiving countries shed light on the drivers and impacts of migration and such studies should be promoted. Migrants' contributions are highly dependent upon the opportunities that host environments provide for them. Therefore, it is also important to assess empirical evidence about migrants' integration processes. Integration is a multidimensional process highly affected by migration related policies. To measure it, data on a wide range of topics are needed, such as economic, social, cultural, and political integration to host society.

G20 should urge the promotion of standardized ways to collect information and measure migrants' integration in immigrant receiving countries. Efforts should be devoted to collecting information through household or labour surveys (by adding specific modules) using multisited approaches, and by implementing a World Migration Survey to gather comparable information on various migration processes that cannot be captured with standard sources of migration statistics. Specific attention should be paid to gender and age differences in migratory processes.

3. Prevent and prepare: improving measures on forced mobility

In 2016, over 65.5 million people throughout the world were forcibly displaced.^v A

recent report has established that millions of children have migrated across borders in search for better life opportunities. In 2016, children made up about half of refugees and asylum seekers, at around 12 million globally.^{vi} Yet most of the figures are only estimates of an unknown reality. Information on forced migration remains considerably thin and efforts should be made to better assess the situation of asylum seekers, refugees, and others forced to leave their homes.

Innovative ways of data collection should be promoted in response to humanitarian emergencies. Responsible and sensitive use of big data may help to provide estimates on migration flows during emergencies and post-disaster situations. Call Detail Records (CDR) from mobile phone networks have been used in several recent studies to track population movements in the aftermath of disasters^{vii}. Use of Twitter and open-source newspaper articles are also being used to forecast mass movements of people^{viii}.

IOM has developed the Displacement Tracking Matrix (DTM), which is a system to track and monitor the displacement and population mobility. It is designed to regularly and systematically capture, process and disseminate information to provide a better understanding of the movements and evolving needs of displaced populations, whether on site or en route. It delivers primary flow data and information on displacement, both in specific countries and at the global level.

G20 should improve financial collaborations for these types of data collection systems since they serve to foster humanitarian assistance to migrants in need.

4. Data to protect vulnerable migrants' groups

Among migrant populations there are vulnerable groups, whose rights are often violated, such as irregular migrants, transit migrants, and victims of traffic and smuggling. Often, unsafe, exploitative and unregulated migration practices involve smuggling, which can eventually lead to the death of thousands of people each year. Migrants in these situations demand specific treatment and policies in order to protect their rights.

Migrant women are particularly vulnerable to discrimination, exploitation and abuse; both during the journey and upon arrival in transit or host countries. Gender equality among migrants in an economic, social and political sense starts with a better understanding of gender disparities through disaggregated data. G20 should urge official statistical systems to breakdown their data on migration (enumerations as well as registries) on the bases of both sex and age.

Within migrant groups, children are especially vulnerable. They are exposed to greater risks of smuggling, trafficking or other forms of abuse, especially when travelling on their own. Reliable, timely and disaggregated data by age are essential for evidence-based policymaking that reflects the needs of migrant children.^{ix} Several efforts have been made worldwide to better account and capture these situations, such as a new IOM-UNICEF-UNHCR collaboration designed to protect unaccompanied and separated migrant and refugee children in Libya.^x Therefore there is a call for Governments to collect and share data about child migrants in a standardized way.

G20 should urge governments to design a unified data base with information provi-

ded by different governmental offices on the situation of migrant children who have been subjects of different forms of abuse. Records should contain institutional responses to protect the rights of children and to follow up their situation over time.

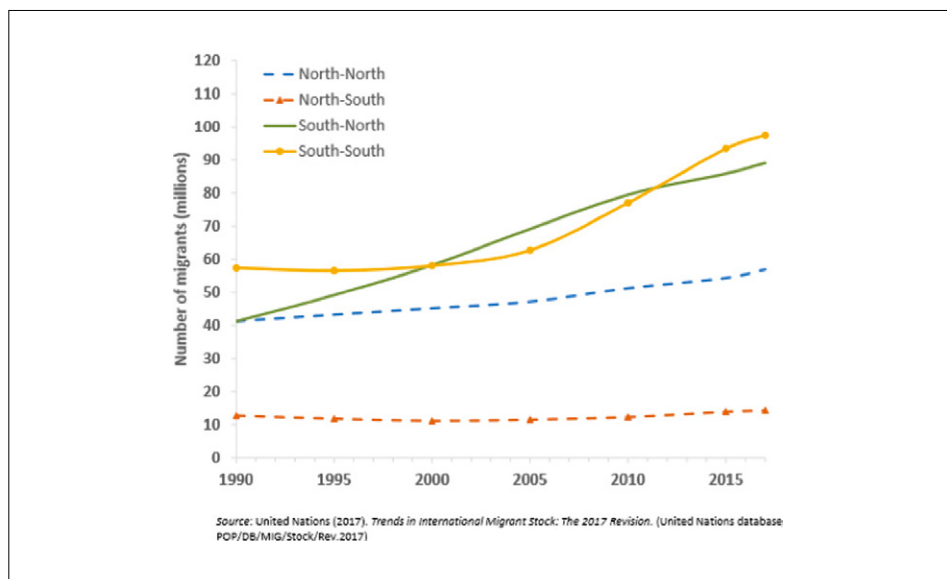
5. Strengthening cooperation on information systems within regional corridors

According to UN estimates two-third (165 million) of the total number of people living outside their country of birth (258 million) reside in high-income countries. Yet among all international flows (see Figure 1) the largest group of immigrants is comprised nowadays by those who were born in the South and live in other country in the South (38% of all migrants). South-South migration often occurs within regional spaces, and in some specific cases

they are regulated by regional agreements (Intergovernmental Authority on Development, IGAD; Economic Community of West African States, ECOWAS; Common Market of the South, MERCOSUR, among others). However, migration regimes outside Europe and North America are not well understood, particularly regarding drivers and impacts.

A significant component of migration management within regional spaces is to count on timely and accurate information on migration movements and migrants. Member states of regional agreements should develop integrated migration statistical systems to share and exchange information. These systems should be sensitive to gender and age and also use international compatible definitions and standards.

Figure 1. Origin and destination of international migrants by development group, 1990-2017 (millions)



By collecting and sharing information on a regular basis about labor migration, border crossings, migrants' integration in host countries, smuggling and trafficking, and by better informing migrants on their rights and obligations, governments will better manage human mobility across regional spaces in a safe, orderly and regular manner.

»Migration and development are linked in several and complex ways.«

G20 should promote that, as part of regional agreements, countries should reach specific agreements about harmonized data collection systems on migration as a way to follow up on commitments made in relation to the process of social and economic integration of migrants.

ⁱ The Global Compact for Safe, Orderly and Regular Migration is expected to be the first, intergovernmentally negotiated agreement, prepared under the auspices of the United Nations, to cover all dimensions of international migration in a holistic and comprehensive manner. The process to develop this global compact for migration started in April 2017 and the UN General Assembly will hold an intergovernmental conference in December 2018 with a view to adopting the global compact.

ⁱⁱ International migration has been included in the 2030 agenda for Sustainable Development. Specifically, the goal of reducing inequalities within and among countries has as one of its targets to Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies (SDG 10.7).

ⁱⁱⁱ Fargues, Philippe (2014) "The Fuzzy Lines of International Migration. A critical assessment of definitions and estimates in the Arab countries" EUI Working Papers, RSCAS 2014/71 Robert Schuman Centre for Advanced Studies Migration Policy Centre.

^{iv} See de Haas, H. (2007) Turning the tide? Why development will not stop migration", *Development and Change*, Vol 38, Num. 5 pp. 819-841 and Clemens, M. (2017) "Migration is a form of development: the need of regulate migration for mutual benefit" Population Division, Department of Economic and Social Affairs, technical paper Num. 2017/8.

^v Office of the United Nations High Commissioner for Refugees (UNHCR). 2017. *Global Trends: Forced Displacement in 2016*.

^{vi} UNICEF, OIM, UNHCR, EURPOSTAT, OECD. 2018. *A call to action Protecting children on the move starts with better data*.

^{vii} Lackzlo, F. 2016. "Improving Data on International Migration and Development: Towards a Global Action Plan?" Discussion Paper IOM Global Migration Data Analysis Centre.

^{viii} Martin, Susan F. and Lisa Singh. 2018. *Data Analytics and Displacement: Using Big Data to Forecast Mass Movements of People.* Pp. 185-206 in Carleen F. Maitland (ed.), *Digital Lifeline? ICTS for Refugees and Displaced Persons*. Boston, MA: MIT Press.

^{ix} International Organization for Migration (IOM) and McKinsey & Company (2018) "More than numbers. How migration data can deliver real-life benefits for migrants and governments"

^x McAuliffe M. and Lackzko F. 2016. *Migrant Smuggling Data and Research: A global review of the emerging evidence base*. Geneva: International Organization for Migration, IOM.

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A vision of regional contribution to a more effective global governance: The case of the multilateral international trade system

The authors:

Félix Peña

Consejo Argentino para las Relaciones Internacionales [CARI]

Andrés Matias Schelp

Consejo Argentino para las Relaciones Internacionales [CARI]

The Task Force:



Social Cohesion, Global Governance and the Future of Politics

This Task Force has the ultimate aim of mitigating the risks of social and political crises and produce a more cohesive, fair and inclusive society.

ABSTRACT

The main idea of our vision is that, at least in the case of international trade, global governance architecture and its impact in social cohesion at the national level, could be improved through a higher degree of sustainable win-win governance approaches at regional geographic spaces. That means that the design of the future international trade order (institutions and rules), especially if it is based in a network of connected regional and interregional trade agreements, could be acquiring greater practical importance for the efficacy of global governance and for the trust of civil societies concerning the idea of opening national economies.

CHALLENGE

Today is becoming increasingly clear that the international multilateral order currently governing global trade is going through a critical period that requires a po-

licy approach at the G20 level. Having this in mind, an important question that requires analysis and policies recommendations would be: how to adapt rules and institutions of the multilateral international trading system to new realities of transnational trade and investment, on the one hand, and to the current distribution of world power, on the other? This will be one of the dominant themes of the global governance agenda for the coming years.

And it is precisely here that successful developments at the regional geographic level could, eventually, imply a positive contribution to strengthen the global international system and to improve its impact in social cohesion at the national level. This could be the case, particularly, if those developments are conceived as favoring “win-win” approaches to both reciprocal transnational trade and investment among regional countries, whatever its relative power could be.

Even when inequalities predominate in the distribution of power and wealth among countries of a geographic region, if there is a “win-win” approach to the idea of working together, each one of them –and their citizens– will perceive that they could win more by being member of a regional trade agreement than if they were not.

Perhaps this was the most important political impact of the European economic integration process to global governance at the post-war period, at least in its first decades. And perhaps this has been one of the weaker contributions of Latin American economic integration processes, to the governance of the region and to an effective trust of civil societies to the notion of a sustainable “working together pattern” among the different nations.

How to transform the actual global multilateral trade system to allow it to have a more equilibrated impact in the future development of all countries, is today one of the main challenges for global political governance, and not only for trade. The inequality effects of international trade are today one of the main reasons that could explain why citizens in many countries have become angry with respect to globalization

PROPOSAL

The main challenges ahead

Global and regional governance should be related to the concept of a “multiplex world” proposed by Amitav Acharya (2014). His idea becomes more relevant to understand the future evolution of global order and governance, in light of the profound changes that are evident today in the international system and especially in the global multilateral trade system.

According to professor Acharya, in a “multiplex world” a plurality of actors with a range of cultural diversities and unequal relative power can compete simultaneously on multiple levels and scenarios. They are, among others, national states, but they can also be international organizations, companies, and other non-governmental actors, including different types of transnational networks. Sometimes they are geographic regions with a degree of institutionalization, such as the EU, or those regions who aspire to be similar. In a “multiplex world” each protagonist could have multiple options in their strategies with respect to whom they compete.

Unlike the international system that resulted from World War II, the one that we are facing now does not reflect the inte-

rests of a single stronger power, not even those of a small group of powers with sufficient clout to impose, in a sustained way, their will to the rest. Therefore, it is becoming increasingly difficult to identify who and how will create the new ground rules of the international power and economic competition of the future. As Ian Bremmer (2012) said, today is not possible to attach any number to the letter G, to know who should be invited to the table where key decisions could be adopted and then applied.

In a world of such characteristics, all the actors navigate according to what they believe are their own possibilities. This means having a correct diagnosis of the margins of maneuver allowed by the realities of the distribution of world power, including the knowledge of the spaces of agreement that exist with other players. This is valid both in the global space and in each of the regional geographic or sub regional spaces.

In a “multiplex world” the idea of “win-win” approaches to sustain global and regional governance becomes more important. Only the perception of a relative win scenario, as a result of concrete global and regional trade agreements, would produce the necessary civil society support for measures oriented to open the national economy to goods and services originated in other countries.

The G20 Summit of Hamburg (2017) as well as the MC11 in Buenos Aires (2017), were held against the backdrop of the questioning by US government senior officials of the rule-based global multilateral system of international trade (GATT-WTO). Such questioning is based on the realization that it is a multilateral system that originated in a global economic reality that has

long been overcome and, therefore, many of its mechanisms and rules can be considered obsolete.

Specifically, the most critical references to the global trade system have been directed at the principle of non-discrimination, embodied in the unconditional most-favored-nation clause of Article I of GATT and how to conciliate trade preferences among different countries and regions, with the idea of a global multilateral trade system; the trade defense mechanisms and their limited effectiveness against what are considered dumping practices in sectors such as steel among others, and the characteristics and effectiveness of the WTO dispute settlement system.

»The international multilateral order currently governing global trade is going through a critical period.«

But it should be noted that the objections to some of the rules of the global multilateral international trade system were originated almost at the moment of their creation and that they were raised for the most part by developing countries,

including Latin American ones. Therefore, it is not only the current US government that has expressed dissatisfaction with the global multilateral system of international trade. The link between trade, development and inequalities, for example, was on many occasions at the heart of the critical arguments of Latin American countries with respect to the GATT and later the WTO. They were not perceived as having a real “win-win” approach in favor of developing nations. Latin American countries often raised the need to make such rules more favorable for the early industrial development of many developing countries, and to make the requirements for exceptions to the principle of non-discrimination more flexible in order to facilitate preferential agreements aimed at promoting economic development.

It was not just the questioning of certain rules of the system. It was also a disagreement with the predominance of an elitist vision of its negotiation mechanisms, reflected in the so-called “Quad” (US, the EU, Japan and Canada), and the lack of transparency of some of its procedures.

How to transform the actual global multilateral trade system to allow it to have a more equilibrated impact in the future development of all countries, is today one of the main challenges for global political governance, and not only for trade. The economic and social inequality effects of international trade are today one of the main reasons that could explain why citizens in many countries have become angry with respect to globalization. As a result, they reject the idea of opening their economy to global trade and investments. They perceive the global multilateral trade system—and in some case also the regional and inter-regional trade agreements— as

not guaranteeing a “win-win” pattern in international trade relations. Their argument is political by nature, even if it is related to trade issues.

Some issues that deserve special attention

The XI WTO Ministerial Conference (Buenos Aires, December 2017) was an opportunity for a discussion about how to adapt the global multilateral trade system to new realities. It wasn't part of its formal agenda. However, it was present on what

»In a ‘multiplex world’ the idea of ‘win-win’ approaches to sustain global and regional governance becomes more important.«

could be considered an informal or parallel agenda, which in the political perception might be regarded as the real substantial agenda of the meeting. But nothing came out of the Buenos Aires meeting, perhaps confirming the idea that there were substantial differences among the main partners of the system.

In any case, at least from a Latin American point of view, the main question to be further discussed could be related to what changes in the design of the global multilateral system of international trade and its rules, would be more relevant from the point of view of the countries of the region, especially taking into account their strategies for global commercial insertion, the requirements of their regional integration processes, and their own processes of economic and social development. In which aspects of this redesign could positions be articulated with other WTO member countries, including the US?

Any progress in the future –including the Buenos Aires 2018 G20 Summit– should result from a trade-off between the political need to recognize the importance of a global multilateral international trade system based on rules, whose fulfillment is not simply left at the discretion of each nation and, at the same time, to the redesign of those institutional mechanisms and ground rules that the member countries consider necessary. Political need understood in terms of international trade governance and, therefore, the need to neutralize tendencies towards a new experience of international disorder, such as those that led to the two great wars of the last century.

From a Latin American regional perspective, it seems that among others, at least three issues deserve special attention in the political discussions related with the future of the rule-oriented multilateral global trade system, including its impact in global order and governance. Those issues are relevant for the concerted action of Latin American countries at the global level. But, at the same time they could

imply a positive contribution of regions to strengthen the global trade system.

A balance among global and regional trade rules. The first issue relates to how to achieve the necessary balance and convergence between global rules and institutions–such as those in the field of trade of the GATT-WTO– and those resulting from the multiple modalities of regional and interregional preferential agreements –such as, for example at the regional trade level, the Mercosur, the Pacific Alliance, the LAIA, the EU and the ASEAN, among many others, and, at the interregional trade level, the new TPP, the RCEP and the eventual agreement between the Mercosur and the EU.

Although the lack of consensus on what a regional agreement is specifically enabled to do –according to Article XXIV– have locked the WTO “reviews” of RTA’s, at least in the Latin American integration experience, global rules or their interpretation has been one concrete obstacle to adopt more flexible methodologies for working together at the regional or at sub-regional levels. Rigid interpretations of the rules (especially of GATT’s article XXIV), have had a concrete impact in the original approach of what was first LAFTA (1960) and then LAIA (1980). Moreover, the RTAs notified under Article XXIV of WTO are rigid because they must ultimately cover substantially all trade while other kind of agreements such as South-South in which the inclusion of goods and services can be more limited (UNCTAD, 2017). On the contrary, flexible interpretations of those rules –eventually through a dispute settlement case– could have a positive impact on economic integration, and should not be always necessarily contradictory to the demands of predictability of those adopting investment

decisions to take advantage of the opening of regional markets. For example, a flexible framework such as the one suggested by Joost Pauwelyn (2012) could be beneficial. In particular, he suggested that the WTO acceptance of agreements that are “not subject to WTO dispute settlement or even mere guidelines with flexibility for domestic implementation and future adaptation subject to peer review and less adversarial monitoring mechanisms”. Even if they are not subject to “hard law”, the inclusion of this kind of agreements would not inhibit incentives to comply.

Given the proliferation of RTA's since 1990, it is necessary to improve WTO rules to both better accommodate RTAs and FTAs while also maintaining oversight over rules of play and to maintain its own relevance.

In any case, the current trends towards the fragmentation of the international trade system through several modalities of preferential trade agreements, with the ensuing impact on the effectiveness of the world political order, could have negative systemic consequences. The fact that any country of any region –and not only the Pacific region- could eventually become member of the TPP, requires a careful analysis about its potential implications with respect to the future of WTO (chapter 30, article 4, of the TPP Agreement). Nevertheless, RTAs do not necessarily represent a threat to the centrality of the WTO tariffs, as with RTA's powerful states cease to be the only actors that impose the rules to follow as the regional powers become involved. Eventually, this process increases equity (Baldwin, 2011).

Taking into consideration that developing countries are becoming more active participants in regional trade agreements,

the institutional framework of LAIA and some of its rules have all the potential necessary for the development of a Latin-American regional strategy of “working together” among nations that in many aspects have strong differences. It offers a concrete framework for the implementation of the idea of “convergence in diversity” launched by Heraldo Muñoz (2014), the former Minister of Foreign Affairs of Chile and accepted by members of LAIA.

In this sense, one of the main themes to be addressed in the discussions should be how to achieve a balance between the requirements of flexibility of the rules and institutions operating in dynamic and complex contexts, with those of the predictability necessary for the adoption of decisions for productive investment by firms that could generate sustainable trade and employment.

Make the benefits of international trade reach more of the world's population. The second issue concerns how to make the benefits of international trade reach broad sectors of the populations of the WTO member countries, in particular because of their positive effects with respect to social inequalities, through the generation of sustainable jobs and social wellbeing. At the regional level it would be possible to develop success stories about social participation at the decision-making level, that could be then extended to other regions or to the global level.

This includes ways of involving all social sectors in the decision-making process, both at the level of each country and of the different international institutions and, in particular, ensuring greater transparency in the international trade negotiating processes.

For example, the fact that negotiating offers are not disclosed in time or that their real scope and the “small print” are only revealed when the negotiations are at an advanced stage -as is the case in some on-going negotiations, such as those between

»The economic and social inequality could explain why citizens in many countries have become angry with respect to globalization.«

Mercosur and the EU-, or have already been concluded -as happened in the negotiations of the TPP-, are practices that today can be considered obsolete. In any case, they contribute to the skepticism and even the bad mood of citizens regarding such negotiations, something that can be observed today in many countries.

Moreover, an UNCTAD study (2017) shows not only that lower levels of within-country inequality can be attributed to RTAs but also that if combined with some particular policies trade may result more inclusive for all participants. One example given is the European Commission’s Sus-

tainability Impact Assessment in the frame of the WTO. According to Vidal-Leon (2013) this tool fostered “more socially sustainable trade”. Consequently, she considers the plausibility to introduce corporate social responsibility disciplines on the WTO and other organizations.

Also, a study on Mercosur (Borraz, Rossi & Daniel Ferres, 2012) trade impacts on Uruguay and Paraguay (the smaller economic partners of the RTA) points that in order to enhance distributional outcomes of RTA’s it is necessary to pay due attention to regional asymmetries (size of the economies and negotiating power) first and then “identify policies and actions to ensure a more even spread of benefits”. They also show that it would be profitable to research the different internal impacts on trade in the countries’ economies so to implement policies to reduce unintentional negative distributional effects of trade.

Facilitate global growth in micro, small, and medium-sized enterprises (MSME’s). The third issue is how to apply policies and rules that facilitate the projection of SMEs to the world, especially those from developing countries.

The image of an international trade system perceived as only benefiting large firms from the more developed countries does not help with the necessary social support for the world trading system.

On the contrary, what is needed is a WTO that is perceived as the place for promoting rules and institutions that facilitate and encourage the growing internationalization of SMEs, for example, through their insertion in transnational productive chains that include SMEs from other countries. The settlement of win-win alliances between RTA could also foster the creation

of deeply integrated multilateral protocols. Capri (2017) argues that in the XXI century this has the advantage to “make digital trade for MSMEs a virtually borderless experience, across a broad swath of geographies”. In addition, from the perspective of the developing countries, it would be also beneficial to further develop the infancy protection argument. This would allow some protection to SME at the early stage of development on the local market from the competition of international corporations, including mix of free trade and state intervention given the development stage of the country as has been suggested by Dani Rodrik (2012).

»Developing countries are becoming more active participants in regional trade agreement.«

In this perspective, it would be possible to discuss how to achieve a growing interaction between the WTO and institutions such as the ITC, the FAO, the ILO and the UNCTAD, as well as global and regional development financing institutions, and those of the corresponding regional integration processes. Such coordination could favor the promotion of different modalities

of sectoral agreements to encourage and facilitate the development of productive networks and value chains among SMEs in different countries. The experiences, for example the EU and ASEAN, could be of great interest for other regions, including the Latin American countries.

Conclusions

The G20 Buenos Aires Summit should explicitly recognize the need to strengthen the rule-oriented global multilateral international trade system and at the same time, to open a process for the redesign of some of the rules and institutions of the global system.

Even if this cannot be accomplished because US position –given its recent stance on the G7–, the clear recognition of this fact by all the other parties would also mean the resilience of the multilateral approach and the plausibility to promote win-win alliances between RTA's.

Then the WTO and eventually the G20 and also the G77, could progressively become forums for a necessary deep debate about how to adapt the rules and institutions of the system to the new global economic and social realities, in such a way that could have a positive impact in the global economic governance and, specially, in the participation of the people of all member countries in its decision-making process and in its social benefits.

Several alternatives could be elaborated about how to strengthen the rules of the global multilateral international trade system, taking in account experiences at the regional level.

This would imply rules that enable the development of networks of regional preferential agreements that could strengthen

the trend toward a more connected global trade system, and that could assure the predominance of “win-win” approaches to international trade and investments perceived as friendly for social cohesion both at the global and national level.

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About the authors:

Félix Peña. Vice-President of CARI. Director of the Institute of International Trade (FICBC) and of the Master in International Trade Relations (UNTREF). This paper is a further elaboration based in the original paper presented to the Buenos Aires Meeting of the Council of Councils (2017).

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The Sustainable Development Goals, domestic resource mobilization and the poor

The author:

Nora Lustig

Samuel Z. Stone Professor of Latin American Economics

Director of the Commitment to Equity Institute, Tulane University

The Task Force:



Social Cohesion, Global Governance and the Future of Politics

This Task Force has the ultimate aim of mitigating the risks of social and political crises and produce a more cohesive, fair and inclusive society.

ABSTRACT

Achieving the SDGs will depend in part on the availability of fiscal resources to deliver the floors in social protection, social services and infrastructure embedded in the goals. A significant portion of these resources is expected to come from domestic sources. Raising additional revenues domestically, however, may leave a significant portion of the poor with less cash to buy food and other essential goods. Fiscal incidence analysis for twenty-nine low and middle-income countries shows that, while fiscal policy unambiguously reduces income inequality, that is not always true for poverty. In other words, the poor are made poorer by the fiscal system, primarily due to consumption taxes. The Domestic Resource Mobilization agenda could make this situation worse. The demand for additional domestic resources must be balanced against the competing need to protect poor households from becoming poorer as a result of taxes.

CHALLENGE

At present, in a number of especially low-income countries a significant proportion

of the extreme poor and the vulnerable are net payers into the fiscal system. In other words, the poor are made poorer by the fiscal system, primarily due to consumption taxes. The Domestic Resource Mobilization agenda could make this situation worse.

»The poor are made poorer by the fiscal system, primarily due to consumption taxes.«

The big risk in setting an ambitious domestic resource mobilization agenda is that in the process governments will tax poor people even further.

To prevent (or, at least, minimize) this negative unintended result from happening, governments need to undertake a comprehensive analysis of who bears the burden of taxes and who benefits from transfers and subsidies, and to raise domestic resources in ways that minimize the impoverishment of the poor. Tax systems need to significantly curb tax evasion and tax elusion by the countries' elites, refrain from subsidizing multinational corporations and goods disproportionately consumed by the better-off, and keep consumption taxes on basic goods, if not exempt, as low as possible. Cash transfers will need to

benefit the poor and the vulnerable first.

Under Goal One on poverty reduction, there should be a new Target 1.6: "By 2030 to ensure that the fiscal system does not reduce the income of the poor." In order to achieve this, advanced countries and the multilateral system will need to ensure that resources (through aid and capital flows) and opportunities (through trade and migration policies) are made available to the poor, especially those living in the poorer countries in the world.

PROPOSAL

Introduction

At the UN General Assembly of September 2015, countries around the world committed to achieve the Sustainable Development Goals (SDGs) by 2030.¹ One key factor to achieving the SDGs will be the availability of fiscal resources to deliver the floors in social protection, social services and infrastructure embedded in the SDGs. A significant portion of these resources is expected to come from domestic sources in developing countries themselves, complemented by transfers from the countries that are better off. The conference on Financing for Development in July 2015,² for example, set the framework for where the resources to achieve the SDGs and other commitments endorsed in the numerous global and regional compacts will need to come from. Moreover, countries will be expected to set spending targets to deliver social protection and essential public services for all and set nationally defined domestic revenue targets.

As is typical with these exercises designed to identify priorities and commitments which the great majority of countries en-

dorse, the proposals shy away from acknowledging that goals have trade-offs. In particular, that raising additional revenues domestically for infrastructure, protecting the environment or social services may leave a significant portion of the poor with less cash to buy food and other essential goods. Especially in low-income countries, it is not uncommon that the net effect of all governments taxing and spending is to leave the poor worse off in terms of actual consumption of private goods and services.

Fiscal policy and the poor

In order to analyze the impact of fiscal policy on income inequality it is useful to separate the “cash portion” of the system. The cash portion includes direct taxes, direct transfers, indirect taxes, and indirect subsidies. The noncash or “in kind” portion includes the monetized value of, for instance, government education and health services. The CEQ Institute³ results for twenty-nine low and middle-income countries show that, while fiscal policy unambiguously reduces income inequality⁴, that is not always true for poverty. In Ethiopia, Ghana, Guatemala, Nicaragua, Tanzania and Uganda, for instance, the headcount ratio for the ultra-poor (i.e., those with incomes below the World Bank’s international poverty line) is higher after direct and indirect taxes net of transfers than for prefiscal income. In these countries, fiscal policy increases poverty, meaning that a larger number of the market income poor and vulnerable are made poorer by taxes and transfers than the number of people who escape poverty. (Table 1)

In addition, to varying degrees, in all countries a portion of the poor are net payers into the fiscal system and are thus

impoverished by the fiscal system. The results indicate that, on average, the ultra-poor in Ghana, Nicaragua, Tanzania, and Uganda, the extreme poor in Armenia, Ethiopia, and Guatemala, and the moderate poor in Bolivia, Brazil, Dominican Republic, El Salvador, Honduras, Peru and Sri Lanka are net payers into the fiscal system. (Figure 1) Furthermore, in all countries but two, the vulnerable “strugglers” (i.e., those with incomes between \$4 and \$10 dollars a day) are net payers into the fiscal system. While the vulnerable “strugglers” are above the poverty line, they are still vulnerable to falling back into poverty and hence not part of the secure middle class.⁶

»Investment in infrastructure can spur higher growth and, thus, improve the living standards of today’s poor.«

Table 2 presents the proportion of individuals that are fiscally impoverished as a share of the total population classified as poor for eighteen countries for which these calculations were available.⁷ In ten countries – Armenia, Bolivia, Brazil, El Salvador, Guatemala, Indonesia, Mexico, Russia, Sri

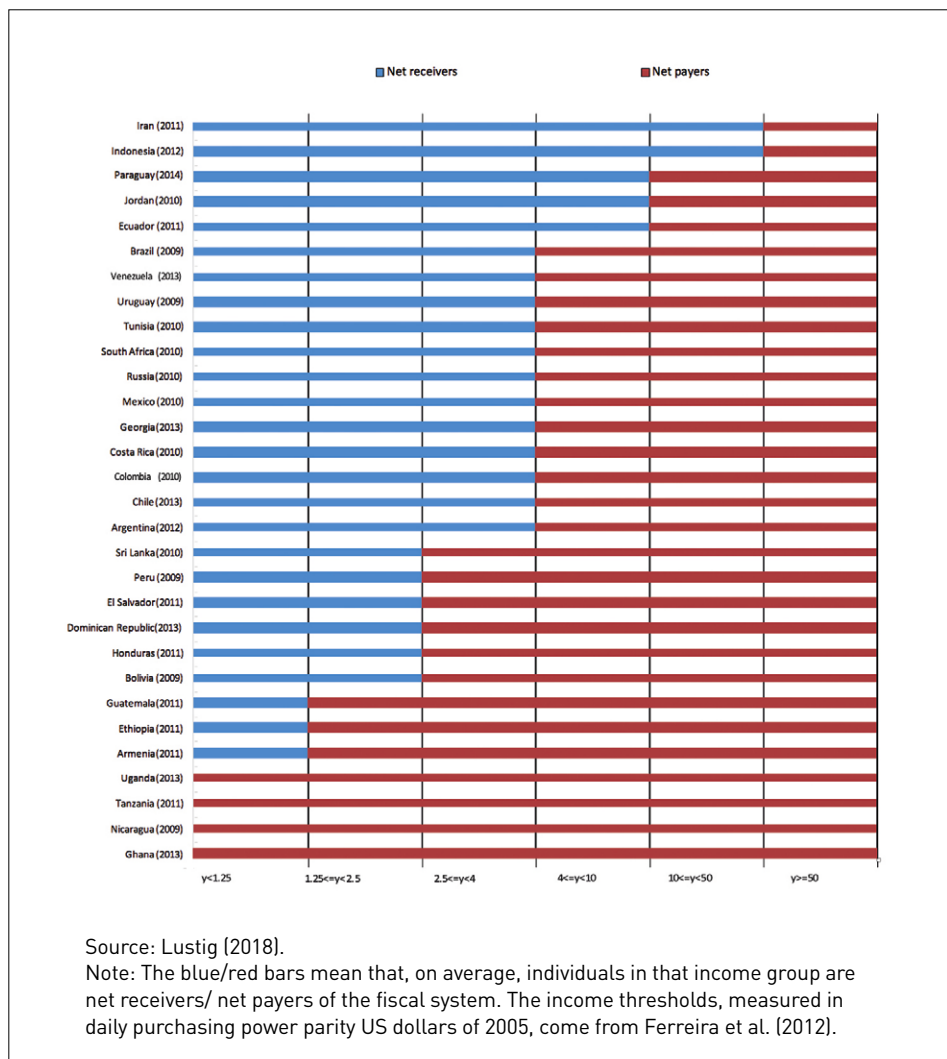
Table 1. Fiscal policy, inequality and poverty

Country	Change in Gini Coefficient	Change in Headcount Ratio		
		Ultra poor	Extreme poor	Moderate poor
Argentina	-14%	-65%	-35%	2%
Armenia	-7%	-7%	11%	14%
Bolivia	0%	-2%	3%	4%
Brazil	-6%	-36%	-5%	8%
Chile	-6%	-66%	-52%	-24%
Colombia	-2%	-25%	-9%	-2%
Costa Rica	-4%	-23%	-22%	3%
Dominican Republic	-4%	-14%	0%	2%
Ecuador	-7%	-54%	-35%	-16%
El Salvador	-5%	-16%	-1%	4%
Ethiopia	-6%	4%	na	na
Ghana	-3%	12%	9%	7%
Guatemala	-1%	2%	5%	4%
Honduras	-2%	-9%	1%	5%
Indonesia	-2%	-13%	-2%	0%
Iran	-13%	-90%	-75%	-50%
Jordan	-5%	-76%	-35%	-8%
Mexico	-6%	-35%	-15%	-3%
Nicaragua	-4%	3%	4%	5%
Paraguay	-2%	-47%	-17%	-10%
Peru	-2%	na	-4%	0%
Russia	-7%	-38%	-29%	-12%
South Africa	-10%	-43%	-11%	0%
Sri Lanka	-3%	-14%	1%	2%
Tanzania	-10%	18%	6%	3%
Tunisia	-11%	-54%	-25%	3%
Uganda	-4%	1%	2%	1%
Uruguay	-6%	-83%	-51%	-22%
Venezuela	-5%	-36%	-8%	2%

Source: CEQ Data Center on Fiscal Redistribution. Version June 2018. References to individual studies can be found here.

Note: Red font indicates the cases in which postfiscal poverty is higher than market income poverty. The postfiscal headcount ratio is measured with consumable income which is equal to disposable income minus consumption taxes plus consumption subsidies. For definitions see footnote⁵.

Figure 1. Net payers (red) and net receivers (blue) to the fiscal system by income group (circa 2010)



Source: Lustig (2018).

Note: The blue/red bars mean that, on average, individuals in that income group are net receivers/ net payers of the fiscal system. The income thresholds, measured in daily purchasing power parity US dollars of 2005, come from Ferreira et al. (2012).

Lanka, and Tunisia – between one-quarter and two-thirds of the postfiscal poor lost income to the fiscal system. In Ethiopia, Ghana, and Tanzania), the proportion of the poor who were impoverished by the fiscal system is staggering: above 75 percent.⁸

Granted, beyond cash transfers and subsidies, taxes are also used to fund education, healthcare, infrastructure, and public goods whose benefits can reach the poor. Public spending on education and health can increase the human capital of the poor. Investment in infrastructure can spur higher growth and, thus, improve the living standards of today's poor. However, access to education, healthcare and infrastructure are not substitutes for food and other basic necessities the poor need to consume. Malnourished children will

not be able to benefit from education, for instance. Hungry workers will not be able to take advantage of employment opportunities. Cash-strapped households may not have the means to pay for transportation to visit the health clinic. That is why the trade-off between raising more revenues domestically to pay for the expansion of education, healthcare and infrastructure and alleviating poverty in the short-run is all too real.

Moreover, in some countries even if we add the monetized value of public spending on education and health (imputed at their government cost to families who report a child attending public school or who report using public health facilities), fiscal impoverishment is still high: in Armenia, Ethiopia, Indonesia, Tunisia, and Russia,

Table 2. Proportion of poor made poorer by taxes and transfers

Country (survey year)	Fiscally Impoverished as % of poor	Country (survey year)	Fiscally Impoverished as % of poor
Panel A: poverty line of \$2.5/day		Panel B: poverty line of \$1.25/day	
Brazil (2009)	34.9	Armenia (2011)	52.3
Chile (2013)	19.2	Bolivia (2009)	63.2
Ecuador (2011)	3.2	Dominican Republic (2013)	16.3
Mexico (2012)	32.7	El Salvador (2011)	27.0
Peru (2011)	23.8	Ethiopia (2011)	83.2
Russia (2010)	34.4	Ghana (2013)	76.6
South Africa (2010)	13.3	Guatemala (2010)	62.2
Tunisia (2010)	38.5	Indonesia (2012)	39.2
		Sri Lanka (2010)	36.4
		Tanzania (2011)	98.6

Source: Higgins and Lustig (2016).

Note: poverty lines expressed in daily US purchasing power parity dollars of 2005.

between 25 and 50% are still fiscally impoverished when these benefits are included among the transfers.⁹

This undesirable outcome of the poor being made worse off by the combination of taxes and transfers is the consequence of primarily consumption taxes – e.g., value added or excise taxes. For example, the Brazilian tax system results in heavy taxes on such basic staples as rice and beans. For many households, transfers from Bolsa Familia are not there or are not large enough to compensate what they pay in consumption taxes.¹⁰ This is not the result of a “diabolical” plan: it is the outcome of a very complex cascading tax system and

»Cash transfers will need to benefit the poor and the vulnerable first.«

consumption patterns of the poor. In the case of Ethiopia, the fact that many poor were left worse off was a consequence of two factors: the threshold of income at which people were liable to start paying taxes was very low and the Productive Safety Net Program (PNSP) – our flagship cash transfer – was well-targeted but both the coverage and benefit per household were small. In January 2016, the government expanded the coverage of the PNSP to inclu-

de households living in urban areas, among other things. In July 2016, the government raised the threshold of taxable personal income. While these changes may have not been enough to completely eliminate the problem, it has been an important policy change in the right direction.¹¹

Concluding remarks for the policymaker

Regarding policy prescriptions, one fundamental lesson emerges: governments should design their tax and transfers system so that consumption of food and other necessities by the poor is not reduced by the fiscal system. This could become an overriding principle in the design of fiscal systems that could be explicitly added to the frameworks proposed by Atkinson (2015) and Stiglitz (2012) to build more equitable societies. Tax systems need to significantly curb tax evasion and tax elusion by the countries’ elites, refrain from subsidizing multinational corporations and goods disproportionately consumed by the better-off, and keep consumption taxes on basic goods, if not exempt, as low as possible. Cash transfers will need to benefit the poor and the vulnerable first.

Achieving the new Sustainable Development Goals will depend in part on the ability of governments to improve their tax collection and enforcement systems. However, demand for investments into infrastructure and public services must be balanced against the competing need to protect low-income households that may otherwise be made worse off.

The big risk in setting an ambitious domestic resource mobilization agenda is that in the process governments will tax and, thus, impoverish poor people even further. As it stands, the SDGs list of targets would

not alert us of such a perverse outcome.

Under Goal One on poverty reduction, there should be a new Target 1.6: “By 2030 to ensure that the fiscal system does not reduce the income of the poor.” In order to achieve this, advanced countries and the multilateral system will need to ensure that resources (through aid and capital flows) and opportunities (through trade and migration policies) are made available to the poor, especially those living in the poorer countries in the world.

¹ For the document endorsed by the General Assembly in September 2015, see United Nations, General Assembly (2015a). The Sustainable Development Goals and their targets can be found here: <https://sustainabledevelopment.un.org/?menu=1300>.

² Document endorsed by the General Assembly of the United Nations on July 27, 2015b (United Nations, General Assembly, 2015b).

³ Directed by Nora Lustig, the Commitment to Equity (CEQ) Institute works to reduce inequality and poverty through comprehensive and rigorous tax and benefit incidence analysis. For details, please visit www.ceqinstitute.org.

⁴ Redistributive success is broadly determined primarily by the amount of resources and their combined progressivity. Net direct taxes are always equalizing. The effect of net indirect taxes is equalizing in nineteen of the twenty-nine countries.

⁵ The definitions are as follows: the ultra-poor are individuals whose income or consumption falls below US\$1.25/day; the extreme poor are individuals whose income or consumption lies between US\$1.25 and US\$2.50/day; and, the moderate poor are individuals whose income or consumption lies between US\$2.50 and US\$4/day. Income here is measured in 2005 purchasing power parity dollars.

⁶ Birdsall, Lustig and Meyer (2014).

⁷ To measure fiscal impoverishment table 2 shows indicators for consumable income as the relevant after taxes and transfers income concept. Consumable income equals pre-fiscal income plus direct transfers and indirect subsidies minus direct and indirect taxes. Although taxes are used to fund more than just direct cash and food transfers and indirect subsidies from the government (e.g., they are used to fund public goods and services, many of which also reach the poor), consumable income is the relevant concept. For example, let’s think of two individuals with exactly the same income in their pockets but who live in different countries. In one country, food is tax exempt while in the other it is subject to a consumption tax (such as the value added tax). Clearly, the amount of actual food the individual in the food-tax-exempt country will be higher than in the country where food consumption is taxed.

⁸ Higgins and Lustig (2016).

⁹ Ibid.

¹⁰ Higgins and Pereira (2014).

¹¹ Based on interview with Professor Tassew Woldehanna from Addis Ababa University and member of the CEQ Ethiopia team (CEQ Snapshot No. 2).

Competition

The lead author:

Christian von Haldenwang

German Development Institute (DIE)

The authors:

Tommaso Faccio

Independent Commission for the Reform
of International Corporate Taxation Tobias
Hentze, German Economic Institute

Tobias Hentze

German Economic Institute

Thomas Mättig

Friedrich-Ebert-Stiftung

Irma Johanna Mosquera Valderrama

Leiden University

Agustín Redonda

Council on Economic Policies

Gabriela Rigoni

Universidad Nacional de La Plata (UNLP) -
Universidad Nacional de Buenos Aires (UBA)

Jakob Schwab

German Development Institute (DIE)

Rob Vos

International Food Policy Research Institute
(IFPRI)

The Task Force:



Trade, Investment and Tax Cooperation

This Task Force will examine how to encourage a rules-based multilateral trade system that broadens the benefits of economic integration while providing the tools to protect those that are hurt by globalization. It will also provide policy recommendations to further advance the international G20 tax agenda.

ABSTRACT

The world is facing a new round of international tax competition that may result in a ruinous race to the bottom, undermining the fiscal capacity of states to respond to global challenges and to implement the Agenda 2030. G20 leaders must take action to strengthen multilateral and cooperative approaches to taxation, curtail harmful tax competition and protect their own tax base as well as that of developing countries.

CHALLENGE

Tax competition may be an important tool to attract investment, but more often than not it undermines the capacity of governments to mobilize sufficient resources to finance public services - including those services that are essential for sustainable development and economic growth. Particularly harmful are tax competition practices that a) erode the tax bases of

other countries, thereby diminishing global welfare, b) deny other countries the opportunity to adapt their tax regimes in response to unwanted spillovers, due to a lack of transparency of the measures, or c) introduce market distortions in favor of specific groups or actors by shifting the tax burden to the disadvantage of other groups or actors, thereby undermining the fairness and social acceptance of tax systems.

»Unilateral action by individual countries is not an adequate response to the requirements of taxing a globalised economy.«

The US tax reform of December 2017 threatens to trigger another round of worldwide tax competition, as other G20 governments may feel urged to adjust their corporate tax regimes as well. We see the risk of a downward spiral driven by three mechanisms:

- First, race-to-the-bottom corporate tax competition may involve lowering sta-

tutory tax rates as well as providing additional tax breaks for specific types of economic activity. In particular the latter tend to be harmful because they distort markets.

- Second, preferential tax regimes, distorting investment incentives and so-called anti-abuse rules as in the case of the US tax reform affect the level playing field significantly. If other countries react with similar measures, the resulting global tax structure could be even more complex and mutually harmful.

- Third, while tax cuts might boost economic growth in the short run, growing budgetary deficits could be a hindrance to growth in the medium term, as higher budget deficits would push up interest rates, which would discourage investment. For instance, the US tax reform is expected to cause an additional deficit of between USD 0.5 and 1.5 trillion over the coming decade, depending on the source of the estimation. This limits the space for public policies in the future and puts a strain on coming generations, especially against the background of already high public debt rates in the US. If other governments would follow suit, fiscal space would shrink globally and limit resource availability for promoting balanced, sustainable and inclusive growth.

The consequences are likely to differ across countries:

- First, industrialized countries could see their tax base affected by a new round of corporate tax competition. By contrast, many developing countries might be less directly affected by this type of tax competition - either because they seek investments in sectors where market barriers exist (for instance, extractive industries) or because they already offer generous tax breaks in highly competitive sectors. However, they

are likely to suffer from indirect effects, as their revenues from direct taxes are often heavily dependent on corporate taxation, the lion's share of which is typically borne by a small number of multinational corporations (MNCs). Developing countries could be under pressure to raise indirect taxes, shifting the tax burden further from corporations to consumers, particularly middle- and low-income sectors.

- Second, in addition, many measures already undertaken or foreseen by G20 member countries (such as for instance certain tax incentives for research and development) create additional competitive advantages for large MNCs which might lead to new distortions in the economic structure of countries worldwide, thereby affecting the capabilities of national economies to innovate, create jobs and adapt to the transformation of global production patterns, in particular to the growing digitalization of the world economy.

PROPOSAL

Abolishing and preventing economic distortions of the kind outlined above should be a main goal of international tax policy. We ask G20 leaders to take urgent and decisive action in two distinctive though interrelated topics: (a) reverse the current tendency to engage in harmful tax competition and (b) provide a level playing field for taxation and investment.

1. Reverse the current tendency to engage in harmful tax competition

G20 leaders should deepen cooperation with regard to the exchange of tax-related information and the fight against Base Erosion and Profit Shifting (BEPS)

Unilateral action by individual countries, as powerful as they may be, is not an adequate response to the requirements of taxing a globalised economy. Any gains arising from such action will be short-lived, as other countries are likely to introduce compensatory measures and economic actors should be expected to quickly adapt to the changing conditions.

A change of investment behaviour due to tax reforms is not necessarily negative, but cooperation should take account of differences in capacities of developed and developing countries to undertake appropriate action. Research shows that countries are taking different approaches to the implementation of BEPS Actions (IBFD 2018, Mosquera Valderrama 2018), leading to peculiar and undesired forms of tax competition. We observe that countries implementing BEPS are sometimes in disadvantage with respect to countries that are not implementing BEPS. For instance, BEPS minimum standard Action 6, which aims at "Preventing the Granting of Treaty Benefits in Inappropriate Circumstances" foresees the inclusion of principal purpose tests (PPT) in tax treaties. These tests create an extra requirement for taxpayers who are investing in that country. Discretionary application of the principal purpose test by tax administrations can introduce additional distortions in the global competition for investments. In this sense, balancing competition and BEPS implementation is needed to achieve a global model of tax governance in which developed and developing countries compete on a level playing field.

We ask the G20 leaders to promote regional cooperation in the implementation of international standards, including BEPS. The G20 should facilitate the creation of

regional (or sub-regional) peer review and consultancy mechanisms that would allow countries to set and revise their own goals and targets for implementation, getting regular feedback from neighbouring countries. The G20 should actively promote regional learning processes: To give an example, the exchange of information (for instance, on trade flows and taxation) between neighbouring countries could be used to jointly implement technical platforms and standards and to build administrative capacity. This would make countries fit for the exchange of information on a broader international scale and allow them to better use that information locally.

G20 leaders should agree on a minimum corporate tax rate

Tax competition has harmful consequences for the global provision of public goods when effective tax rates of all countries end up below the level that countries would have chosen if no measure to attract foreign tax bases was introduced or if no reaction to other countries' measures was required. This has distributional effects to the disadvantage of immobile factors and impedes a fair sharing of the burden of financing sustainable development between all economic actors. Currently, average statutory corporate tax rates around the world are converging at around 25 per cent. Many tax havens apply much lower rates. While the BEPS project tackles some of the most pressing issues regarding corporate tax evasion and avoidance, it only marginally addresses the problem of tax competition. Initiatives on tax coordination between countries only exist at a regional level within the EU and the West African Economic and Monetary Union (WAEMU).

A practical approach towards establishing a minimum level of tax coordination about particularly harmful practices of corporate taxation would be to agree on a minimum corporate tax rate.

»We ask the G20 leaders to promote regional cooperation in the implementation of international standards.«

G20 leaders should explore the possibility of introducing a minimum corporate tax rate to be applied to the worldwide profits of private companies. Such a common minimum corporate tax rate would stop rewarding tax havens and prevent a race to the bottom, while keeping G20-based multinational companies, as well as other companies and permanent establishments operating in G20 countries, on a level-playing field with competitors. Such a minimum tax rate should help limit both tax avoidance and harmful tax competition. The determination of corporate tax rates above the minimum level would remain subject to the national tax rules.

2. Provide a level playing field for taxation and investment

G20 leaders should Improve the transparency of tax instruments for the attraction of investments

We ask G20 leaders to ensure that tax instruments used for the attraction of investments are employed with a view on creating, rather than undermining the level-playing field for investors. Clarity, simplicity and reliability are relevant criteria in this context. Measures to improve the design and transparency of tax incentives are presented in the T20 Policy Brief on "Tax Expenditure and the Treatment of Tax Incentives for Investment".

G20 leaders should work towards a common corporate tax base and explore ways to treat multinationals as single entities

Some progress has been made in addressing tax avoidance by multinational corporations in recent years. Much remains to be done, however. We ask G20 leaders to engage in a strategic debate on a reform of tax systems to make these fit for purpose in a globalised economy in which many companies operate across borders, but are managed as one single entity. A first step in this direction would be to broaden existing initiatives under the BEPS project, especially regarding the digital economy, as the delay in the introduction of tax measures to address the challenges of digitalization implies, in practice, an underlying preferential tax regime.

A second step would be to agree on a common corporate tax base (CCTB), applying harmonized nexus and profit allocation concepts in line with the exigencies of digitalization. As a third, longer-term mea-

sure, introducing a common consolidated corporate tax base (CCCTB) with broad international applicability would be an adequate approach to taxing the globalized and digitalized world economy. This approach would take into account assets invested, human resources employed and sales generated/destined.

»G20 leaders should work towards a common corporate tax base and explore ways to treat multinationals as single entities.«

Consolidation in this context means that, rather than individual jurisdictions, the overall distribution of the above-mentioned factors (capital, labour, sales) would be taken into account to allocate the tax base. We see important benefits of this approach with regard to the simplicity and certainty of taxation, the lowering of compliance costs, the internalization of unwanted spillover effects and a further facilitation of cross-border trade and investment. As the European Union is moving in the direction of implementing a CCTB and, sub-

sequently, a CCCTB, we urge G20 leaders to explore opportunities for the scaling-up of this initiative.

G20 leaders should promote the use of new technologies to fight trade mispricing and misinvoicing

We ask G20 leaders to jointly promote the use of digital technologies, such as block-chain technology, as an instrument to improve the transparency and security of trade flows. This includes making tax and customs administrations fit for such purpose and enabling them to exchange the necessary information by means of public

infrastructure investments and capacity development. We further ask G20 leaders to provide the necessary means to support low- and lower-middle-income countries in their own digitalization agenda, in order to enable them to take part in the exchange of such information and to benefit from a better control of trade flows.

Additional measures to tackle current challenges in the taxation of the digital economy are presented in the T20 Policy Brief on "Digital Trade and Digital Taxation".

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Globalization

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**The 21st century
economy: Does a
sustainable solution
space exist?**

Dan Ciuriak

Centre for International
Governance Innovation

The 21st century economy: Does a sustainable solution space exist?

The author:



Dan Ciuriak

Senior Fellow,
Centre for International
Governance Innovation
Director and Principal,
Ciuriak Consulting Inc.

The institution:

**Centre for International
Governance Innovation**

The Centre for International Governance Innovation is an independent, non-partisan think tank. Their research programs focus on governance of the global economy, global security and politics, and international law.

The modern version of globalization – “Globalization 2.0” – emerged from the reach of international trade into previously national systems of production and the development of rules frameworks to facilitate the resulting commercial arrangements. The resulting unbundling of previously vertically integrated production and technology-enabled trade in tasks unleashed creative destruction that left winners and losers. In countries such as Canada, where globalization broadcast the benefits and narrowcast the losses, support for it remained firm; conversely, in otherwise similar countries where the benefits were narrowcast and the losses broadcast (e.g., the United Kingdom and the United States), income disparities widened sharply and support for globalization dropped, resulting in political disruption.

Economies are closed systems in the sense that they must satisfy basic accounting identities and other binding constraints: the balance of payments must balance, savings must equal investment, global imports must equal global exports, and so forth. These constraints define feasible solution spaces. However, there are no similar constraints for distributional variables that

underpin the political bargains and social contracts on which economic systems are predicated. If distributional outcomes move outside sustainable ranges for these variables (e.g., if incomes fall below subsistence levels), the bargains break down. From the perspective of the economic system, this is experienced as disruptive political change and can thus be interpreted as the economy moving out of the intersection of feasible economic, social and environmental solution spaces.

»The data-driven economy has a number of features that raise distributional issues.«

Comprehending this is vital since we are on the cusp of a still more profound structural change as the knowledge-based economy (KBE) morphs into the data-driven economy (DDE) with the digital transformation. The DDE, amongst other features, will see the widespread deployment of machine knowledge capital, which will both complement and substitute for human capital as robots complement and substitute for manual labour, but which unlike expensive mechanical robots can be reproduced in arbitrarily large amounts at near zero margin-

al costs. For advanced economies, this portends a supply shock for skilled labour akin to the supply shock that China's integration into the global division of labour meant for unskilled labour – and perhaps greater.

Can our societies adjust, and how can we think systematically about these adjustments? Put another way, is there a solution space in this economy that allows markets to clear and societies to maintain sustainable social compacts?

DISTRIBUTIONAL BIASES IN GLOBALIZATION 2.0

The current model of globalization features a number of sources of distributional bias that collectively and cumulatively over time have generated powerful stresses in societies.

(a) Under-pricing capital

With the widespread adoption of monetarist frameworks for macroeconomic management since the 1980s, capital has generally been under-priced relative to labour on average over the business cycle as a natural consequence of slow response of economies to monetary stimulus and the relatively quick response to tight money. Since the great recession of 2008-09, this has been taken to extreme levels with central bank policy rates in the major jurisdictions set at zero or even at negative levels in nominal terms for extended periods, and quantitative easing employed to loosen monetary conditions still further. Since capital is a substitute as well as a complement to labour, lowering the effective cost of capital induces substitution and forces labour to reduce its price to compete. This has arguably contributed powerfully to the prolonged periods of jobless growth and wage stagnation, particularly in the most recent expansion.

Globalization has also freed capital movement, while labour is constricted both by policy and intrinsic impediments to movement. Basic public finance precepts dictate the shift of taxation from the mobile to the immobile factor of production. The resulting shift of tax burdens to labour has further disincentivized hiring workers and forced labour to cut its price to stay in the market. And public policy, in the competition to attract footloose capital, further shifted risk to labour with so-called “flexible” labour market policies.

»For developing countries facing the digital divide, the challenges of finding a foothold might be insuperable.«

Job destruction because of trade liberalization or technological progress is efficient; job destruction because of effective subsidization of capital is not.

(b) Asset-based economics

The transition from the industrial to the KBE era added an additional source of distribu-

tional bias. Policymakers’ awareness of the value of intellectual property (IP) resulted in a strategic push to promote its creation and to increase its protection. The KBE era thus featured a rise in the value of intangible assets coupled with a trend towards increased concentration. Some of the commonly cited factors behind these trends are the following:

- Steep economies of scale in knowledge products, given large up-front R&D costs and low marginal production costs (which fall to zero or near zero for digital products),
- Powerful network externalities, which tend to create natural monopolies or near monopolies (e.g., search engines) – “winner take most” economics.
- Near-frictionless commerce enabled by the Internet and globalization, which enables the more efficient firms to capture greater market share.
- The role of IP, the essential capital of the KBE, in protecting established positions and creating stumbling blocks for potential competitors.

These factors naturally increased rents, and by extension the returns to owners of capital. This added to the distributional biases in the system.

(c) Kleptonomics

The reinforcement of the concentration of income and wealth – and hence of political and social power – through positive feedback has been described as the Matthew Effect of cumulative advantage. Several sources of such feedback, which can be grouped under the rubric of “Kleptonomics”, emerged under Globalization 2.0.

Kleptonomics 1.0: Low interest rates and quantitative easing reduce the value of sav-

ings vehicles such as bank accounts but boost the value of equities. This transfers claims on real resources from lower income/wealth groups to higher income/wealth groups. Effectively, wealth is skimmed from the many and transferred to the few.

Kleptonomics 2.0: Cheap money and rising equity values enable a second form of skimming, the leveraged buyout (LBO). Companies are bought with borrowed money, stripped of such assets as pension funds, and broken up and sold into rising equity markets saddled with the debt used to buy them. The heyday of the LBO was in the 1980s but it remains a significant enough issue today for Berkshire Hathaway Chairman Warren Buffett to speak disapprovingly of it at the company's 2017 annual shareholders' meeting.

Kleptonomics 3.0: Liberalized capital accounts and fluctuating exchange rates, responding in part to interest rate manipulation by central banks, result in financial volatility. This creates the need for hedges, which transfer wealth from the non-financial sector to the financial sector, and creates opportunities for speculative financial activity, as evidenced in the spectacular rise in the face value of foreign exchange turnover within the financial system.

Kleptonomics 4.0: Growth generated by monetary stimulus is inherently debt driven and creates a tinderbox for financial crises. These became routine in the monetarist era after a striking hiatus during the Bretton Woods era. These crises create massive public sector debt burdens, as governments bail in while the private sector bails out. Rising public sector debt translates into austerity, which is felt only by the middle and lower-income groups. As the financial sector is inevitably bailed out, there is again a

shift of income and wealth to the monied class.

Kleptonomics 5.0: Tax avoidance by the wealthy, as uncovered by the Panama Papers incident, and tax avoidance by multinationals through schemes like the Double Dutch and others shift the tax burden that provides the public goods underpinning the economy onto a shrivelling middle class. Obtaining benefits without paying constitutes wealth appropriation.

Kleptonomics 6.0: In the KBE, ownership of IP becomes a cash cow in the hands of patent trolls, who buy up large stocks of non-performing patents, do not explore which ones actually have value, but wait for others to identify viable commercial undertakings, from which they seek to obtain rents on the basis of infringement claims. In the context of the massive proliferation of low-value patents, this becomes a way to skim. In turn, this creates the need for taxpayer money to defend national innovation systems.

Collectively and cumulatively, these mechanisms enabled the appropriation of wealth by the few, adding to the basic distributional biases of Globalization 2.0.

IMPLICATIONS FOR THE DATA-DRIVEN ECONOMY

The digital transformation is creating a new kind of economy that drives off the data generated by the myriad daily routines of digitally connected individuals and machines. The ubiquitous devices that capture data include not only computers and smartphones, but also fitbits, surveillance monitors in buildings and satellites, sensors in pipelines, and chips in smart equipment of all sorts – from cars to tractors to refrigerators. The spread of these devices enables the “datafication” of virtually any aspect of human social, po-

litical and economic activity. With ubiquitous monitoring, it is only a modest exaggeration to say if it moves, it is measured. The DDE has a number of features that raise distributional issues:

- Pervasive **information asymmetry** – between humans and artificial intelligence (AI), between companies that control data and those that do not, and between countries that can mobilize and monetize data and those that cannot. Pervasive information asymmetry implies pervasive market failure.

- The **industrialization of learning** through AI. The acceleration of change that this enables promises to telescope into years of structural adjustment that took decades in the preceding KBE era, intensifying adjustment pressures.

- AI will reset the value of human capital, as it will enable the production of an arbitrarily large amount of “**machine knowledge capital**”, which competes directly with human capital the way that robots compete with manual labour. Societies in advanced economies are organized around human capital in terms of income and social status; the advent of super-abundant machine knowledge capital will affect the returns to human capital and by extension affect the serviceability of the debt incurred to acquire it.

- Winner-take-most economics and the **proliferation of “superstar” firms**: while this feature, where an initial quality advantage coupled with very steep economies of scale and powerful network externalities enables a firm to achieve market dominance, was already seen in the KBE, it promises to be still more pronounced in the DDE. This reflects the fact that in the KBE, the essential capital was IP, which is re-

vealed publicly in patent filings, and can be “worked around”; it is not possible to “work around” the lack of data to train AI and thus substantially more difficult to challenge incumbent firms.

- **Systemic risks** due to vulnerabilities in the information infrastructure: there is no clarity as to what will prove to be the robust model for governance in the DDE to address issues such as privacy and cyber security. Importantly, the private sector naturally ignores tail risk; coupled with the tendencies for concentration, this has important implications for the role of public vs. private sectors.

»People need a role in society as much as they need the money.«

The DDE is emerging in advanced economies that are already stressed and promises more profound change. It can be anticipated that the DDE will eliminate work but rather will reassign work on the principle of comparative advantage, but at the same time it will profoundly alter the distribution of returns to human capital. It has the potential to create significant welfare gains, but there is no assurance concerning the distribution of these gains. For the generation graduating from high school, the future is opaque as concerns which skills will be worth the investment. The CEOs of superstar

firms command resources for investment that far surpass the budgets of most governments; their visions and whims rather than broadly based democratic and market processes will dictate where societies put their resources. For developing countries facing the digital divide, the challenges of finding a foothold in the DDE might be insuperable.

POLICY IMPLICATIONS

A number of policy issues loom large as the DDE unfolds on the foundation of Globalization 2.0, a system already under profound stress.

- Global competition policy for a world of superstar firms and digital platforms that control the flow of data, the essential capital of the DDE.
- Reframed international investment policy for M&A acquisitions/expatriation of IP and data assets – an issue already flaring in the US-China rivalry.
- Addressing tail risks in the information infrastructure.
- Finding a way for accommodation in domestic policy space for labour market adjustment as economies respond to the expansion of machine knowledge capital.
- Addressing developing country vulnerabilities.

Given these looming challenges, it becomes even more important to rapidly address the distributional biases of the passing era.

Societies are already bracing for the need for basic minimum incomes, but it is essential to minimize reliance on such instruments since people need a role in society as much as they need the money. A debt jubilee to create fiscal room for governments and allow for normalization of inter-

est rates to reset the relative cost of labour vs. capital should be considered.

As well, the unfettered freedom of movement of capital will likely need to be dialled back. As it turns out, Keynes' intuition appears to have been right when he opined that, for the international economic system to be viable, it would have to include controls on the flow of capital.

Is there a sustainable model of globalization in the age of the DDE? Natural experiments are about to test this question.

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Regional Development

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**A global Latin
America: Regional
contributions to
address world
challenges**

Bruno Binetti

Young Global Changer

Page 215

**Sustainable urban
development,
Phu My Hung New City
Center, Ho Chi Minh
City, Vietnam**

Albert K. Ting

Lawrence S. Ting Memorial
Foundation

A global Latin America: Regional contributions to address world challenges

The author:



Bruno Binetti

Young Global Changer 2018
Non-Resident Fellow,
Inter-American Dialogue
Visiting Professor, Torcuato
Di Tella University

The institution:



Young Global Changers is a programme by the Global Solutions Initiative that brings the next generation's policy leaders and policy thinkers from around the globe to Berlin to contribute their views and ideas to solving the global problems of our times.

Despite pervasive challenges, Latin America has a lot to be proud of. In recent times, the region has taken unprecedented steps to uproot corruption and increase accountability in the public and private sectors. It has also defied rising protectionist tendencies: Latin American countries showed their commitment to the WTO in Buenos Aires last December, and the Pacific Alliance and Mercosur are negotiating far-reaching trade agreements with each other and the world, including the EU.

Further, the region strongly supported Colombia's efforts to end its internal armed conflict, consolidating Latin America as a region of peace. In most countries, intense citizens' demands for change are being channeled through democratic politics. And despite economic stagnation, governments are committed to preserving innovative social programs and fighting poverty.

Latin America has many challenges, including violence, inequality and an authoritarian backlash in some countries. But it has made a lot of progress, and deserves its place at the table to devise solutions to our common problems.

Sustainable urban development, Phu My Hung New City Center, Ho Chi Minh City, Vietnam

The author:



Albert K. Ting

Chairman,
Lawrence S. Ting
Memorial Foundation

Chairman,
CX Technology

The institution:



Lawrence S. Ting Memorial Fund is a social, non-profitable fund, offering support in health care, education and contributing to improve public infrastructure facilities in needy areas in the city.

Harvard Business School estimated that “by 2050 the number of people living in cities will have nearly doubled, from 3.6 billion in 2011 to more than 6 billion.” What is the right solution; and what is a sustainable urban development model for the next 500 new cities around the world? “For centuries, urban settlements evolved slowly.” “But that era is over. Now as billions of people abandon subsistence farming for cities of the information age, the unprecedented scale and pace of urban development make it essential for the private sector to drive the coordinated creation and expansion of new cities.” In an 11-page article in the Harvard Business Review that explored various concepts and developments, John Macomber of Harvard Business School selected Phu My Hung (Saigon South Urban Development Project) of Ho Chi Minh City, Vietnam as the leading example. “The model of Phu My Hung, where thoughtful, long-term-oriented, private-sector actors help the world to create efficient water, power, and transit solutions, can – and must – be replicated.”

FROM TAIPEI TO HO CHI MINH CITY: “IT IS NOT IMPORTANT WHAT WE TAKE AWAY, BUT IT IS IMPORTANT WHAT WE LEAVE BEHIND”

Nearly 30 years ago when our company first went to Ho Chi Minh City from Taipei, Vietnam faced an inflation rate of 350%, high unemployment, and economic sanctions such as a US-led trade embargo. How to assist Vietnam in its transformation from a mostly agrarian economy to a member of the world economic community where knowledge and innovation drive growth was central to our minds. We devised a set of three infrastructure projects to transplant the economic growth experience back home to Ho Chi Minh City, Vietnam.

INVESTING IN INFRASTRUCTURE TO JUMP-START JOB CREATION

Job creation was the initial focus to serve as a catalyst for growth. We introduced to Vietnam its first export-oriented light industrial free-trade zone, Tan Thuan Export Processing Zone. Since 1991, this joint venture with Ho Chi Minh City government has attracted 150 manufacturing companies from 15 countries and generated 65,000 jobs for the local economy. Over time companies coming to Tan Thuan transitioned from labor-intensive industries such as textiles, toys, food processing to precision machine parts, automotive parts, electronic components and medical devices. The knowledge and skill content of workers have increased significantly.

Total export value from Tan Thuan reached US\$2.5 billion. Net exports value reached half a billion US dollars, significantly bolstering foreign exchange reserve of State Bank of Vietnam. Latest entries to Tan Thuan included multinational and local

companies in the fields of semiconductor testing, I/C design, data center, online gaming, an engineering center and biotech.

However, as industrialization progressed, Vietnam soon faced electricity shortage in the mid to late 1990s. 500 power outages a month in Ho Chi Minh City were not uncommon. To address this issue, we invested in the first 100% foreign-owned power company in Vietnam, Hiep Phuoc Power Company. Our plant came on line in 1997/1998, just in time to help stabilize the electricity grid. Lights no longer flickered, as our plant was connected to the national grid. The stable supply of electricity enabled the economy to continue to industrialize and to generate more job opportunities. Vietnam flourished in the process and stepped onto the world stage with its accession to WTO in 1997 and the signing of a bilateral trade agreement with the United States in 2000.

EDUCATION – CATALYST TO DRIVE SUSTAINABLE AND INCLUSIVE URBAN DEVELOPMENT

The final project of the trio infrastructure ensemble is a southward urban expansion plan for Ho Chi Minh City. In this joint venture with the city government, we chose schools as the initial thrust to develop this new city center. The very first projects in Phu My Hung Saigon South Urban development were two schools: Saigon South People Founded School for Vietnamese nationals and Saigon South International School for children of foreign expatriates. Soon Japan and Korea set up their own consulate schools within Phu My Hung, followed by the Taipei School. In the nearby areas, Royal Melbourne Institute of Technology of Australia and Ton Duc Thang University of Vietnam then set up their campuses, as did

Singapore International School, ABC International School, Renaissance International School, Canadian International School and others. We also set up the non-profit Lawrence S. Ting School for Vietnamese students and it became the first school in Vietnam to establish an innovative education partnership with Microsoft.

»It is not important what we take away, it is important what we leave behind.«

VIRTUOUS CYCLE TO HELP CREATE A NEW MIDDLE CLASS

From a piece of swampland with no road access, no water or electricity, the Phu My Hung development grew as residential neighborhoods, hospitals, a shopping mall, a trade and exhibition center, and office towers were developed. Following the master plan, each new development addressed a new need within the urban fabric and reinforced previous ones. Today 65,000 people from 40 countries live in our city center area. More than 10,000 service sector jobs have been generated as 40 bank offices, hundreds of restaurants and shop fronts opened. Multinationals such as Manulife and Unilever, and local companies such as Vinamilk and FBNC cable television finan-

cial news channel also relocated their corporate headquarters to Phu Mu Hung. As more and more service sector jobs were created, local entrepreneurs started professional education schools for working adults in foreign languages, computing and other professional skills. A constant exchange of new ideas and concepts by people living and working in Phu Mu Hung is beginning to generate more innovation and growth. Nearby neighborhoods have also transformed from swampland to urban land as we share our best practices with others. Most importantly, since local Vietnamese own nearly all residential units, a new middle class has emerged as they see the value of their housing stock appreciated 3 to 5 times over time.

HEARTS AND MINDS OF THE PEOPLE: STEWARDSHIP OF CORPORATE AND INDIVIDUAL SOCIAL RESPONSIBILITIES

We have operated under the motto: "It is not important what we take away, but it is important what we leave behind." How to inspire our residents to do the same and contribute more to society was a question that we began to work on in the last 15 years. The answer was frequent engagement and participation. In 2006 we began with the first Lawrence S. Ting Memorial Charity Walk, a 4 km walk in memory of our company founder that raises money for the poor each year before Tet, the lunar New Year. 3,000 people came and joined the walk the first year, then 5,000 the next year, 8,000 the following year. The number of participants grew to 13,000-15,000 people in the last 10 years. We work with the Canadian Consulate General to help host its annual Terry Fox Run for cancer in Phu My Hung. We partner with British Business Group and a British

NGO to host the BBGV Annual Charity Run and the Saigon Cyclo Challenge, respectively. We work with SB Miller for its Walk for Environment, with Samsung for its Hope Relay, and with the Ministry of Labor, Invalids and Social Affairs for its Charity Walk for the Disabled. During these events we would often ask people to take a minute out of their busy schedules and think if there is somewhere in the society that they can be helpful.

»In the last 30 years, with job creation, education and infrastructure investments, we have build a new urban center.«

CREATING A SUSTAINABLE, INCLUSIVE, KNOWLEDGE-BASED NEW CITY CENTER

In the last 30 years, with job creation, education and infrastructure investments, we have, with the assistance and guidance of the government of Vietnam, build a new urban center as part of Ho Chi Minh City. We have increased the knowledge content of products produced in the area, increased the skill set of workers in both manufactur-

ing and service sectors, fostered the growth of leading education institutions, and facilitated hard-working Vietnamese nationals to create a better future for themselves and their families. The city center has transformed from a collection of inorganic buildings to a self-guiding organic community that will continue to grow and prosper. Our work thus far is rather limited in comparison to the infinite possibilities that our Vietnamese residents will create and innovate as time goes on.





Social Cohesion

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**Building future women
leaders**

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**On pension savings
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**Turning around the
downward spiral of
economic, social and
political cohesion**

Edmund S. Phelps
Columbia University

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Realigning virtue

Samuel Wells

Building future women leaders

Building and empowering future women leaders for developed and developing societies

The author:



Nancy Hoque

Young Global Changer 2018
MBA Candidate,
University of California

The institution:



Young Global Changers is a programme by the Global Solutions Initiative that brings the next generation's policy leaders and policy thinkers from around the globe to Berlin to contribute their views and ideas to solving the global problems of our times.

In a connected world, where intellectual capital rules, the “traditional” roles of gender must be redefined. This is not a feminist call to action. It is a reality check in which we must recognize that tapping into the talents, perspectives and potential of women to take on leadership positions in society, politics and business is imperative.

The traditional role and societal power-dynamic shifts with the economic emancipation of women, when levelling the knowledge playing field. Men, who have traditionally held the positions of power need to actively recognize that they must accept women as peers, and have a responsibility to be their allies on this front. As Chancellor Merkel and the T20 Gender Economic Equity Task Force noted to me at GSS 2018, men need to change their outlook on these matters.

Women must also remember that power is not so much given as it is taken. A moment of authentic and genuine presence can cause a power dynamic and cause power to change. Women must believe in their ability to evoke change. The future women leaders of tomorrow will be built by the voices and actions of women AND men today.

Article: "From Chancellor Merkel to the
T20 Gender Economic Equity Task Force"
<https://www.linkedin.com/pulse/from-chancellor-merkel-t20-gender-equity-taskforce-nancy-hoque>

On pension savings and recoupling needs

How voting with nest eggs can address wealth, empowerment and social solidarity

The author:



Yelena Novikova

Young Global Changer 2018

Expert & Advocate
for Facilitation of ESG
Integration practices
through Public Policy
Measures

The institution:



Young Global Changers is a programme by the Global Solutions Initiative that brings the next generation's policy leaders and policy thinkers from around the globe to Berlin to contribute their views and ideas to solving the global problems of our times.

In the last edition of this journal, Professor Dennis Snower urged us to extend the "G20 preoccupation with wealth-oriented policies... to empowerment- and solidarity-oriented policies"¹.

Here's why policies that incentivise the integration of financially material environmental, social, and governance (ESG) factors into pension funds' investment strategies can do that.

WEALTH

Gone are the days when we questioned whether corporate financial performance was related to corporate social and environmental performance.

The G20 Sustainable Finance Study Group does a great job covering progress in the field.

EMPOWERMENT

People might be disillusioned about voting with one's ballot. Yet, voting with one's savings (e.g. shareholder activism) presents an increasingly viable option.

For example, following the mass shooting at a high school in Parkland, FL, a number of financial institutions broke off ties with the National Rifle Association (NRA).

According to a letter the NRA wrote in conjunction with a lawsuit over the denial of services, the organisation claims these actions threaten its existence².

SOCIAL SOLIDARITY

The preference for a culture of “trading” over “ownership” [see Kay J., 2012]³ is a source of decoupling.

As pension fund beneficiaries start perceiving themselves as co-owners of investee companies, it creates unique opportunities for the promotion of solidarity.

¹ Snower D. (2018), “Recoupling”, “Global Solutions Journal”, Vol. 1, Issue 1, May 2018;

² Legal Filing by the NRA Against the State of New York (2018) in Dickinson T. (2018), “The NRA Says It’s in Deep Financial Trouble, May Be ‘Unable to Exist’”, “Rolling Stone”, August 2018 [available at <https://www.rollingstone.com/politics/politics-news/nra-financial-trouble-706371/>];

³ Kay J. (2012), “The Kay Review of UK Equity Markets and Long-Term Decision Making”, Department for Business, Innovation and Skills, July 2012 [available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/253454/bis-12-917-kay-review-of-equity-markets-final-report.pdf].

More than a job

How civil society, businesses and the public sector can jointly contribute to better integration

The author:



Uta-Micaela Dürig

Vice Chair,
Board of Management,
Robert Bosch Stiftung
Member, Global Solutions
Multi-Stakeholder Council

The institution:

Robert Bosch Stiftung

The Robert Bosch Stiftung is one of the major foundations in Europe that is associated with a private company. Through their work, they have followed the legacy of Robert Bosch for over 50 years, continuing his commitment to social and societal causes in a contemporary form.

When over one million asylum seekers were seeking protection in Europe in 2015, especially in Germany, the optimism was high that they might fill gaps in the labor market. The lack of skilled employees is one of the main (upcoming) challenges many countries face. Over time – and due to lack of data at that time – it became clear that the qualifications, skills and aspirations of newly arriving refugees varied. Companies, civil society and the public sector developed ad-hoc measures, programs and strategies to better foster integration into the labor market. But what does it need to successfully integrate? How can refugees fully focus on their job, despite the many challenges they are facing? And how can the different sectors better work together?

Having taken in more than 1.3 million¹ refugees alone since 2015, Germany is a laboratory worth a closer look when it comes to integration – with all the challenges and political tensions the arrival of so many newcomers has brought up.

For refugees, there is, on the one hand, the sheer necessity to earn money. However, looking for work is about much more: the majority of refugees are eager to settle, find a new home and contribute to their new societies – and the new working environment. Many aspire to create their professional

identities, which is a big part of the social fabric in Western societies.

Refugees should bring their contribution – they are capable of doing it and it is their own aspiration too. However, they also need trust, space and empowerment.

MORE THAN A JOB: WHAT INTEGRATION NEEDS

Taking a closer look at integration processes (finding employment, housing, education, access to health), shows that many different actors are needed to support this process. In addition, newcomers need to create new social bridges and bonds as well as acquire language and cultural knowledge, becoming mobile and feeling safe in the new country.

A study² we published with the Expert Council of German Foundations on Integration and Migration a few months ago impressively confirms this. This study surveyed the situation of refugees in Germany through qualitative interviews of adult asylum seekers about their life situations and participation perspectives. Many see language, work and a secure residence status as key to participating in social life. In addition to these structural dimensions of participation, engaging with and meeting local people is a particularly important topic for refugees.

Participation, expressing itself in the process of settling in in your host country, is not a given. It is a process. We know from our work that certain elements are of particular importance for newly arriving migrants:

- learning the local language,
- a place to live that can become a home,
- a social network that supports integration, and last but not least
- a secure resident status for themselves and for their closest family members.

From the study, we also learned that

people who are not able to reunite with their family are less likely to integrate and successfully find a job.

As the Robert Bosch Foundation we aim to contribute to the acceptance of migrants and refugees as a normal part of society. This long-term task requires different levels of society and its individuals to work together, to be open about challenges but willing to offer participation for as many people as possible. We also believe that the process of arriving, integration and participating is as likely to be successful in big cities as in rural areas.³

CREATING WIN-WIN SITUATIONS FOR ALL: WORKING ACROSS SECTORS

The parameters for integration and participation are also key for the ever more important labor market integration. A joint effort here of all stakeholders involved could result in a win-win situation for refugees, businesses, public sector and the societies as such. Labor market integration plays an essential role not only for refugees in becoming full members of their host country's society but also for ensuring social cohesion.

In Germany, 31.9 per cent of asylum-seekers are between 16 and 30 years old, 36 per cent are in the working age of between 25 and 65 years.⁴ Most of them are eager to start working right away. However, there is often a mismatch between the applicant's aspirations and the available jobs. Many refugees need qualification and further education before they can start working. Unlocking this potential will require time and active support.

The additional particularity of the German labor market is its vocational training system that is in a high need of new work-

force. Due to demographic developments, Germany's working-age population (20-64 years) could decline by 4.4 million by 2030 and by 11-15 million by 2060.⁵ Given the age groups of the newcomers, many com-

»Labor market integration plays an essential role not only for refugees but also for ensuring social cohesion.«

panies – small and large – have identified this potential to win new apprentices. In addition, legal changes have been made to allow apprentices with an insecure status to stay in Germany for the period of their vocational training plus another two years. A regulation, the Robert Bosch Foundation and the Expert Council of German Foundations on Integration and Migration had been calling for earlier. In practice, this regulation is not being used by many Länder, which has led to enormous frustration amongst employers.

If a win-win for companies, refugees and society is the goal, trust in government procedures and decisions is the pre-require-

ment, along with a uniform administrative and legal practice.

THE IMPORTANT ROLE OF CIVIL SOCIETY

In most countries, refugees need to wait until they may work or can find a job. This period of waiting should be used for crucial integration measures. The activities of our foundation show that these are particularly successful if different sectors – civil society, administration and businesses – act together. They all have their role to play and should concentrate their capacities on what they do best.

Providing access to the rules and values of the host country is in the first place the responsibility of the state and its institutions. Language and integration courses are the entry to the complex process of getting to know a new country. These courses should be embedded and coordinated with other measures. Putting theory into practice, the active learning and living of the rules and values, though, cannot be task of the administration. Here, civil society and businesses play a crucial role that should not be underestimated.

In Germany, thousands of volunteers mostly make this effort. At times, over 8 million Germans were in some form engaged in refugee aid and integration support. Business as the third pillar could do more in this regard. This is corporate social responsibility worth the name.

WHAT NEXT? LOSING THE FEAR OF UNCONVENTIONAL ALLIANCES

If businesses are open to the various opportunities of engaging themselves socially, everyone involved benefits. The workplace is the ideal environment to apply some of the successful elements we have identified in

our civil society projects. It provides space for natural encounters and contacts that help to reduce stereotypes and anxieties.

Forms of engagement for businesses are not limited to offering job positions or apprenticeships. Mentoring programs or internships provide the same opportunities and can help to overcome the structural and cultural hurdles of a successful labor market entry. For example, enabling employees to act as mentors for refugees, supporting them in dealing with authorities or telling them about common practices and habits at their workplace, fosters mutual understanding that is necessary for integration.

These spaces for encounters and interaction are key for cohesive and strong societies. In our activities and support, we consider it important that refugees can participate on an equal footing and are encouraged to take responsibility for themselves and society as a whole.

One can find many successful examples, very often on a local level. Making these best practices known to a wider audience and transferable to other contexts for the active participation in society for as many people as possible is the approach of the Robert Bosch Foundation. From 2015 – 2016 we convened an Expert Commission to develop concrete, solution-oriented courses of action and reform proposals for German refugee policy.⁶

It takes time until measures come into effect and have an impact. This is particularly true for qualification and training programs, which are investments that may only provide return in many years, but returns that go beyond the labor market and extend to broader social inclusion. Therefore, opening up general qualification and training programs for refugees is preferable to

large-scale exclusive initiatives for refugees only.

This long-term task for modern societies requires all stakeholders to be involved. It is therefore essential to increase the interconnectedness of the different sectors. Too often businesses do not know about initiatives of the civil society and vice versa. Here lies a duty for governments and administrations: cooperation of all sectors has to be supported by political and administrative structures. This requires training for authorities and awareness for the specific skills and strengths of the different actors. Intersectoral partnerships and collaborations root it in different pillars of society, which contributes to a more sustainable integration.

»The active learning and living of the rules and values, though, cannot be task of the administration.«

We also know that successful integration needs swift decisions on one's asylum status. This is often the pre-requisite for any labor market measures, which should happen as quickly as possible after people arrive in their host country.

In summary, our experiences in working with refugees themselves as well as different stakeholder groups show that

- labor market integration is an important instrument to allow for societal participation of refugees,
- labor market programs and corporate activities should be targeted towards the whole of society in order to foster the refugee's autonomy and also ensure broad acceptance across society,
- state, businesses and civil society have to act together, exchange with each other more and synchronize their activities. Especially volunteers should not be left alone in their engagement, but need support and acknowledgement.

¹ Number of asylum applications 2015-2017 (Federal Office of Migration and Refugees).

² Expert Council of German Foundations on Integration and Migration (2017): How might integration succeed? Asylum seekers about their life situations and participation perspectives in Germany.

³ For more information, see our project "Country.Home.Future – integration and participation of immigrants and newcomers in rural areas".

⁴ Age distribution of asylum-seekers in the first 6 months of 2018 (Federal Office of Migration and Refugees).

⁵ Federal Ministry for Economic Affairs and Energy based on the 13th coordinated population projection by the Federal Statistical Office.

⁶ Robert Bosch Expert Commission to Consider a Realignment of Refugee Policy (2016): Recognizing opportunities – Enabling integration. Summary.

Turning around the downward spiral of economic, social and political cohesion

The author:



Edmund S. Phelps

2006 Nobel Laureate in Economics

Director, Center on Capitalism and Society, Columbia University

The institution:



Columbia University
The Center on Capitalism and Society

Today's standard economics misconceives causes and misses some of the main effects, good bad and ugly. That has consequences for how we understand history, how we make policy, how society views business and economic life and what they could aspire to. In response, the Center on Capitalism and Society is endeavoring to build a modern economics of the workings of modern economies.

I will first pour out my thinking over the years on the social issues by way of background, then address cohesion and "turning around the downward spiral."

I began running into social questions fairly early in my career.

A book I wrote over the academic year '69-'70 on unemployment observes that one's job brings – beside the wage – "feelings of self-respect, esteem in the community, the sense of economic independence... and job satisfactions."¹ The book also refers to a "gain in the dignity of workers who catch...opportunities for the 'better jobs'."

In that same academic year, it was my great fortune to be writing my book next door to John Rawls, who was writing his book on economic justice.² I became a Rawlsian economist: A just economy is one in which the reward to the least advantaged participants is pulled up to the highest level feasible through taxes and subsidies. I contributed a 1973 paper deriving the optimum schedule of marginal tax rates on wage income in a mathematical model to see what Rawlsian justice might entail.³

My 1997 book *Rewarding Work* makes a broad case – safe streets, less drug addiction, children having examples at home as well as Rawlsian justice – for a graduated subsidy to firms for every full-time low-wage worker in their employ.⁴ Also, the cost to the government is calculated. The subsidy has to taper off (for technical reasons) and that adds a lot to the cost. This gives us an idea of what Rawlsian justice involves.

This employment subsidy was attacked by advocates of other programs in the late '90s. At an OECD workshop in 1999, the wage subsidy plan was opposed by the American delegation as inferior to the earned income tax credit (EITC).⁵ At a Cambridge conference in 1999-2000, Philippe van Parijs disparaged work-based subsidies and tax credits in favor of the Universal Basic Income – the UBI.⁶ The preference for the EITC can be defended but the preference for UBI cannot be defended! It is anti-work and terribly far from being cost-effective.⁷

In America, at any rate, this is not what people appear to have wanted: We Americans appear to want serious employment that will occupy us the better part of the day. Evidence: Since the '60s the work week in manufacturing has showed no downward trend.⁸ The total labor force participation rate has increased significantly since 1948.⁹ I also feel that Americans have a rapport with the underdog and a concern about economic justice in the rewards from work.

What ought people to want in their economy? My book *Mass Flourishing* has an answer. While people need a just economy for their self-respect and national pride, they want also a good economy – an economy holding out expectations of a good life (or a life of “richness” as some humanists call it). That means, for one thing, the sense of

succeeding – as when your “ship comes in” (called “prospering”) or when you gain recognition.¹⁰ As humanists conceive it, the good life also means a kind of flourishing – using one’s imagination, exercising creativity, taking journeys into the unknown and acting on the world.

»While people need a just economy, they want also an economy holding out expectations of a good life.«

In an op-ed last August, I asked what Americans do want. What is this thing called the American Dream?¹¹ I contended that the Dream is not to own your own house. Nor win the lottery. Nor have higher income than your parents had.¹² Nor do I believe the Dream is largely to achieve things – building things, learning things, improving things. I contended that the core Dream is succeeding at what is important to one. This dream of success may be related to the restlessness that some find in American literature.¹³ Americans are perhaps “restless” to find a place where they might succeed at something. (And another such place after that.)

Now, how does this bear on “social and economic cohesion” and its “downward spiral”? Regarding this “cohesion,” the Panel Description helpfully refers to “growing inequalities” and “diversity” as well as “economic gaps” not addressed. I admire this portrait but I would like to raise some questions and point to issues.

The middle class has done relatively badly in recent decades while those among the top 1% (of earnings) have done alright. But many of these earners are new to the group, not among the old rich. And the middle class shouldn't want society to close off opportunities for them to climb up the ladder. It may be that it is the slowdown of economic growth, most clearly the growth of labor incomes, the middle class – upper as well as lower – that has made the middle class discontent.

»It will be necessary to end the corporatism that grips Europe.«

It is true, I think, that the gap between the “working class” and people in the middle looks to be farther from a resolution than it was in, say, the '80s. The working class, or “lower middle class,” has grown more resentful as their wages have fallen almost to the wages of the poor.

The displacement of many workers by new sorts of innovation in some industries – coal and manufacturing, perhaps also some other labor intensive industries – has left these workers with no alternative but to accept far worse-paying jobs than they had occupied before or to leave the labor force and subsist on social insurance and social assistance.

Relatedly, the slowdown of old sorts of innovation in much of the traditional parts of the economy – America (in the '70s), later France and then Britain – has impeded the absorption of those displaced workers by other industries in the traditional sector. I regard the slowdown story as no less important for understanding than the displacement story.

The continuing slowdown plus the new threat of mounting displacement of workers has led some to ask whether capitalism should be retained if its *raison d'être* – the thrills of its grassroots dynamism as well as ever-rising living standards for all – continues to be largely lost. Of course, one hopes the West is a long way from drawing such a radical conclusion.

What, then, is to be done? To gain or regain a Good Economy – an economy where participants can pursue a life of succeeding and flourishing as well as enjoying rising living standards – it will be NECESSARY to end the corporatism that grips Europe: the “social protection” from the ugly bosses (and rentiers) and the clientelism that favors giant firms and big banks through access to the state; it will also be NECESSARY to reform the Continent's labor unions with their restraint of trade, change and innovation.

But those reforms are not SUFFICIENT. There will have to be a profound change in society. Society must return to the modern

values that once excited the West. To this end, it must restore the humanities to high school and university curricula. More broadly, it must do everything possible to instill all young people with the modern values of individualism (independence), vitalism and expressionism that once, in the West's brilliant past, were the wellspring of economic dynamism and life itself.

¹ Phelps, *Inflation Policy and Unemployment Theory* (New York: Norton, 1972), p. xvii and p.114.

² John Rawls, *A Theory of Justice* (Cambridge: Harvard, 1971).

³ Phelps, "Taxation of Wage Income for Economic Justice," *Quarterly Journal of Economics*, August 1973). See also the textbook: Phelps, *Political Economy: An Introductory Text*, (New York: Norton, 1985), Chapter 6, "Ideas of Fairness."

⁴ Phelps, *Rewarding Work: How to Restore Participation and Self-Support to Free Enterprise* (New York: Norton, 1997, 2007). \$4 per hour employees would bring a subsidy of \$6 per hour, \$5 per hour employees would bring in a subsidy of approximately \$4.5 per hour and so forth. The calculated total cost was \$97.7 million for about 10 million workers earning around \$4 to \$5 and 40 million workers receiving something. (p. 175)

⁵ OECD Workshop, *Making Work Pay*, 10-11 September 1999. See: OECD Economic Studies, No. 31, 2000/II.

⁶ "A Basic Income for All," *Boston Review*, October 2000. Milton Friedman's idea of a Negative Income Tax is rather similar.

⁷ In the same vein, Keynes wrote an essay in which he foresees rising wealth levels leading to huge leisure and little work. I believe that too was a ghastly mistake. J. M. Keynes, "Economic Possibilities for our Grandchildren," in *Essays in Persuasion* (London: Macmillan, 1930).

⁸ The workweek in manufacturing showed no trend from its 1966 level of 41.4 hours and its pre-crisis 2007 level of 41.2. Table B-47, Hours and earnings in private non-agricultural industries, 1960-2007. Economic Report of the President, February 2008, p. 282. The OECD does not appear to collect data on the hourly workweek in its member countries.

⁹ The participation rate went from 59.0 per cent in April 1948 to 62.8 in April 2018, as female participation rose more than male participation fell.

¹⁰ See also David Ellwood and Nisha Patel, "Restoring the American Dream," Report to the Malcolm Wiener Center for Social Policy. Jan. 2018. Malcolm Wiener comments, "Economic success is, of course, fundamental. But power and autonomy, having a sense of agency and a say over the trajectory of your life, and being valued in community – belonging – are as important."

¹¹ Phelps, "This Thing Called the American Dream," Project Syndicate, August 28, 2017. The title evokes Cole Porter's "What is This Thing Called Love?" and the question of whether it has died evokes Hunter Thompson's title for an unwritten book, *Death of the American Dream*.

¹² The defect is that the higher income may be due simply to the nation's productivity growth. (Raj Chetty has studied what happened over the decades to the extent to which people have higher incomes than their parents had. Chetty, "The Fading American Dream: Trends in Absolute Income Mobility," NBER Working Paper 22910. Dec. 2016.)

¹³ In "American Dream" I cite Mark Twain, *Huckleberry Finn* (1885), which ends with Huck wanting to move on – to "light out for the Territory, ahead of the rest." See also David Goldman, "Americans, the Almost Chosen People," *Tablet*, April 18, 2018.

Realigning virtue

The author:



Samuel Wells

Vicar of St. Martin-in-the-Fields, Trafalgar Square

Visiting Professor of Christian Ethics, King's College London

Two impressive recent diagnoses and proposals for our current global condition show interesting differences and agreements, in ways that are highly informative for realigning social and economic well-being. One is committed to the 'liberal project,' but admires the ordinary virtues of communities across the world. The other denounces the liberalism that politically failed on 9/11 and economically crashed in 2008; but advocates for a parallel sense of virtue to re-enter public discourse.

ORDINARY VIRTUE

In a fast-changing world, does anything hold societies together? Beyond the high and low tide of national alliances and political fashion, are there things that abide?

In an eloquent study, *The Ordinary Virtues: Moral Order in a Divided World* (Cambridge: Harvard UP 2017), Canadian professor, broadcaster and politician Michael Ignatieff asks the question 'Is globalization drawing us together morally?', seeking evidence on a seven-stop world tour. The answer, it turns out, is no. Everywhere, the secular narratives that make sense of public life – the inevitability of technical progress, the spread of democracy, the triumph of liberalism – are in crisis. Democratic sovereignty and universalist rights are on a collision course across the globe; the biggest flashpoint is the tension between migrant and local culture. Grand empires have been replaced not by universal principles but by an assertion of individual entitlements un-

matched by corresponding duties. People judge behaviour not by a universal code but instead want 'to think well of ourselves and at the very least to ensure that others don't think too badly.' But beyond that, what shapes people's lives? Ignatieff argues it's a desire for moral order – 'a framework of expectations that allow them to think of their life, no matter how brutal or difficult, as meaningful.' Moral values are not converging. We live in competing local and global worlds. Yet we face the same challenges: how much to trust those who rule us, tolerate those who are different, forgive those who have wronged us, and rebuild life when its fruits have been swept away.

»For developing countries facing the digital divide, the challenges of finding a foothold might be insuperable.«

Ignatieff points out two rival perspectives on the imperial era, running from 1490 to 1970. In the first, Christianity, commerce and civilisation, epitomised in imperial administration, united humankind in a

story of technological and moral progress. In the other, the unifying global cash nexus crushed the local, the traditional, the vernacular in favour of wage labour and colonial domination. But now we face something new, and different: a post-imperial era. For the first time since 1490 no power dominates the global economy. Russia and China have joined the party. But, as Ignatieff points out, 'The antiglobal counter-revolution comes from political forces on the left who mobilize in opposition to the ecological destruction and distributive inequality of global capitalism, and it comes from the right from those who believe capitalism destroys traditions, national identities, and sovereignty.'

The most striking expression of this counter-revolution was the 2016 American election, in which millions of ordinary voters 'made plain that they feel they are the victims of globalization, not its beneficiaries.' People everywhere are 'struggling to make sense of convulsive, destabilizing change.' Narratives such as the inevitability of technological progress, the spread of democracy, and the triumph of scientific rationality founder on the rocks of unexpected events. Everywhere people are seeking with one hand to benefit from globalisation, yet with the other hand struggling to retain their jobs, communities and settled values.

Ignatieff is an acute observer of the competition to fill the space left behind by the globalisation of empire. One key driver is new technology. Technology brings rich and poor face-to-face, generating envy, resentment and ambition, while triggering migration from poor countries and discontent within rich countries about inequalities that used to be invisible. The result is a rhetoric that everyone has an equal right to speak

and be heard, alongside a reality that some voices are heard more than others. But a consistent feature is the diminishment of priestly or political authority in telling people what to think. Morality is not about obedience, but about 'affirming the self and the moral community to which one belongs.' Moral choice is almost universally regarded as an individual's responsibility. Another driver is the emergence of two entrepreneurs of moral globalisation: on one side executives of multinational corporations, who set the rates of exchange that bind developing world producers with first-world consumers; on the other side the activists and NGOs that have replaced the colonial administrator as the bearer of universal values, advocating for ethical sourcing of commodities and making anticorruption a new norm. While some castigate the powerful, others fear that no one is really in charge, and war, migration, inequality, poverty and ecological fragmentation will increasingly stalk the earth.

Ignatieff's proposal in the face of these challenges is ordinary virtue. Trust, honesty, politeness, forbearance, and respect are, he says, the 'operating system of any community.' He finds tolerance, forgiveness, reconciliation, and resilience (a blend of buoyancy, elasticity and improvisation) to be life skills acquired through experience rather than through moral judgment or deliberative thought. He explains, lyrically,

Ordinary virtue does not generalize. It does not forget or ignore difference; does not pay much attention to the human beneath our diversity; is not much interested in ethical consistency; works to live and let live as an organizing assumption in dealings with others, but retreats to loyalty towards one's own when threatened; is anti-ideo-

logical and antipolitical; favours family and friends over strangers and other citizens; is hopeful about life without much of a metaphysics of the future and is often surprised by its own resilience in the face of adversity; believes, finally, that ethics is not an abstraction but just what you do and how you live, and that displaying the virtues, as best you can, is the point and purpose of a human life. (28-9)

More simply, ordinary virtue is a struggle with the ordinary vices of greed, lust, envy and hatred. In the face of extraordinary vice, such as terrorism, it can crumble; but when the crisis passes, ordinary virtues rebuild through networks of trust and resilience.

»Democratic sovereignty and universalist rights are on a collision course across the globe.«

THE POLITICS OF VIRTUE

Ignatieff's global study contrasts with the North Atlantic perspective of theologian John Milbank and political scientist Adrian Pabst. In their erudite book *The Politics of Virtue: Postliberalism and the Human Future* (London: Rowman & Littlefield 2016), they start in a very different place from Ig-

natieff, but end up in a surprisingly similar place.

Whereas Ignatieff is the champion of liberalism, Milbank and Pabst style themselves as its arch-opponents. Democracy has yielded oligarchies and the tyranny of majorities; capitalism has become criminalised and venal; there's a pervasive sense of a society that's losing its adhesive qualities we thought held it together. Milbank and Pabst position liberalism as an ethos that philosophically 'refuses to accept anything not rationally proven or demonstrable' and 'disallows any public influence for the non-proven – the emotively or faithfully affirmed.' It believes we are 'isolated, autonomous individuals whose activities can only be coordinated by an absolutely sovereign centre, holding a monopoly of violence, power and ultimate decision making.' It has economic and political manifestations, contrasting the free market with the bureaucratic state, yet also social and cultural dimensions, insisting on individual rights and equality of opportunity for self-expression – but crucially it regards the economic and political as prior to social bonds and cultural ties, making the latter subject to law and contract. Biologically it perceives a meaningless 'nature,' and a non-existent 'spirit,' and thus reduces reality to the establishment of power by through beneficial exchange conducted by a technologically-assisted abstract human will in a world without intrinsic meaning.

Liberalism isn't simply a boo-word: the authors acknowledge that there is a generous sense of the term (Ignatieff's creed), denoting the upholding of constitutional liberties to ensure the exercise of justice, the humanitarian treatment of the weak and the creative flourishing of all. But lurking amid the benign aspirations of equality, freedom

and happiness, they sniff the assumption that we are basically 'self-interested, fearful, greedy and egotistic creatures, unable to see beyond our own selfish needs and, therefore, prone to violent conflict.'

But fascinatingly their cure offers, through theory, what Ignatieff observes through observation: virtue. Virtue is the recovery of the notion of telos, a final purpose towards which all activity is oriented. 'A more universal flourishing for all can be obtained when we continuously seek to define the goals of human society as a whole and then to discern the variously different ... roles that are required for the mutual advancement of those shared aims.' Virtue is the faithful undertaking of such roles. The aim of social relating is not 'mainly the satisfaction of private predilections, but relationship as such, and the good of the other, besides oneself, in the widest possible range.' Meaning belongs primarily in the social, the relational, the specifically located. 'Community is always a "being with," ... a series of exchanged and binding gifts, which originally constitute society prior to any economic or political contract.' This is exactly what Ignatieff observed the world over. To pursue such foundational relationality is to become vulnerable to wounds inflicted by the other. The market and the state promise to insulate us from such hurt through impersonal transactions; but in bureaucratizing security we lose the capacity for genuine joy. Freedom is not a given but a gift that can be discovered by all through healthy formation.

In practice virtue translates into fostering intermediate associations such as manufacturing and trading guilds, cooperatives, ethical and profit-sharing businesses, trade unions, voluntary organisations, universities and free cities. Following the Italian thinkers

by Luigino Bruni and Stefano Zamagni, and in the tradition of writers such as Maurice Glasman, a whole vision of a civil economy is outlined to amplify the economics of virtue.

»**Meaning belongs primarily in the social, the relational, the specifically located.**«

The book is a cry to recognise the procedural follies and criminalised economics that have converged towards the undermining of the social and cultural relatedness and embeddedness that constitute the true goods of human existence. We have, as a liberal-democratic society, lost the plot. The plot is and should always have been about healthy, gifted forms of relationship and the cultivation of creative expression in the service of the common good. Who could be against that? It turns out, our whole political and economic superstructure.

CONCLUSION

In a remarkable convergence, two impressive recent studies of the issues of our time, coming from very different understandings of self and society, arrive at a very similar place. This is reason to sit up and take note. Public policy needs to focus on cultivating

both kinds of virtue: Ignatieff's kind, resilient, unpretentious, pragmatic, and Milbank and Pabst's kind, reaching out for a larger purpose than merely getting along and getting by. Unlike economically focused evaluation criteria, these authors highlight the motivations that drive communities, and the ways neighbourhoods survive even amid hardship. The real lesson for public policy is not to instil vision and values, but to identify, nurture and enhance those that are already there.





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Valpy FitzGerald

University of Oxford

Why we need start-ups for the 2030 Agenda

Entrepreneurs worldwide have the power and are key to achieving the SDGs

The author:



Julian Bents

Young Global Changer 2018

CEO & Founder,
Tomorrow is Now

Consultant,
Migration Hub Network

Co-Founder,
Pioneers `89 S.L.

The entrepreneur always searches for change, responds to it and exploits it as an opportunity.¹ What was true in 1985 is even more important today. Start-ups strive to solve problems for which the solution is not always obvious. Current investments struggle to reach enough entrepreneurs. Impact start-ups have the intention of achieving financial and social value. The SDGs open up business opportunities. That's why I think impact start-ups are a solution for the 2030 Agenda.

Many believe that impact start-ups will bring little return, the risks are too high, and founders lack business experience. While the success of start-ups is never guaranteed, impact investment networks have already shown success. The value of start-ups is supported by reports that the Sustainable Development Goals (SDGs) could open up an estimated US\$12 trillion annually in market opportunities, and around 380 million jobs by 2030.²

Entrepreneurs willing to tackle global issues, and a private sector keen to contribute to the SDGs, confirms the necessity of impact start-ups and new business models.

If you're interested in the 2030 Agenda, keep impact start-ups in mind. You open yourself to business opportunities while changing the world for the better.

The institution:



Young Global Changers is a programme by the Global Solutions Initiative that brings the next generation's policy leaders and policy thinkers from around the globe to Berlin to contribute their views and ideas to solving the global problems of our times.

¹ Peter Drucker (1985), Innovation and Entrepreneurship: Practice and Principles

² BSDC, Better Business Better World report (2017), retrieved on 12.08.2018:
<http://report.businesscommission.org/report>

Sharing the global tax base equitably

International cooperation to stop corporate tax avoidance and resource the SDGs

The author:



Valpy FitzGerald

Professor of International Development Finance, University of Oxford

Commissioner, Independent Commission on International Corporate Tax Reform (ICRICT)

The institution:



Oxford is a world-leading centre of learning, teaching and research and the oldest university in the English-speaking world.

The Sustainable Development Goals (SDGs) evidently require enormous financial resources for their achievement, most of which are inevitably fiscal as the Addis Ababa Action Agenda recognized. The major multilateral institutions have thus identified 'new challenges to fully realizing the benefits of international cooperation on tax'.¹

Governments levy an income tax on companies (legal persons) just as they do on individuals (natural persons). States give companies the ability to incorporate, which shields the individual owners from legal liability and provides property protections backed by the power of the State. This privileged status paves the pathway for the free flow of commerce and stimulates innovation, and ultimately maximizes productivity. Corporate income tax (CIT) helps to fund public expenditures, such as physical and legal infrastructure, as well as other public goods like education and healthcare that in turn, increase social stability and the vitality of human capital – all drivers of long-term sustainable growth.

Nonetheless, conservative economists have traditionally argued that CIT might have a negative effect on savings and/or in-

vestment and that the rate should therefore be zero. Their argument was that in a large or closed economy, CIT could drain away corporate funds for investment and shareholders receiving reduced dividends might save less, so that there would be fewer funds available for investment. In a small or open economy, the argument ran, higher rates of CIT could induce domestic investors to seek higher returns abroad or deter inflows of capital, thus reducing investment and growth even more.²

For at least a decade however, it has been clear that there is little evidence for this radically negative view of CIT. The empirical studies surveyed by the International Monetary Fund (IMF) are ambiguous on the size and even the direction of the effect of increased CIT on growth. Specifically in relation to foreign investment, in a study of developing countries in Latin America and the Caribbean and in Africa, the IMF found evidence that lower corporate income tax rates and longer tax holidays were effective in attracting foreign investment, but not in boosting gross private fixed capital formation or economic growth. While the Fund's own more recent econometric study did find modest depressive effects of higher CIT rates on economic growth,³ these effects were small and statistically not very significant.⁴

In fact, modern firm theory holds corporate investment decisions are such that external finance (for example, through banks) is always an alternative to retaining profits, so that tax levels will influence funding structures (the use of debt in particular) rather than the level of investment as such.⁵ Moreover, modern endogenous growth suggests that the usual design of CIT incentives to stimulate firms' investment in worker

training or research and development will result in higher productivity growth.⁶ The resources mobilised by CIT also have a positive effect on private investment when applied by government to productive infrastructure such as transport, human capital formation and technology research.

»The Sustainable Development Goals require enormous resources, most of which are inevitably fiscal.«

Across the globe, countries also levy a CIT on corporate profits simply because it is easier to collect tax from registered and regulated companies than profits in the hands of individual shareholders, many of whom may reside abroad (or pretend to, by holding their shares through offshore companies or trusts). The CIT also effectively taxes earnings that companies retain, which are hard to tax at the individual level. If there were no CIT, wealthy individuals could simply avoid personal income tax by incorporating and labelling their earnings as capital income. Thus, the CIT is in effect a 'withholding tax' on dividends otherwise payable to shareholders by reducing dividend pay-outs or the

capital value of the firms' retained earnings. As a result, the CIT is essentially a progressive tax on the wealthy, who are the main owners of corporations, either directly as shareholders or as beneficiaries of investment funds – particularly pensions.

The CIT also has an important role in reducing inequality. The distribution of household disposable income is not only determined by earnings from the market, by the progressive taxation of capital of the richer deciles and cash transfers to the poorer deciles in the form of pensions, unemployment pay and so on, designed to reduce poverty. These transfers as well as social expenditure itself (public education, health etc) are funded in part by CIT; which also have an indirect macroeconomic effect on inequality by increasing domestic demand and thus output and employment.⁷ Moreover, there is growing evidence for the positive effect of reduced inequality directly on growth whether through enhanced social stability (and thus reduced investor risk) or through greater family investment in health and education.⁸

Nevertheless, there are enormous pressures from foreign investors and international institutions on developing countries to extend CIT concessions in the form of tax holidays, tax-free zones, investment and tax treaties and acceptance of corporate ownership structures designed to facilitate tax avoidance. Moreover, such concessions are often designed to favour foreign over domestic firms, imposing a competitive disadvantage on the latter.⁹ In addition to these downward pressures on the corporate tax base, most developing countries engage in competition with their neighbours to lower CIT rates in order to attract foreign investment. This 'race to the bottom' is the unfor-

tunate externality of tax competition with developing countries being significant losers.¹⁰

Ironically, while there are numerous global agreements to avoid double taxation of MNEs' profits, the transfer price rules used by these agreements have been unsuccessful in avoiding the erosion of the tax base and ensuring that profits are taxed where the substantive economic activities of the MNEs actually take place. The scale of fiscal resource losses to developing countries from MNE tax avoidance by relocating income and assets to low tax jurisdictions very large: around USD 100 billion annually according to the OECD.¹¹ This is a similar order of magnitude to annual ODA ('aid') flows.

The Base Erosion and Profit Shifting (BEPS) process led by the G20 and the OECD is intended to address the problem of CIT avoidance by ensuring that corporate profits cannot be shifted through transfer pricing to low-tax jurisdictions.¹² The BEPS is clearly a significant step forward - progress that would have been thought impossible just five years ago. However, one of its major deficiencies is the inability to address the core problem of the global tax system, the fiction that a MNE consists of separate independent entities transacting with each other at arm's length.

The BEPS model attempts to construct prices for the transactions among entities that are part of MNEs as if they were independent, which is inconsistent with the economic reality of a modern-day MNE—a unified firm organized to reap the benefits of integration across jurisdictions. Large MNEs are oligopolies, and in practice there are usually no truly comparable independent local firms that can serve as benchmarks.

The BEPS process, while helpful thus does not resolve the basic challenge of en-

sure that MNEs pay taxes where real economic activities take place and create value. BEPS still provides too much opportunity for profit shifting, especially through the exploitation of intangible assets (intellectual property, trademarks, etc.). This is clearly a crucial issue for both developing and advanced countries, but so far tax cooperation proposals have prioritized the perspective of advanced countries and thus tend to focus on taxation in the jurisdictions where profits are received rather than where the underlying activities take place.¹³

»The BEPS is clearly a significant step forward – progress that would have been thought impossible just five years ago.«

In consequence, the Independent Commission on the Reform of International Corporate Taxation (ICRICT) in its latest report *A Fairer Future for Global Taxation: a Roadmap to Improve Rules for Taxing Multinationals* presents practical proposals that would enable countries to collect a fair share of tax revenue from multina-

tional enterprises. Unitary taxation of the worldwide profits of MNEs with formulary apportionment of the tax base between the jurisdictions where economic activity of the firm truly takes place (on the basis of the location of assets, employment or sales) would establish a much clearer, more effective, and fairer method of allocating the tax base of MNEs. Formulary apportionment is of course already applied between the constituent states of the USA and Canada, and in process for the EU. The immediate effect of such a system would be to drastically reduce the use of tax havens, offshore financial centres and conduit jurisdictions by MNEs in order to reduce their tax liabilities.

Two major criticisms are frequently made of formulary apportionment: first that states could not agree on a formula, and secondly that the enterprise could still play jurisdictions against one another, by relocating their factors in the formula. However, states do frequently agree (albeit after tough negotiation) on commercial treaties in general and double taxation treaties in particular. The ability of companies to 'game' the system, for instance by relocating intangible assets such as patents, could of course be prevented by an appropriate UN/OECD convention on the definition of the taxable base, and thus limits on investment incentives. However, whilst the sales factor in the formula could not affect the location of activities, firms' investment decisions could affect the (true) location of employment and assets in response to tax incentives. This may lead negotiations to be biased towards single factor (sales) formulary apportionment. However, sales-based apportionment would clearly limit the tax base of developing countries, where much

income is generated by asset- and labour-intensive activities.

An agreed common international suitable formula will, therefore, need to reflect the different needs of, and be negotiated by, both advanced and developing countries.¹⁴ It is also essential to ensure that a move to formulary apportionment ameliorate the race to the bottom in corporate tax rates. To forestall this competition and the resultant distortionary effects, global formulary apportionment should therefore be accompanied by an agreed definition of the tax base.

In conclusion, if the SDGs are to be fully resourced, developing countries must receive a fair share of the global corporate tax base. This can best be achieved by the combination of unitary CIT, formulary apportionment and an agreed minimum tax rate.

¹ Taxation and the Sustainable Development Statement by the First Conference of the Platform for Collaboration on Tax New York: IMF/OECD/UN/WB February 2018

² Mirrlees, J. A., (1976) 'Optimal tax theory: a synthesis' *Journal of Public Economics* 6 327-358. Bovenberg, A.L. (1994) 'Capital taxation in the world economy' 116-150 in F. van der Ploeg *Handbook of International Macroeconomics* Oxford: Blackwell

³ Klemm, A and S van Parys (2009) *Empirical Evidence on the Effects of Tax Incentives* IMF Working Paper

⁴ IMF (2015) 'Fiscal Policy and Long Term Growth' IMF Policy Paper

⁵ Stiglitz, J (1976) 'The corporation tax' *Journal Of Public Economics* 5 303-311

⁶ Aghion, P. and P. Howitt (1998) *Endogenous Growth Theory* Boston: MIT Press

⁷ FitzGerald, V. and E. Siu "The Effects of International Tax Competition on National Income Distribution" Chapter 10 in *International Policy Rules and National Inequalities: Implications for Global Economic Governance* (eds E. Helleiner and J.A. Ocampo) Colombia University Press, 2018

⁸ Ostry, J.D. and others (2014) *Redistribution, Inequality and Growth* IMF Staff Discussion Note SDN/14/02 2014

⁹ Independent Commission on the Reform of International Corporate Taxation *Four Ways to Tackle International Tax Competition* (2016) www.icrict.com

¹⁰ IMF (2014) "Spillovers in international corporate taxation." IMF Policy Paper

¹¹ OECD (2010) *Promoting Transparency and Exchange of Information for Tax Purposes* Paris

¹² OECD (2015) *Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance, Action 5 - 2015 Final Report*. OECD/G20 Base Erosion and Profit Shifting Project

¹³ That is, the residence principle in the 'OECD Model' rather than the source principle in the 'UN Model'. See <http://leidenlawblog.nl/articles/source-state-taxation-in-model-tax-treaties>

¹⁴ Faccio, T. and V. FitzGerald (2018), *Sharing the corporate tax base: equitable taxing of multinationals and the choice of formulary apportionment Transnational Corporations*, 25.3 (forthcoming)



A large, solid orange circle is positioned on the left side of a white background, extending towards the center. The word "Trade" is written in white, bold, sans-serif font in the upper-left quadrant of the circle.

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Andreas Freytag

Miriam Kautz

Peter Rashish

Johannes Schwarzer

Rob Vos

Regulating for financial inclusion

Considerations for regulators in the digital financial services space

The author:



Linda Du

Young Global Changer 2018

Silver Scholar MBA
Candidate, Yale School of
Management

Coca-Cola World Fund
Graduate Fellow

Digital financial services (DFS) is a term encompassing a wide range of financial services accessed through digital channels such as mobile phones, ATMs (cash machines), and POS (point-of-sale) terminals. DFS is credited with advancing financial inclusion in many developing countries around the world, reaching previously unbanked populations. A prominent example is mobile money, in which a network of retail agents helps customers to complete basic financial transactions such as savings and transfers using their mobile phones.

There are certain nuances when regulating DFS for financial inclusion. Low-income rural customers often lack financial education. Regulation should balance openness and accessibility of DFS offerings with consumer protection for vulnerable populations. Banks and non-bank financial institutions (notably mobile network operators) compete for customers. Regulators can encourage partnerships amongst DFS providers and set standards for interoperability between products to enable an ecosystem of innovation. Regulators play a critical role in efforts to achieve universal access to financial services.

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Mitigating the adjustment costs of international trade

The authors:

Sait Akman

Economic Policy Research Foundation of Turkey (TEPAV)

Clara Brandi

German Development Institute (DIE)

Uri Dadush

OCPPC
Bruegel

Peter Draper

Institute for International Trade,
University of Adelaide

Andreas Freytag

Friedrich-Schiller-University Jena

Miriam Kautz

Friedrich-Schiller-University Jena

Peter Rashish

AICGS - Johns Hopkins University

Johannes Schwarzer

Council on Economic Policies

Rob Vos

International Food Policy Research Institute,
IFPRI

In the present era of globalization and rapid technological advance, living standards across the world have risen at unprecedented rates, and over a billion people have been lifted out of poverty. The theoretical and empirical evidence demonstrating that nations gain from trade is overwhelming (Irwin, 2015). However, trade has distributional consequences, and gains and losses are spread unevenly. The policy challenge is how to promote and deepen trade integration while ensuring that the losers from trade liberalization are assisted and the cost of their adjustment is mitigated. As the G-20 leaders concluded in their declaration last year: "We recognise that the benefits of international trade and investment have not been shared widely enough. We need to better enable our people to seize the opportunities and benefits of economic globalisation" (G20, 2017). It is a fact that, in many instances, the sudden rise in competition from imports, especially – but not only – from China and other low-income countries and the formerly planned economies of Eastern Europe, have caused considerable disruption. These import surges have sometimes undermined the economic viability of localities and whole communities. While some cities and regions have thrived as they have taken advantage of the expansion of

export markets across the world, many individuals, communities, and localities have been unable to adjust.

This brief examines possible policy responses to the adjustment costs related to international trade. It argues that, contrary to the conclusions drawn from frictionless neoclassical models, the costs of adjusting to trade are large and persistent and may be a cause of the increase in the political resistance to trade openness. The existing mechanisms specifically designed to mitigate the adjustment costs related to trade are inadequate, and they are often a source of inefficiency and inequity since trade shocks are only a part of the economic uncertainty affecting workers. The brief also argues that the most promising policies are those that extend the social safety net where necessary, protecting workers from all shocks, not just trade shocks, and those that facilitate the mobility of factors of production across sectors and regions. Many of the latter policies should be pursued anyway to improve the nation's competitiveness. As has become increasingly evident over the past year, protectionism and unfair trade practices can also be a source of trade shocks affecting exporters in partner countries, underscoring the importance of maintaining an open, rules-based and predictable trading system.

THE POLITICAL RESISTANCE TO TRADE HAS INCREASED

Opinion surveys about trade typically reveal that many take a favorable view of globalization and trade agreements, but large groups in the United States, the European Union and Japan are opposed. A Pew survey carried out in 2014 found that less than 45% of respondents in advanced countries believed

that trade creates jobs and less than 25% believed it increases wages (see IMF, World Bank, WTO, 2017). Respondents in developing countries took a more favorable view of trade on both counts. A more recent Pew survey carried out in April 2017, revealed that 52% of respondents in the U.S. believes that trade agreements are not good for the United States (Pew, 2017).

»The sudden rise in competition from imports have caused considerable disruption.«

Reflecting these sentiments, the political resistance to trade has become increasingly vocal. Adjustment costs are explicitly mentioned by politicians. For example, in his inauguration speech in January 2017 President Trump said: "For many decades...we've made other countries rich while the wealth, strength, and confidence of our country has disappeared over the horizon. One by one, the factories shuttered and left our shores, with not even a thought about the millions upon millions of American workers left behind. The wealth of our middle class has been ripped from their homes and then redistributed across the entire world." One should not appear to pick on the United States as it is one of the world's most open economies. It is probably the most open

large economy and it led the construction of the post-war liberal economic order. However, the fact that it is clearly unhappy with the role of the World Trade Organization (WTO) in settling disputes and is deploying certain trade remedies whose WTO-consistency is questionable, is profoundly significant (Dadush, 2017). Meanwhile, according to Global Trade Alert, the G-20 countries implemented nearly 500 harmful trade interventions in the last 12 months, of which about 80% originated outside the United States. What is worrisome is that the rate at which these interventions were implemented was far higher over the past year than has been the case on average since the outbreak of the financial crisis.¹ Moreover, as many harmful measures taken since the financial crisis have not been unwound, the stock is rising. The extent and reach of current protectionist policies is reviewed in greater detail in Evenett (Evenett et al, 2018)

NEW RESEARCH HAS IDENTIFIED SIGNIFICANT AND PERSISTENT ADJUSTMENT COSTS RELATED TO TRADE

Classical economic theory predicts that, when a country specializes based on comparative advantage, the factors of production that are used more intensively in the sector in which it has advantage gain, while those used intensively in the sector in which it does not have comparative advantage lose. Importantly, the theory predicts that the gains outweigh the losses, so it is possible to compensate the losers while still gaining in the aggregate. However, it can also be shown that the distributional effects of trade can be large relative to the net gains from trade, and that they tend to be proportionally larger the closer one gets to a state of free trade.

Thus, when tariffs are very low to start with, the distributional effects of reducing the tariff to zero can be 4 or 5 times larger than the net gains from trade (Rodrik, 2011).

In partial equilibrium models, which may be quite representative of localities which are dependent on a single large employer (Pew, 2017) and from which emigration is costly, the losses and gains from trade liberalization are assumed to be permanent, not temporary. In contrast, in frictionless general equilibrium models which nowadays play an influential role in trade analysis, the factors used intensively in the import sector can immediately (albeit, by the Stolper-Samuelson theorem, only partially) mitigate their losses by redeploying to the export sector or the non-traded sector.²

These predictions have received considerable attention in the empirical literature. One recurring conclusion is that, while in theory, the winners from trade can compensate the losers, the mechanisms for doing so are, at best, inadequate and incomplete (see below), and at worst – as in the case of many developing countries – non-existent (Porto and Hoekman, 2010). It follows that the cost of adjustment is often largely borne by the individual and depends critically on shed workers being able to find another job. Similarly, capital deployed in the import-competing sector and which is highly specific to the activity (e.g., a steel furnace) may be lost completely without provision for compensation, while more generic types of capital (e.g., land and buildings) may find use in other sectors.

While evidence on the effectiveness of compensation of losers from trade is quite unequivocal and consistent, it is often sparsely available and sometimes non-existent. In contrast, the evidence and opin-

ions on the cost of adjustment, i.e. the speed and cost at which factors are redeployed, are ample, though views are mixed and have evolved in recent years. From considering these costs minor, economists have come to recognize that adjustment costs can be large and persistent.

Prominent at the start of this line of enquiry were World Bank studies which reviewed the experience of several developing and advanced countries during episodes of trade liberalization and structural adjustment in the late twentieth century, and concluded that periods of unemployment were, on the whole, quite short (Papageorgiou, Michaely and Choksi, 1991; Matusz and Tarr, 1999). Meanwhile, several academic studies of advanced countries reached similar conclusions, and attributed the large declines in employment in manufacturing (the most traded sector) to technological innovation (Feenstra and Hanson 2001; Harrison et al., 2011).

However, with slowing growth, the outbreak of the global financial crisis, the subsequent rise in unemployment, and the unprecedented advance of China, other East Asian and East European countries on world markets, economists were induced to re-examine adjustment costs based on the most recent evidence. In 2010, another large multi-country World Bank study reached rather different conclusions from its predecessors: even in developing countries characterized by informal and flexible labor markets, and even in a context of capital-poor subsistence agriculture, the adjustment costs to trade liberalization could be large and persistent (Porto and Hoekman, 2010; Cadot, Dutoit and Olarreaga, 2010). For example, faced with an import surge, African farmers will not exit subsistence agriculture into market

crops because of the time and cost required to grow new crops, credit constraints, lack of information (risk), and the logistic impediments to reaching markets. The authors conclude that the gains from trade liberalization, which require redeployment to the export sector (“the supply response”), are far from automatic – they depend on a sound investment climate, a realistic exchange rate, the availability of the appropriate human capital, market infrastructure, information, access to finance, etc.

The cost of adjustment in high-income economies has received even more attention in recent years. In a landmark study, Autor, Dorn and Hanson (2013) use the rise of China as a natural experiment to examine how employment and wage trends evolved in United States localities depending on how their initial economic structure was competitive with Chinese imports. They find that the localities most competitive with Chinese imports experienced higher rates of unemployment and dependence on government transfers than the regions less exposed, and that the dislocation was long-lasting, a decade or more. Thus, contrary to the assumptions of frictionless models, workers did not easily emigrate to more dynamic regions, nor did they quickly find jobs in the non-traded sector or traded sectors less exposed to Chinese competition or in the export sector. In fact, in many localities the non-traded sector suffered from the decline of the import-competing sector as its induced demand and the community’s income decline. In a related contribution, it was found that import competition from China may have displaced between 2.0 million and 2.4 million workers in the United States between 1999-2011, including the induced demand on upstream sectors (Acemoglu et al., 2016). This job dis-

placement would be approximately equal to the increase in the economy's total employment over that period.

»In many localities the non-traded sector suffered from the decline of the import-competing sector.«

A recent study of the German experience in the face of greater competition from China and (more important for Germany) from Eastern Europe after the fall of the Berlin Wall reaches similar conclusions about the disruptive and long-lasting effects of the import surge on exposed localities and the limited migration and redeployment of labor (Dauth et al., 2014). However, the effects in Germany are smaller, attributable to production structures which are less competitive with China. More importantly, when increased German exports to China and Eastern Europe are accounted for, the net employment effect is estimated to be large and positive over 1998–2008, over 400,000, a number of jobs equal to about 20% of the increase in the economy's total employment over that period. Thus, localities most exposed to low-cost competition in both Ger-

many and the United States suffered large adjustment costs. However, the net effect differed at the national level because in Germany the export supply response was stronger.

Another recent strand of literature highly relevant to understanding the cost of adjusting to trade focuses on the heterogeneity of firms and shows that trade causes not only a realignment of sectors along the lines of comparative advantage but also of firm structure within the same or similar sectors, with the more efficient firms expanding while the least efficient firms succumb. The net effect can be increased average productivity of the sector and reduced employment. Often, the least-skilled workers are those most affected by the change (Melitz, Redding, Gopinath, Helpman and Rogoff, 2014) contributing to increased inequality.

COMPENSATION MECHANISMS ARE OFTEN INSUFFICIENT AND MAY HAVE UNINTENDED NEGATIVE CONSEQUENCES

Adjustment costs in the import-competing sector are bound to vary depending on the substitutability of imports for domestic products. For example, the disruptive effect of increased imports of agricultural commodities may be greater than that of increased imports of highly differentiated manufactures, and that of entry of new service providers (which have to employ local workers) may be smaller still. Yet, by and large, the existing mechanisms that can mitigate trade shocks do not distinguish between sectors. They are of four main types: the pacing of trade liberalization, WTO-consistent trade remedies, price-and-income stabilization schemes, and trade adjustment programs³.

Paced liberalization is an accepted GATT/WTO practice, usually taking the form of special and differential treatment that allows developing countries longer implementation periods. Paced liberalization, taking ten years or longer, is also widely prac-

»Trade causes a realignment of sectors along the lines of firm structure within the same or similar sectors.«

ticed in asymmetric regional agreements between advanced and developing countries and sometimes among advanced countries. It is the easiest trade adjustment mitigating measure to apply and is most helpful when it is accompanied by programs that prepare exposed sectors and their workers for increased competition in domestic markets. The downside of these practices is that the benefits of increased trade are also delayed, and temporary measures can sometimes become permanent.

Trade remedies can include safeguards against import surges which may hurt a specific sector. Under WTO rules these can be applied to all imports in a specific sector, but have to be temporary (4 years) and

entitle the affected exporting members to compensation. Anti-dumping and countervailing duties (to offset subsidization) can be applied to an offending firm (not to all imports in that sector) and can persist as long as the infraction persists. These trade remedies can help deal with egregious instances of WTO-incompatible practices – such as export subsidies – or of sudden and far-reaching damage to a particular group or region. However, their effect should be confined to very specific circumstances to avoid these are used as a pretext for protection, though the latter does happen often in practice nonetheless.

Direct or indirect export subsidies are no longer allowed in manufactures and services under WTO rules. However, price support schemes are widely used to stabilize the price of food and agriculture products more generally, and, under WTO rules, can include a combination of domestic subsidies, tariffs and tariff-rate quotas. In addition to their aim of enhancing food security, many of these programs also seek to support or at least stabilize the incomes of farmers, and to insulate them to a degree from volatility in international markets. Developed country farm support policies insulate producers and often lead to overproduction and a transfer of volatility onto unprotected markets and hurt low-income farmers (Glauber 2018). In addition to being distortionary, these programs are expensive. In 2016, agricultural producer subsidies amounted to \$600 billion, more than half of which were provided by non-OECD developing countries. Much of these producer subsidies benefits larger scale commercial farms (Glauber, 2018).

Trade Adjustment Programs, such as that, by the same name, in effect in the Unit-

ed States, and the more recently instituted European Globalization Adjustment Fund (Claeys and Sapir, 2018) aim to provide additional and temporary support to workers displaced by trade, including for retraining. These programs can play an important political role, enabling trade agreements to be ratified when they would not otherwise, but the experience with them has been largely disappointing. It is not always evident who is displaced by trade or by domestic competition or automation. The US program, for example, has been found to have only limited uptake and effect and to suffer from inadequate funding.⁴

These commonly deployed measures are generally considered insufficient to compensate for the true cost of trade adjustment. This is not surprising for two reasons. First, the shocks that emanate from increased trade tend to be permanent, not temporary, and so, however generous, government support cannot be expected to offset the full cost of becoming displaced – only to provide time to adjust. Poor countries, which often depend on tariff revenue and see this important source of funds decline with trade liberalization, cannot afford to provide support (Rudra, 2002). Furthermore, it is clear from the preceding discussion that it can take a very long time for workers to become redeployed, especially when a locality is heavily exposed to import competition. Second, workers become displaced for many reasons, such as automation, entry of new and more efficient competing firms, and changing tastes. Several studies have shown that trade dislocation represents only a small part of job churning (Autor, Dorn & Hanson, 2016). The above-mentioned study by Acemoglu, Autor et al., for example, concludes that the China shock

may have accounted for about 10% of the job losses in manufacturing over 1999-2011. Compensating only the workers displaced by trade is not only inefficient, creating a distortion in favor of import-competing sectors, it is also inequitable.

FUTURE SHOCKS FROM TRADE LIBERALIZATION MAY BE LESS SIGNIFICANT

Looking forward, it is conceivable that the high cost of adjusting to trade in the recent period is not representative. To be sure, trade will expand and with it there will be more trade shocks. For example, were India and the larger African countries to rapidly increase their participation in global manufacturing, this would add to the ongoing dislocation of factors of production. However, these possibilities look far off at present and the rapid rise of China and of Eastern Europe appear as unique events. With import penetration from China and Eastern Europe slowing sharply (Figure 1) and with trade barriers already low in the industrialized economies and in the largest developing ones (Figure 2), it is possible that the largest trade shocks are already behind us. In contrast, there appears to be little prospect of the adjustment to technology or domestic competition waning. If this reading is correct, it weakens the case for privileging trade in the mitigation of shocks.

MITIGATING TRADE ADJUSTMENT COSTS REQUIRES IMPROVING INCLUSIVENESS, COMPETITIVENESS AND A FUNCTIONING RULES-BASED TRADING SYSTEM

Some economies are clearly better at handling trade shocks than others, and nations adopt different approaches to shock mitigation, reflecting factors such as ideology,

Figure 1: China and Eastern Europe⁵ merchandise export and import shares of world merchandise trade (current US\$)

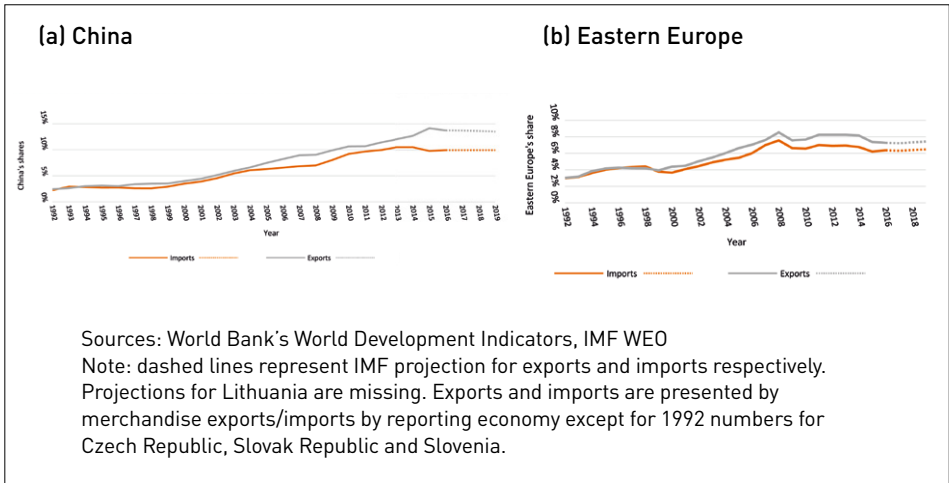
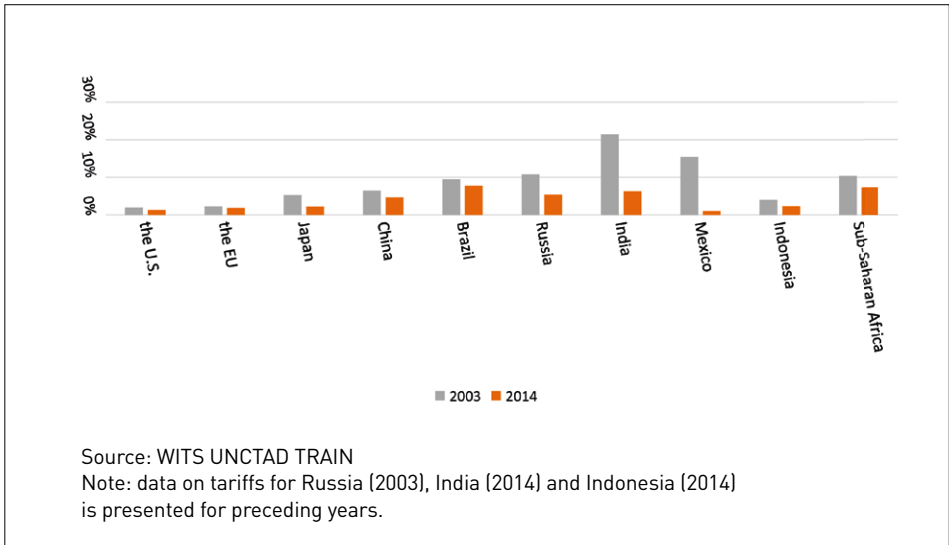


Figure 2: Effectively applied (AHS) tariff⁶



perceived exposure to shocks, ability to adjust, and budget constraints. Governments in advanced economies and in many developing ones which have encouraged employer-worker-funded social insurance schemes (unemployment benefits, pensions, etc.), provide universal health insurance, provide school meals, and have progressive income taxation, have placed

»High-income countries will have to provide for rising in pension expenditures and medical costs.«

workers and communities in a much better position to handle all manner of economic shocks of which trade shocks are only one part⁷. However, social expenditure varies greatly and is expensive, amounting in 2016 – according to the OECD – from 10% of GDP in South Korea, to 19% of GDP in the United States and to 31% of GDP in France. Developing countries, which typically spend less than half of advanced countries on social expenditure, and that want to spend more on safety nets need to increase and diversify their tax revenue. Especially in the lowest income economies this requires be-

coming less dependent on tariff revenue, a big issue which goes beyond the ambit of this brief.

These fiscal constraints must be recognized. In the coming decades, high-income countries will have to provide for rising in pension expenditures and medical costs for their aging populations, while their working-age population is declining. Moreover, all countries, whether advanced or developing, are constrained in their taxation of capital, which is fungible and mobile across borders, compared to labor which is far less mobile. More research is needed to identify budget-neutral or budget-positive ways to mitigate trade adjustment costs. More research is needed also to understand the determinants of social expenditure policies and why they vary so widely across countries.

Clearly, since trade shocks, like technology shocks, are permanent, social safety nets can only go so far. There must also be measures to increase the mobility of labor and capital across several dimensions: intra-sectoral, i.e. among firms in the same sector, across sectors, and spatial. A recurrent finding of recent studies is that overcoming the barriers to mobility is not easy. It is especially hard for workers displaced by trade to move to other cities or regions, in part because of the very high transaction costs involved in housing transactions. Many workers do not want to leave their city or region, so the priority should be to facilitate in situ mobility across professions, firms and sectors. However, the data shows that even moving to another firm in the same sector is difficult. Yet, mobility – from the countryside to the cities, from the land to the factory and services-provision – lies at the core of

economic development. And, to grow, both advanced and developing countries must continuously shift resources to higher value-added sectors, and, within sectors, to the more efficient firms.

»Mobility lies at the core of economic development.«

Measures that increase mobility can be very specific and require the intervention of various ministries.⁸ For example, providing allowances for retraining, ensuring that pensions are portable, reducing unnecessary certification requirements that protect many professions, etc. However, most measures likely to have the biggest impact on mobility are the same as those that countries should take anyway to improve competitiveness. These measures include all those that foster a sound investment climate, improve access to finance, protect workers rather than jobs, and invest in human capital so that workers can more quickly adapt and learn in a changing environment. Unfortunately, many of these structural reforms take a long time to implement and to show their effect, underscoring yet again the need to accompany them with well-designed safety nets.

Nations can do much on their own to mitigate shocks from import surges, but this unlikely will suffice. Reducing and rationalizing distortive agricultural subsidies which transfer volatility to the least pro-

ected markets requires international coordination. Also, protectionism and unfair trade practices, such as the abuse of trade remedies, can themselves be a source of large trade shocks in the export sector of trading partners. Moreover, the more these practices become widespread, the greater the uncertainty associated with international trade, and the less likely it is that trade liberalization will result in a reasonably quick redeployment of resources towards the export sector. In today's globalized economy, a sure way to exacerbate, not mitigate, the costs of adjusting to trade is to allow a resurgence of protectionism.

The 2016 G20 Leaders Communiqué stated: “[w]e emphasize that the benefits of trade and open markets must be communicated to the wider public more effectively and accompanied by appropriate domestic policies to ensure that benefits are widely distributed.” In general, public expectations about what trade policy per se can accomplish in compensating the losers from globalization appear exaggerated, priming the average citizen to become disillusioned with trade liberalization.

More attention should be paid to being transparent about how domestic measures (whether trade-specific or not) are expected to promote an equitable adjustment to trade openness. Likewise, policy makers should be more explicit in communicating how they perceive both the cost and benefits of trade in all its nuances. In today's practice, the dialogue between policy-makers and the public as well as with researchers on these matters tends to be overly simplistic. It requires everyone to understand both the benefits of trade and the need for some redistribution of the gains.

Summarizing our general policy recommendations;

- Where necessary, gradualism in trade liberalization combined with preemptive measures to strengthen competitiveness, are appropriate ways to mitigate adjustment costs. Gradualism in trade liberalization is especially important in developing countries which have large vulnerable populations, limited capacity to finance safety nets and to undertake complementary reforms. In the poorest developing countries, increased Aid for Trade can play a crucial role in strengthening competitiveness as trade liberalization is implemented.

- Displaced workers are best helped using generally applied safety nets, not those specific to trade. These should include universal health insurance and temporary income support measures where they can be afforded.

- Trade requires mobility of factors. Specific measures that facilitate mobility include, for example, providing allowances for retraining and temporary compensation to those who change jobs to a lower paid profession. Income tax rates should be designed so as not to discourage displaced workers from working at low wages. Mobility allowances are best applied to displaced workers generally, not just to workers displaced by trade.

- Policies that improve the investment climate and competitiveness more broadly also tend to enhance mobility of labor and capital including increased participation in global value chains and the movement within the chain to higher value-added activities.

- International coordination is required to support an open and predictable trading system under the WTO, as the greatest future source of trade shocks could be protec-

tionism, not trade liberalization. The proper application of the WTO Safeguard Agreement is especially important.

- It is vital to reenergize WTO negotiations for a rules-based trading system considerate of adjustment costs as mentioned, including the realignment of agricultural subsidies, to promote food security, inclusive growth and sustainable agriculture.

More specific actions recommended for the G20

- International Organizations, such as the World Bank and the OECD, should be tasked with proposing a set of mechanisms that can enhance mobility and promote growth, and that can be budget-positive in the medium term.

- A reporting mechanism and/or a peer-learning mechanism should be established to improve domestic adjustment policies.

- Increased research on adjustment costs associated with international trade should be supported, especially research that takes an interdisciplinary approach, encompassing economic, social, health and political implications of international trade.

- Policy-makers need to better and more systematically communicate the gains from trade while recognizing explicitly that trade causes dislocation for some and explaining what is being done to help.

- International Institutions, such as the World Bank, the OECD and the WTO, should be tasked with analyzing the disruption and adjustment costs that would result from increased protectionism.

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¹ According to Global Trade Alert (2018), over 2009-2018 the US implemented 413 harmful measures, while the other 19 members implemented 2833. Thus, according to these crude measures, the US has implemented about 8 times as many measures in the last 12 months as it did on average since the financial crisis while the other 19 members of the G-20 implemented roughly twice as many.

² Some general equilibrium models attempt to incorporate the difficult-to-measure effects of trade on innovation, learning and productivity, which would tend to accelerate economic growth, implying that everyone can gain in the end, over a generation or so.

³ Additionally, under the aegis of the World Trade Organization, the OECD, the World Bank and national development agencies, the Aid for Trade initiative aims to support developing countries in adjusting to trade liberalization, with a special focus on reducing trade costs – such as improving the operations of customs and of meeting sanitary standards. The funds are channeled through national institutions as well as directly through aid agencies. Since inception in the early 2000s and as of 2015, the initiative had disbursed USD 264.5 billion of development aid and USD 190 billion in official financing.

⁴ There is some evidence supporting the compensation effect theory of trade which states that government spending rises with trade. However, other studies find that government spending is not affected by trade specifically (Meinhard and Protrafke 2012).

⁵ We consider Eastern Europe to comprise Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, and the former USSR or its succession states Russian Federation, Belarus, Estonia, Latvia, Lithuania, Moldova, Ukraine, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

⁶ This is the trade-weighted tariff actually applied. It is lower than the MFN applied tariff under the WTO because it reflects preferences accorded to partners in regional agreements and to developing countries under the Generalized System of Preferences.

⁷ Numerous worthy schemes are designed to facilitate the adjustment of workers. Sweden's Trygghetsråden (Job Security Councils) requires firms to contribute a small percentage of payroll to a fund that helps workers with retraining and placement after layoffs (Diedrich, Bergström 2006). There are also programs designed to act in a pre-emptive way, helping firms and workers to anticipate changes that may arise from trade liberalization or other factors. Germany's dual education system of classroom learning and apprenticeships and the Austrian Chamber of Commerce's Wirtschaftsförderungsinstitut (Institute for Economic Promotion) of lifelong learning are two examples.

⁸ Often, labor mobility is the sole province of the Ministry of Labor, yet coordinated action with the trade ministry that of industry, agriculture and finance is more likely to yield lasting results.

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Summit 2018**

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**A stepping stone
to Buenos Aires**

Dennis Görlich

Kiel Institute for
the World Economy

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**Review: The Global
Solutions Summit 2018**

A stepping stone to Buenos Aires

The author:



Dennis Görlich

Head, Global Challenges Center, Kiel Institute for the World Economy
Programme Director, Global Solutions Initiative

The institution:



The Kiel Institute for the World Economy is an international center for research in global economic affairs, economic policy consulting, and economic education. On basis of its research, the Institute advises decisiontakers in policy, business, and society and informs the broader public about important developments in international economic policy.

The liberal world order is heavily challenged, the rules-based multilateral trading system is at risk of being undermined, nationalism is rising in many countries around the world, social and economic progress have become decoupled, many transnational challenges such as climate change or migration remain unresolved. Uncertainty and dissatisfaction increasingly dominate the general sentiment in many countries.

Against this gloomy background, the second Global Solutions Summit, which seeks solutions to the world's major transnational challenges, took place on May 28-29, 2018, in Berlin, Germany. More than 1,100 participants participated in the summit, which brought together leading scholars from think tanks and research institutions around the world with decision-makers from politics, business and society. Next to Germany's Federal Chancellor Angela Merkel, Finance Minister Olaf Scholz and Foreign Minister Heiko Maas, the conference was attended by Nobel Laureates and leaders from international organisations, NGOs and business.

The Global Solutions Summit was organised in collaboration with the T20, the network of think tanks and research organisations officially advising the G20. Argentina's T20 coordinators CIPPEC and CARI, and scholars representing the ten T20 task forces, had an opportunity to pre-

sent their key recommendations for G20 leaders. Their recommendations covered, among other things, the future of multilateralism, the future of work and education in the digital age, food security and sustainable agriculture, or climate action and infrastructure for development.

All the recommendations by the T20 task forces can be found on the internet platform G20-Insights.org. They included, among many other proposals:

- a suggestion for a set of principles on data collection and artificial intelligence in the workplace, to ensure a smooth and more socially acceptable introduction of big data and artificial intelligence;
- a list of obstacles and knowledge gaps that hinder a sustainable food future, including recommendations for improving investment and making progress with technological solutions;
- a comprehensive set of steps necessary for introducing green fiscal reforms, taking into account complementarities with other policy areas and distributional impacts, in which the G20 should take a leading role.

The importance of such proposals for multilateral cooperation cannot be stressed enough as they come at a time in which the world is experiencing a wave of rising nationalism. Chancellor Merkel and Ministers Scholz and Maas also highlighted the need and potential of finding solutions through global cooperation, noting the threats to this notion due to rising nationalistic viewpoints and opinions in many countries. “That you are talking about solutions shows a certain degree of optimism that is necessary if we want to address and master the global challenges of our time; challenges that we will only be

able to solve with a global focus,” underlined Merkel. In fact, several sessions also addressed remedies to rising nationalism, focusing on achieving social cohesion, realigning social prosperity with economic prosperity and dealing with trade conflicts.

By addressing major G20 themes of Argentina’s G20 presidency, the Global Solutions Summit served as a stepping stone to the T20 and G20 Summits in Buenos Aires. Delegations from the current G20 presidency Argentina and the upcoming G20 presidency Japan came to Berlin to attend the Summit, and discuss current and future agendas. The representatives of T20 Japan presented their priorities for 2019,

»Social and economic progress have become decoupled.«

setting the course for the ongoing work of T20 task forces and the multi-stakeholder dialogue. Pablo Ava (CARI), co-chair of Policy and Research of T20 Argentina summarised the outcome of the Global Solutions Summit as follows: “The Task Forces meeting in Berlin made it possible to start closing the proposal stage and advance to the main focuses that we want to convey to the G20.” His colleague Martín Rappetti (CIPPEC) said: “The T20 Argentina is a decentralized process that involves many experts. The meeting allowed us to exchange

ideas from different perspectives and expertise that bring together one solid and informed message for the leaders of the G20”.

»We firmly believe that there is no alternative to multilateral cooperation.«

The Summit was also attended by more than 120 Young Global Changers, representing the next generation of global problem-solvers. Prior to the Summit, the students attended a 2-day Summer School with lectures from public policy and business school professors, among them Nobel Laureate George Akerlof. The students developed ideas on recoupling politics, economics and business and engaged in numerous talks and interviews with Summit participants.

The next step on the way to the Argentine G20 Summit is the T20 Summit in Buenos Aires. The discussions at the Global Solutions Summit, the activities of the Task Forces and their Policy Briefs paved the way towards the T20 Summit with concrete recommendations and inspiring visions. The next Global Solutions Summit in 2019 will again play a role as stepping stone to Japan's T20 and G20 Summit. It will take place on March 18-19, 2019 in Berlin.

We firmly believe that there is no alternative to multilateral cooperation given the cross-border nature of many of the world's most important problems. If you share our agenda, we would be delighted to welcome you to Global Solutions 2019 and look forward to hearing your insights and solutions.

Review: The Global Solutions Summit 2018

Over 1,100 participants, official delegates from T20 Argentina 2018 and T20 Japan 2019, Nobel Laureates and German Chancellor Angela Merkel – this was the Global

Solutions Summit 2018 on 28 and 29 May in Berlin. The Global Solutions Summit brought together policy thinkers and policy leaders from around the world.



German Chancellor Angela Merkel discusses with BBC anchor Evan Davis



Julia Pomares, Executive Director, CIPPEC



Naoyuki Yoshino, Dean, Asian Development Bank Institute



Gustavo Martínez, Managing Director, CARI



Dennis Snower, President GSI, presents Chancellor Merkel with the Global Solutions Journal



Laura Jaitman, G20 Finance Deputy, Ministry of the Treasury, Argentina



Irene Natividad, President, Global Summit of Women



George Akerlof, Nobel Laureate, Georgetown University



Ann Mettler, Director-General ESPC, European Commission



Olaf Scholz, German Federal Minister of Finance



Nara Monkam, Director Research, ATAF



Amar Bhattacharya, Senior Fellow, Brookings



120 Young Global Changers at the Berlin City Hall Reception with the Governing Mayor of Berlin, Michael Müller (center)



Closing plenary (from left) with Naoyuki Yoshino, ADBI; Laura Jaitman, Argentine Ministry of Treasury; Dennis Snower, GSI; Colin Bradford, Vision20; Sebastian Turner, Tagesspiegel; Jose Martínez, CARI



HE Edgardo Malaroda, Argentine Ambassador to Germany



Alejandra Cardini, Director Education, CIPPEC



Jesus Anton, Senior Economist, OECD



Pascal Lamy, Former Director General, WTO



Arundhati Bhattacharya, Former Chair, State Bank of India



José Siaba Serrate, Counselor Member, CARI



Edmund Phelps, Nobel Laureate, Columbia University



Lorena Jaume-Palasi, Executive Director, AlgorithmWatch



Shenggen Fan, Director General, IFPRI



Beatriz Nofal, past G20 Sherpa, Argentina



Toshinori Doi, President PRI, Ministry of Finance, Japan



Margo Thomas, CEO, Women's Economic Imperative



Foreign Office Reception with UN Special Advisor Jeffrey Sachs



German Foreign Minister Heiko Maas interviewed by journalist Ali Aslan



Arif Husain, Chief Economist,
World Food Programme



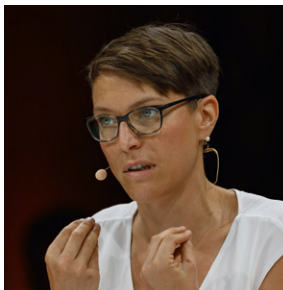
Svenja Schulze, German
Minister for the Environment



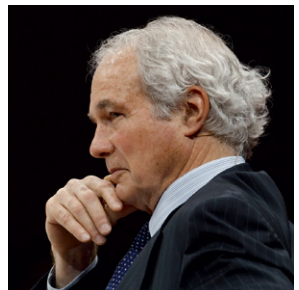
Colm Kelly, Global Leader,
Tax and Legal Services, PwC



Michael Müller, Governing
Mayor of Berlin



Ellen Ehmke, Analyst,
Oxfam



Colin Bradford, Co-Chair,
Vision20



Save the Date
3rd Global Solutions Summit
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President: Dennis J. Snower
Director: Markus Engels
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Associate Director: Agnes Michalik

www.global-solutions.international
info@global-solutions.international

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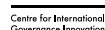
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