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# Development Cooperation Review

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**Special Issue**  
**New Hopes, New Horizons and G20**

DCR

## Development Cooperation Review

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# Development Cooperation Review

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Vol. 6, No. 3, July-September 2023

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**New Hopes, New Horizons and G20**



## Development Cooperation Review

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# Editorial

## Time of Change: A Perspective from G20 Presidency of India

This issue of the Review is published at a crucial time. India's pivotal role in the G20 could mark a change in the dynamics of global relations. It heralds a series of Southern presidencies, being held between the Indonesian presidency and the upcoming terms of Brazil and South Africa. Successive Southern leadership could be more than merely symbolic, ushering in a transformative phase in global diplomacy. In fact, it offers an opportunity for Southern countries - with closer economic and developmental ties - to collectively set the international agenda and articulate and advocate for a coordinated, distinctive direction on the world stage.

To be clear, the task is difficult: these are not easy times for multilateral cooperation. These are times when unilateral or bilateral action is increasingly favoured, reducing the effectiveness of international institutions and treaties. Moreover, today's international landscape is characterised by simultaneous and juxtaposed crises, often described as "polycrises". These crises exert immense pressure on national and international institutions, norms and policies. They deserve to be examined in detail, now and in the future. Far from being exhaustive, this July-September issue aims to open at least "some of the windows" and it focuses on two important "landscapes". First, it focuses on the need for productive transformation and innovation, with particular attention to value chains, artificial intelligence, farmers and rural development. Then it looks at needs related to climate change, particularly climate finance and adaptation and climate migration. Rapid environmental degradation, resource scarcity and global warming leading to extreme weather events, rising sea levels, loss of biodiversity and other related concerns (M. Khan and S. Huq); growing economic, social and place-based inequalities both within and between countries (as illustrated in the interview on education with President M. Bazoum, and in the articles by I. Mayaki, K. Nubukpo, M. Chakrabarti, G. Ramos), as well as ethnic and gender discrimination, which lead to social unrest and discontent and hinder social and political cohesion; technological disruptions related to rapid technological progress, especially in artificial intelligence and biotechnology, offer both opportunities and threats to the inclusion of companies in value chains, induce



job displacement (C.Reis), may produce privacy violations, cybersecurity threats and ethical implications of uncontrolled technological developments (G. Ramos); economic hardships, instability and wars that threaten peace, lead to recession and displace people from their homes and can produce humanitarian crises and political tensions (N. Belkacem, C. Reis); and the complex geopolitical “dance” of established powers and non-state actors leads to conflicts, trade wars and territorial disputes.

However, there is more than a list of policies to be considered. The above-mentioned crises are not only juxtaposed, but often interconnected, and not only in their effects, but in particular in their causes. Their linkages should alert not only to the individual trees of the forest, but the forest as a whole. In fact, those crises and their linkages require a fresh look at our social and economic structures and to revisit the development narratives we use, as highlighted by Jose Antonio Sanahuja and Jorge Damian Rodriguez. The unit of analysis moves in this case towards the established core of the review: regions such as Africa (I.Mayaki) or Latin America and the Caribbean (J.A. Sanahuja and J.D. Rodriguez) and multi-sectoral strategies for global engagement (S. Chaturvedi) and development cooperation (D. McNair), with a specific focus on South-South Cooperation (Ambassador L. Nusseibeh) and the importance of remittances (S. Kumar).

## **Productive transformation and innovation**

The complexities of productive transformation, innovation, and global value chains are explored with a specific attention to developing countries: the challenges countries face in fostering industrial policies and the booming realm of artificial intelligence, in particular for small farmers and their role in society. The authors collectively highlight the intertwined nature of technology, policy, and global socio-economic dynamics, underscoring the importance of a holistic approach to fostering sustainable growth and innovation. Let’s quickly recall their recommendations.

## **Global Value Chains and industrial policies**

Industrial policies are re-entering the dictionary of economists. Cristina Froes de Borja Reis stresses that those policies are indispensable, but particularly difficult to implement for developing countries. Many of these countries continue to struggle with dependence on natural resources and low value-added activities with low returns. They must therefore work hard to find an emancipatory vision of development, exploit strategic niches in global value chains and diversify their network of suppliers and customers. Not to mention that they also need to rely on counter-cyclical macroeconomic policies to deal with sudden global disruptions such as the pandemic, promote low interest rates for micro, small and medium-sized enterprises, and maintain competitive exchange rates to promote industrial growth without fuelling inflation. The point is that there aren’t umbrellas for everyone! In short, Cristina Reis

argues that industrial policies to implement effective countercyclical measures and find resilience in value chains are mostly accessible to countries in the centre of the world-system, leaving the Global South at a disadvantage. For Southern countries to gather more financial and technological power and leverage in the global arena some strategic relationships and collaborations need to be established, including with more technologically advanced countries.

### **Artificial intelligence**

In particular, the promise of artificial intelligence depends on robust ethical, institutional and policy frameworks and the need to go beyond mere self-regulation. Gabriela Ramos argues for solid institutions, rules and competences to coordinate and implement AI strategies at a national level. She proposes a central body responsible for state policy support to AI, separate agencies to evaluate and licence AI innovations, and empowered data protection authorities to prioritise data quality, coverage, transparency, fairness and verifiability. She argues for dedicated national-level checks and balances in AI and debunks myths about the unregulability of AI. In her opinion, a series of tools are indispensable such as UNESCO's Ethical Impact Assessment and the Readiness Assessment Methodology (to evaluate a country's readiness for AI). While AI democratises many processes, its diffusion, accessibility, impact on labour markets, and more generally on social ties, remain a problem. International organisations and cooperation should promote dialogue and knowledge sharing between countries, on an equal footing and with an equal voice, to design a G20 toolkit in collaboration with diverse stakeholders (governments, businesses, trade unions, civil society) to support upskilling and reskilling programmes during technology transitions (as proposed by the Indian G20 Presidency), advocate for marginalised groups and promote capacity building in states.

### **Farmers and rural development**

Milindo Chakrabarti focuses on how digital technologies are changing farming practices. He raises concerns about unequal access to digital technologies, for example, for small farmers that do not often have the means to upgrade their skills and are confined to production without benefiting from insertion in other phases of the agricultural value chain. If their livelihoods are threatened, the global food supply may also be at risk and food insecurity looms. Given the constraints they face, especially in Southern countries, the author proposes three recommendations to feed into the G20 discussion. 1) there is a need to collectively provide small farmers with digital services and to group them together so that they have access to facilities and better negotiate in the market. (This point is reminiscent of policies in regions such as Emilia-Romagna in Italy or the Valencia in Spain for small businesses facing technological changes). 2) Milindo Chakrabarti calls for training and resources

to be made available to farmers so that they can effectively use technical inputs and address the pressing issues of climate change. (A comparison could be made with the so-called Extension Services.) 3) small farmers have an important role to play in marketing their products and ensuring that they benefit from the surpluses they generate (following the traditions of many cooperatives). Kako Nubukpo too emphasises the consequences of overlooking small-scale farmers, particularly in sub-Saharan Africa where the damaging effects of climate change have already taken their toll, reducing agricultural productivity by 20 per cent since 1980. It has led to migration that can exacerbate inter-ethnic and regional conflicts over dwindling resources. Combined with the rise of populism and identity politics, this not only threatens the continent's geopolitical balance, but may also extend conflicts beyond its borders. The author presents a vision of a possible revival rooted in "rational solidarity" and the ancient ethos of Commons, with priority to local innovation and local supply chains. To realise this vision, he stresses that protectionist measures that favour the local over the global, combined with massive public investment in rural modernisation, are essential.

## **Climate Change**

Together with productive transformation, climate change stands as a crucial theme in the policy agenda. While the discussions around greenhouse gas emissions and their mitigation remain critical, two intertwined aspects of the human dimension of climate change are equally important: the ever-urgent matter of climate change adaptation and the escalating crisis of climate migrants.

## **Adaptation and Finance**

Are we going in the right direction? Mizan R Khan and Saleemul Huq raise a number of concerns. The original trajectory of the UN Framework Convention on Climate Change (UNFCCC) was predominantly anchored in the mitigation of greenhouse gas emissions. However, the increasing severity of climate change impacts combined with insufficient mitigation action required a shift towards adaptation. Nevertheless, global support for adaptation remains woefully inadequate and characterised by unfulfilled and unbalanced promises of funds relative to actual vulnerabilities, for example in small islands and lesser developed countries. Financial instruments should be critically reassessed to avoid the burgeoning 'climate debt trap'. They should take into account the non-immediate returns from adaptation projects. They should ensure timely and full disbursement of approved funds. Finally, they should result from the convergence of development aid with climate finance, but with a double scaling up in both areas to maintain the sanctity of development goals, especially in low-income countries.

## **Climate Migrants**

How do we deal with climate refugees and asylum seekers? Najat Belkacem highlights that: a) We inadequately address climate migrants. With climate change set to displace nearly one billion people over the next 50 years, international cooperation and reform are more urgent than ever. b) Many countries are neglecting their responsibility to help people in distress at sea. For example, more than 25,000 people have died in the Mediterranean since 2014. c) Many developed countries are circumventing their duty to protect refugees by outsourcing their responsibilities to poorer countries, often at great human cost. She makes four recommendations: 1) the international community must act to expand the definition of refugees beyond the Geneva Convention to include people displaced by climate change; 2) international cooperation should invest in sustainable urban development, renewable energy and adaptation strategies, recognising their role in global warming and the resulting migration challenges; 3) legal and safe migration routes must be created and Euro-Mediterranean cooperation must be strengthened; 4) the outsourcing of refugee management to third countries, which often have questionable human rights records, needs to be reconsidered. The international community should uphold the principle of non-refoulement and ensure that all countries provide fair and efficient asylum procedures.

### **A call for new narratives and strategies**

Up to here, we have seen contributions concerning specific policies and there is no doubt that the present situation requires complicated policy solutions. But, apart from them, what should be the general diagnosis on the situation and the narratives and what strategies should be implemented to address the increasing complexity we face? What should the dynamics of international cooperation look like?

### **Is this a “Polycrisis”?**

While the term “polycrisis” seems to capture the multiple challenges facing our world today, it packs the various crises into a single conceptual box and does little more than emphasise the magnitude of their sum. It can also lead to a defensive view, a defeatist mindset that suggests the world’s problems are too complex to find solutions and downplays the agency of states and institutions to act. It could unintentionally stifle innovative thinking by pushing stakeholders to short-term responses and refusing from the outset to seek overarching solutions to structural problems. Not to mention the paradoxical claim by some actors that the various crises would be exogenous to developed countries and would not call into question their responsibility.

### **Rather an “Organic Crisis” in search for New Social Contracts**

Sanahuja and Rodriguez stress that the current crises are interconnected. They are part of an “organic crisis” of the hegemonic order based on neoliberal ideology.

2008 would be a similar phenomenon to 1929: it started as a financial crisis and quickly turned into an economic, social and then political crisis of the international order inspired by “laissez-faire”. The old norms would die off, the new ones would not yet emerge, and the current phase would be a kind of “interregnum” leading to phenomena such as the rise of new authoritarianisms. The current scenario would ultimately reveal historical societal challenges that require a transformative, equitable and sustainable overhaul of economic and social structures. They suggest to focus in particular on the **climate emergency** and the **social challenges** that accompany the digital and green transitions. Countries should build a common agenda that should accommodate different starting points and prior asymmetries and be based on mutual learning. For example, the EU is striving to stimulate public and private investment in Latin America and the Caribbean through the European Fund for Sustainable Development and the Global Gateway initiative. While they are valuable tools, they should not overshadow other EU development cooperation programmes such as social cohesion, technical assistance, education, human rights, and gender equality initiatives. Furthermore, support in comprehensive tax reforms will be essential to improve national tax systems’ coverage and progressiveness and mobilize internal resources.

## **Regional Solutions**

Sanahuja and Rodriguez stress that all macro-regions are currently developing and testing strategies to overcome the “interregnum” and renew their social contract. Echoing this observation, Ibrahim Mayaki concentrates on Africa. According to the author, a regional focus that promotes democratisation and a stronger collective voice for African nations is needed. The situation requires a shift towards regional solutions, such as the African Continental Free Trade Area, to address Africa’s fragmentation and prioritise regional integration. They should empower local communities and ensure social, economic and political equity, in line with the African Agenda 2063. In short, Mayaki believes the continental development requires a redesign of strategies and implementation processes. Traditional development benchmarks are often inadequate and new development models are needed. On the one hand, countries like Tunisia, which had commendable development indicators and recognition from international organisations, are in danger of imploding. On the other hand, Botswana that has emphasised inclusiveness in its policies and governance seems to be developing in an encouraging way. Mayaki also stresses that not only the benchmarks, but also the traditional multilateral system is increasingly strained.

## **Development Cooperation Reinvented**

The present multilateral system is the focus of David McNair’s paper as well as that of the UAE’s Ambassador to the United Nations, Lana Nusseibeh (cf. Ambassador’s Perspective) and the interview with President Mohamed Bazoum of

Niger. McNair stresses that actors, goals and modalities of cooperation have changed, while traditional assistance has not. China's Belt and Road Initiative has redefined cooperation for infrastructure, while the EU's Global Gateway and the G7's Build Back Better World Initiative show a shift towards using development finance as a soft power instrument. There has been a sharp increase in global remittances and credit from non-OECD countries. The Global South, represented by leaders such as Lana Nusseibeh, and President Bazoum, are advocating for changes in global structures. Ambassador Nusseibeh argues that the Global South has a pivotal role in shaping global agendas, emphasising the need for collaboration, consensus-building, tangible results, and context-specific initiatives. President Bazoum argues that the democratisation of international decision-making institutions is a prerequisite for fair, equitable, authentic and ethical cooperation and that African nations need better representation in international bodies. Development aid strategy in the education sector, Bazoum argues, is preferable to vast action programmes and budgetary support often provided by people and institutions cut off from the concrete reality experienced by their rural populations. The conventional paradigm of official development assistance (ODA) is in a perceptual crisis. Scepticism about development aid is growing both in donor countries, where inequality is sparking debate about whether to target assistance at home or abroad, and in recipient countries, which see it as a post-colonial instrument of control. As global financial needs increase and many countries in the South face major debt problems, there is a call to reinvent development cooperation, to include knowledge sharing and to move beyond the ODA dominated model. McNair puts forward three suggestions: 1) a common fund for humanitarian needs: this fund could be sustained by taxing carbon-intensive industries. A body with a wider stakeholder base than the DAC should oversee the resource management; 2) infrastructure financing should focus on reducing capital costs by assessing the influence of Credit Rating on energy transition and reforming Multilateral Development Banks to provide more low-cost capital; 3) remittance flows should be recognized as significant for social protection and development. The focus should be on reducing the costs associated with these transfers. As one of the largest development finance flows, remittance offers immense potential to contribute to the achievement of Agenda 2030 and financial inclusion. On the other hand, the high cost of remittances stops them from reaching their full potential as analysed in Sushil Kumar's statistical paper. Kumar recommends that G20 countries strengthen the policies that directly reduce the cost of remittance to fulfil the G20 commitment and SDG targets, and should also utilise existing technology, such as mobile money transfer, blockchain technology, and fintech.

## **For LiFE**

Sachin Chaturvedi argues that a new development paradigm should integrate values, recognise inequalities and views challenges as global and interconnected. He

convincingly underlines the growing consensus to look beyond gross domestic product (GDP) as the sole measure of development and recalls that the UN Secretary General himself suggests well-being-based measurements. Although several organisations, including UNDP and OECD, have proposed alternative systems for measuring well-being, these measurements have not yet replaced GDP in making key public decisions. Against this backdrop, India has introduced the Lifestyle for Environment (LiFE) approach, which focuses on sustainable consumption and production patterns, a low-carbon-circular economy, eco-friendly supply chains, and local food systems. The LiFE economy aims to ensure that international relations, especially within financial institutions, are guided not only by monetary concerns but by a shared ethical value system.

# Who is *not* Afraid of Industrial Policy? A Southern Perspective

Cristina Fróes de Borja Reis\*

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**Abstract:** This article examines the feasibility of industrial policy as a solution to macroeconomic volatilities and disruptions in global value chains, with a focus on the perspectives of countries in the Global South. The COVID-19 pandemic exacerbated existing weaknesses in these economies, making it difficult to implement effective countercyclical measures and find resilience in value chains. The paper argues that industrial policy, often seen as a remedy during crises, is mostly accessible to countries in the centre of the world-system, leaving the Global South at a disadvantage. The author calls for a more representative and democratic approach to development in the Global South to avoid further marginalization. By pursuing inclusive growth, improving income distribution, identifying strategic niches in value chains, promoting technology density, establishing favourable macroeconomic regimes and adopting environmentally conscious policies, Southern countries can pave the way for a more equitable and just global economic system. Achieving these goals requires greater financial and technological power, necessitating foreign relations to advocate for multipolarity, human rights, and democracy in international forums.

**Keywords:** Southern economies, Macroeconomic volatilities, Sustainable development, Economic dependence, Resilience, New Industrial Strategy, Multipolarity.

When international crises arise and countries are experiencing macroeconomic volatilities related to exchange rate fluctuations, capital flows, balance of payments constraints, loss of competitiveness, and now even inflation, industrial policies are recast.

However, in this paper, we argue that industrial policy is not a realistic

option for most economies, it is more of a privileged alternative available for those in the centre of the world-system (Wallerstein, 2004).

## The COVID-19 Crisis and Global Value Chains

The COVID-19 pandemic was a humanitarian crisis, particularly damaging for the less wealthy of the

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Global South (Sachs, 2022). Historical structural weaknesses made it more difficult for Southern countries to find resilience in value chains and to perform countercyclical macroeconomic regimes to address the pandemic's major challenges.

This is a profound problem related to the insertion of countries in global financial and productive flows, as it directly impacts development possibilities. The participation of domestic companies in the international division of labour (fashionably referred to as 'global value chains') determines the quantity and quality of a significant part of the jobs generated, based on the available production technologies. The ownership of strategic technologies and the performance of high value-added activities of the chains, as well as the financial capacity to boost funding for investments, remain the dividing line between the centre and periphery of the world-system (Furtado, 1961; Amin, 2010; Reis & Kvangraven, 2023).

The decisions of where to produce technology and other high-value-added activities of the value chains are generally determined by the State's geopolitical positions and by the leading transnational corporations' governance strategies. Thus, those decisions can be definitive for countries' patterns of productivity and wages.

Time after time industrial policy resurges as key for companies and governments of both Global North and South as they were on a level playing field (WB, 2021). However, the difference in conditions to undertake industrial

policy actions is striking. This was clear during the pandemic, which differently impacted their macroeconomic regimes and, dramatically, their conditions to fight COVID-19.

China impressed the world with the fast return of her economic activity, with industrial production recovering to pre-pandemic levels as early as June 2020. However, the situation in other countries was not as resilient: by November 2020, most regions had still not reached their pre-crisis production levels, according to UNIDO (2021).

OECD's policy brief *Global Value Chains: Efficiency and Risks in the Context of COVID-19*, February 2021, has concluded the obvious: "concentration typically amplifies the volatility" of chains. Greater integration with global markets, depending on its quality, can be a double-edged sword: on the one hand, it allows smaller economies to reach a larger customer base; on the other, it makes them more exposed to external demand shocks than large economies. In general, vulnerability is linked to high export and import penetration coefficients concentrated in a few firms from a narrow range of destination or origin countries, such as China, the US and Europe. Supply chains with little diversity of suppliers or customers are more likely to be disrupted and can amplify the propagation of shocks.

Regardless, the OECD (2021) approaches "concentration" in the limited sense of market competition microeconomic models, its diagnosis is practical: building back better (OECD, 2020).

To increase resilience, robustness and readiness in GVC (UNCTAD, 2022), the great powers rapidly launched substantive industrial policies' plans. Thus, the pandemic strengthened the rivalries between both companies and States, in order to acquire another kind of concentration: of power and of wealth (Stopford & Strange, 1991; Shutte & Prashad, 2023).

During the pandemic, the system became more concentrated in geopolitical terms because of the technological changes and financial improvements that are being made by the TNCs. It is an opportunity to keep or to raise their profit rates. When this happens, historically, class and intersectional struggles tend to intensify (Reis & Kvangraven, 2023). Then, the escape routes for Global South countries are scarce.

### **Industrial Policy is Back Again, but for too Few**

UNCTAD (2020, 2021) see a “perfect storm” in the international production system, caused by the joint effects of the pandemic and the “megatrends” - disruptive transformations in the course since the financial crisis in 2008/09: a) Technological trends and the New Industrial Revolution (NIR); b) Trends in global economic governance; c) Trends in sustainable development. Moreover, the war between Russia and Ukraine intensified geopolitical and economic concerns which led some nations to offer incentives to rethink manufacturing (UNIDO, 2022).

However, there aren't umbrellas for everyone. As argued in the last section,

protection depends on financial and technological power, which today is attested in the American and Chinese investments to become carbon-neutral within 30 to 40 years, which might be the new engine of their growth dynamics (Reis, 2021a).

The 2021-2025 five-year plan wants to make China a leading innovator by 2035, focusing on 4.0 technologies such as next-generation artificial intelligence, semiconductors, cloud computing and 5G networks - so that R&D spending rises by more than 7 per cent each year. They want the non-fossil fuels to grow from 15 per cent to 20 per cent in the energy use matrix by 2025.

The Biden and Harris administration announced in 2021 the Jobs and Infrastructure plan, and a task force for greater resilience of supply chains and the revitalisation of American industry, based on infrastructure, especially related to clean energy. Then, the report of the White House's Task Force identified the most critical chains' activities for the US, namely: semiconductor processing, large capacity batteries, strategic minerals and materials (rare earths in particular), pharmaceuticals and active pharmaceutical ingredients (API).

Such vulnerabilities were coming from, as highlighted, industrial policies adopted by allied/partner/competitor nations, geographic concentration of global supply in East Asia, limited international coordination, etc. Therefore, in 2022, the US launched the Inflation Reduction Act, a huge spending programme that includes actions on the supply side to fight

inflation, such as reducing energy costs, with the intention of increasing cleaner production, reducing carbon emissions, and cost relief in the health sector.

The European Union (EU) also had initiatives for resilience in value chains, published by the European Commission and the European Parliament. The Industrial Strategy 2020 proposed industrial alliances and industrial ecosystems to achieve the green and digital transition, preparing them against crises in strategic sectors (EPRS, 2021).

The New Industrial Strategy, revises the previous one, analysing a set of sensitive products for which the bloc is highly dependent on external suppliers. It contains six in-depth reviews of supply chains with the prevalent use of these materials: active pharmaceutical ingredients (APIs), batteries, hydrogen, raw materials, semiconductors, and cloud and edge technologies. And the Green Deal Industrial Plan of March 2023, aims to increase the competitiveness of Europe's green industry and accelerate the transition to climate neutrality. The pillars of the plan are: the regulatory environment; faster access to finance; improving human capabilities and skills; open trade for resilient supply chains – except in sectors related to strategic autonomy.

Therefore, in the centre of the world-system dynamics, the States are stronger in the economic and political, domestic and international spheres. This happens not only because countercyclical measures to circumvent the COVID-19 crisis were needed, but also to induce

investments in the strategic technologies and industries of our time: the sustainable 4.0 paradigm.

These efforts of the two main world powers, and of Europe, even if not fully completed, tend to intensify the concentration of power and wealth, moving the periphery away from the core that creates and appropriates the profits of global productive and financial technological standards (Reis & Kvangraven, 2023).

### **Finding the Loopholes**

In this context, the spaces of resistance for companies and nations with less power in the markets, like many in the Global South, become even smaller. As a conclusion, only a few countries can implement effective and long-lasting industrial policies, imposing a harsh situation on others.

To avoid more economic dependence and political decay, Southern States need an emancipatory and sovereign vision of development. Based on more representative governments and democratic institutions, developing economies can seek strategic niches in value chains that might accelerate growth and, in addition, improve income distribution between social classes, genders, ethnic-racial groups and regions of their territories (Reis, 2021b).

In other words, the challenge is to find a route for economic dynamics that generates decent jobs and income, and raises the country's general income standard, with environmental and climate justice. Necessarily, this means changing

the productive structure to promote its technology density, engendering spillovers and multiplier effects. Then, education and ST&I systems, with a long-term vision towards inclusive and sustainable developments should be fostered.

However, a favourable macroeconomic regime is crucial, with monetary and fiscal policies that lead to interest and exchange rates consistent with structural change. High interest rates are a major problem for the Global South, particularly for micro, small and medium-sized enterprises and for low-income consumers. And competitive exchange rates for the resumption of industrial dynamics, without causing inflation and socialisation of losses, are also important (Reis & Lacerda, 2023).

Unfortunately, the international financial system is not contributing to these conditions in poor countries. Thus, foreign relations must promote a haughtier and more active productive and financial integration of the South. Multipolarity, human rights, nature and democracy must be further advocated in international forums. It is urgent to reinforce the cultures of peace, improving social interrelations between the Global South and the North.

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# Governing GenAI *for all and for good*

Gabriela Ramos\*

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**Abstract:** The advent of Artificial Intelligence and, more specifically, Generative AI, promises immense potential to revolutionise various sectors and improve human life. However, the rapid development and deployment of AI also raise critical societal concerns. By prioritising human values over short-term gains, the paper sustains that we can shape the direction of AI and ensure a positive impact on economies and societies worldwide. It calls for a proactive approach to AI governance, as opposed to self-regulation or ex-post measures. It underscores the importance of implementing guardrails to avoid amplifying existing inequalities and potential new challenges. It presents the UNESCO Recommendation on the Ethics of AI as a normative framework for AI governance worldwide. It also recalls that the Readiness Assessment Methodology (RAM) can help countries discuss specific advice on the kinds of rules, institutions and policies they may use for ethical AI development. Several countries have already started implementing this framework and methodology to ensure AI respects human rights, benefits all humanity, and follows ethical principles.

**Keywords:** Artificial Intelligence (AI), Generative AI (GenAI), Foundation Models and Private Sector, inequalities, markets concentration and ethics, Multilateral cooperation; UNESCO Recommendation on AI & Ethics

## Life in the Age of Artificial Intelligence

**W**e have officially entered the Age of Artificial Intelligence. AI has the potential to make our lives easier and smoother. It can help us find a home, get information, improve our finances, look for and get a job, or do our taxes. It can improve food production and management by making agriculture

more efficient and increasing food safety. It can help predict and combat natural disasters and preserve biodiversity by developing energy-efficient cities and better power storage and distribution systems. It can increase the accuracy of medical diagnoses when combined with doctors' assessments. And it can make us more productive by saving us resources for routine work and leaving us more time for creative thinking. Generative

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AI (GenAI), the most promising and powerful new trend in technology, could bring in \$2.6 trillion to \$4.4 trillion annually across all industries, equivalent to the entire GDP of the UK (Ramos, 2023; McKinsey, 2023).

At the same time, without clear guardrails, AI can reproduce and amplify many of the social challenges we face and even create new inequalities. In 2023, half of the world's population still lacks adequate internet access, and the gap between regions, gender, income, language and age groups remains. Nearly 90 per cent of people in Europe are online, but only 21 per cent of women in low-income countries use the internet. Digitally deliverable services account for almost two-thirds of global services trade, but significant digital learning gaps are emerging and growing, necessitating a global digital pact (UN, 2023).

Market concentration is also a major problem, as AI developments and the underlying data are in the hands of a few companies, with only two countries – the United States and China – owning most of the innovations. It is true that some private companies are proactively putting principles and processes in place to make AI sustainable and ethical, but this is not the majority, and business interests and geopolitical considerations – which are often short-sighted – prevail. As US President Biden underlined recently, these principles are still voluntary. Non-diverse AI teams, non-representative databases and opaque and biased algorithms can do harm, especially to those already at risk, be they businesses or individuals, children and young people, women

or even democracies. AI has become the latest technological competition (after 5G, semiconductors, platforms, pharma) driven by short-term benefits or geopolitical considerations at the expense of global interests (Maslej et al., 2023).

Not to mention that authorities in some countries are already using AI-powered facial recognition technologies to monitor political dissidents and conduct mass surveillance, which weakens democracies.

Given the above contrasting trends, Who is in charge here? Too many important technologies are currently being used without clear guardrails. Of course, it would not be the first time that regulators have lagged behind market developments. In the case of AI, however, the gap is significant. There is a need for a quantum leap in the governance of technologies for building the capacity to understand them and enforce ethical guardrails. (Mazzucato and Ramos, 2022; UN, 2023). We need to create rules and institutions that are guided by our values as a society. This is not about technology. It is about the governance frameworks shaping their development and use, and the ethical and moral values that sustain them.

## **AI Policy Agenda for the Common Good: Institutions, Rules and Skills**

For once, we should align technological developments with our overall goals. With many ministries within governments having something to say, we need more coordination and even innovative governance. Establishing

high-level offices to coordinate digital and artificial intelligence strategies is an international good practice that ensures coherence and political participation at the highest level. But this is not enough. AI should be a State – not a government – policy. Empowering data protection authorities or strengthening or building new independent digital economic agencies that assess and licence AI developments (similar to the US Food and Drug Administration) should be seriously considered. Moreover, the policy agenda for AI in the XXI century should couple the institutional and regulation agenda with substantial investment in skills, both in governments and in the labour markets to shape the technological revolution for the common good (Mazzucato and Ramos, 2022).

The UNESCO Recommendation on the Ethics of AI, a normative framework adopted by 193 member states, contains the most detailed action plan currently available at the international level to build these pillars. The Recommendation's aim is to promote and protect human rights, human dignity, environmental sustainability and gender equality. It promotes principles such as accountability, transparency and, above all, the rule of law. It contains concrete policy chapters calling for better data governance and sets out policy tools to bring about policy change. These include the Ethical Impact Assessment, which identifies the impact of AI systems both ex-ante and ex-post, and the Readiness Assessment Methodology (RAM), which helps countries assess their readiness and forms the basis for

UNESCO policy and capacity-building support. As of June 2023, nearly 30 countries, and more to come, have begun using the Recommendation to enact national laws that ensure AI respects fundamental freedoms and human rights and benefits all humanity. India will soon pilot RAM.

UNESCO's efforts are gaining visibility and impact, and key global actors are now taking responsibility for refocusing the debate. Perhaps most striking is the return of the US to UNESCO, recognising the relevance of UNESCO's mandate and in particular its leadership role in AI ethics policy. As addressed by Secretary Blinken at the Congress: "It was important (for the US) to be at the table that is defining the rules for AI ... things that are happening at UNESCO actually matter. They are working on rules, norms and standards for artificial intelligence. We want to be there". This policy momentum is reinforced by the European Union developing a holistic regulatory framework and a forthcoming AI Act as well as supporting the implementation of UNESCO's work on ethics in developing countries. It is also particularly important to mention the AI strategies of key emerging economies such as Brazil or India and India's initiatives at the Presidency of the G20.

The era of light-touch ex-post self-regulation is ending for good with the arrival of big language models and GenAI. The impact of data bias has been magnified and previous AI developments pale in comparison (e.g. when limited data samples were used to select a



company's CEO or design a healthcare device). Privacy concerns (when applied to media use) have come to the fore. As The Economist recently noted, GenAI developers themselves have often been surprised by the power of their creation. The bottom line is that AI and generative AI, like any other major product, should be tested for safety and trustworthiness before they are launched into the market. UNESCO highlights the need for this impact assessment to be done in advance.

### **Foundation Models: Special Features and Initiatives of the Private Sector**

Since mid-2022, the release of AI foundation models for text, images and audio files to the public and the massive growth of their user base has intensified and broadened the debate about the risks they pose to labour, education, scientific research and democracy, as well as their potential negative impact on cultural diversity and cross-cultural interactions. Foundation models are AI systems characterised by the use of large machine learning models trained on massive unlabelled datasets, using significant computational resources. Examples include large language models (LLMs) such as the GPT series and Bard, and image generator tools such as DALL·E 2 and Stable Diffusion (UNESCO, 2023a).

The speed of their adoption and their increasing capacities, measured in weeks rather than years, deepen the known risks of AI. Preliminary assessments based on UNESCO Recommendation confirms that LLMs can provide misleading, inaccurate or false information without

making this clear to the user (ChatGPT has only recently introduced a disclaimer). Their impact on science, research, education and work is also magnified by the range of tasks the tool can perform. This makes the list of unknowns even longer and the risks in human-machine interaction greater. Generative AI can shape people's minds, thoughts and behaviour. Implementing UNESCO's ethical framework is therefore a must. The fact that these AI models are often described by their developers as "experimental" and issues often only come to light after they have been released to the public also highlights the need for ex-ante regulation and the establishment of liability regimes.

It should be acknowledged that some leading private companies and business associations have launched initiatives to guardrail foundation models' functioning and use. For example, NASSCOM, the National Association of Software and Service Companies of India, has published its guidelines for the 'responsible' use of generative AI and adopted the UNESCO Recommendation on AI & Ethics (NASSCOM, 2023). As a step forward and in a similar spirit, Microsoft recently presented its white paper on AI governance, proposing specific regulations for each of the AI technology layers. They proposed applying existing legal protections at the applications layer to the use of AI (e.g. banking, insurance, commerce); adding new AI expertise and capabilities to existing regulatory agencies; and developing new laws and regulations for these AI foundation models; even

establishing a licencing regime similar to that for telecommunications network operators and critical infrastructure providers (MICROSOFT, 2023). Microsoft is also leading the Business Council, which was established to implement the UNESCO standard in a multistakeholder manner.

Given that so much knowledge and experience exist in the private sector, synergies between the public and private sectors are both inevitable and desirable. To take this work forward, UNESCO relies on a large group of partners in the public and private sectors, as well as in civil society, to ensure that the Recommendation is translated into concrete policy action and regulatory insights. With the support of the Japanese government, the Patrick McGovern Foundation, the European Commission and CAF, and the Development Bank of Latin America, UNESCO is now deploying its tools in a large group of countries and has established the AI Experts without Borders and Women4EthicalAI networks. UNESCO is also working with a large number of knowledge institutions and will be establishing the Observatory of Ethics of AI with the Alan Turing Institute.

These examples are steps in the right direction, but they are not enough. Bold public action is urgently needed.

### **UNESCO Recommendation on AI & Ethics in Action: Governing GenAI for Good and for All**

UNESCO recently analysed foundation models and GenAI through the lens of

its Recommendation on the Ethics of Artificial Intelligence and concluded that three challenges stand out: Fairness and verifiability, labour market impacts and environmental sustainability (UNESCO, 2023a).

### **Quality of data, fairness and verifiability**

The quality, coverage transparency and verifiability of data are particularly important to prevent disinformation and misinformation and to address discrimination in ChatGPT and models alike. These models tend to be opaque, both in terms of the dataset used to train them (and some even refuse to disclose what data was used). Providing transparency and explainability should involve, at least, providing real references for the factual claims made, so that users can understand where the answers they are getting come from, and are better empowered to judge their truth, bias, and trustworthiness – while also, where relevant, giving credit to the creators of the content from which the tool is deriving its outputs (UNESCO, 2023a). The principle of fairness and non-discrimination places particular emphasis on the inclusion of all members of society, especially persons with disabilities, women and children, and all marginalised groups, taking into account their specific needs and language requirements. A particular focus should be placed on gender inequalities and biases.

### **Labour markets and skills**

For millions of low-income people with good connectivity, the democratising

effect of access to knowledge and digital services that ChatGPT brings is excellent, especially for facilitating autonomous learning or breaking down barriers to accessing research assistance. But as long as the unconnected half of the world's population is not able to access these services, gaps will remain and grow.

In addition, foundation models reinforce concerns about the impact of AI on labour markets and the speed and depth with which certain jobs will change; in particular tasks such as reasoning, writing, creating graphs and analysing data that differ from software and robots, which impact low - and middle-skilled tasks (Webb, 2020). Not to mention that foundation models' training is labour intensive, often using 'ghost workers', with sub-optimal working conditions, who provide human feedback to optimise reinforcement learning, oftentimes from low-income countries.

We need calls for an ambitious forward-looking agenda for cognitive and socio-emotional skills with a focus on communication, problem solving, creativity and teamwork. A significant number of socio-emotional skills, combined with more cognitive skills, seem to be in constant demand (Ramos, 2022). Moreover, retraining and upskilling are key. Analyses of the workers' performance on the job and on workers' skills endowment and learning opportunities, show that the cost of changing jobs (either within the same firm or elsewhere) is not trivial (Andrieu et al., 2019). This requires coordinated action by government, companies, trade unions,

civil society and workers to "put in place" upskilling and reskilling programmes, find effective mechanisms to retain workers during these transition periods, and explore 'safety net' programmes for those who cannot be retrained (UNESCO, 2023a). Job analysts have mainly focused on assessing how jobs will change and understanding the jobs of the future, but the real challenge is to provide the necessary support for the transition period, which can be long and painful.

A discussion is taking place under the Indian Presidency of the G20 Digital Economy Working Group (DEWG), in particular in Priority 3 "Digital Skilling", where UNESCO is a knowledge partner. The aim is to help create a future-ready workforce. The starting point is to recognise the skills gaps that characterise the economies and societies and how disruptive and divisive these can be. A G20 Toolkit for the Design and the introduction of digital upskilling and reskilling programmes is being developed, to identify good practices and help G20 members better assess and improve their skills strategies. The work of the G20 DEWG under the Indian Presidency has also highlighted the need for a widespread measurement of skills, capabilities and competencies to enable cross-country comparisons and create a common understanding of digital skills across borders. This would facilitate tapping into a global talent pool and help address supply and demand gaps of human capital faced by economic actors and workers, and facilitate working with AI (Samek and Squicciarini, 2023).

## **Environmental sustainability**

The environmental footprint of the large foundation models is considerable. For example, the training run of BLOOM (the less energy-intensive of the four language models analysed by the Stanford Institute for Human-Centered AI) emitted 25 times the amount of a round-trip passenger flight from New York to San Francisco and consumed as much energy as an average US household in 41 years (Maslej et al, 2023).

This calls for assessing the direct and indirect environmental impact throughout the AI system life cycle, including, its carbon footprint, energy consumption and the environmental impact of raw material extraction for supporting the manufacturing of AI technologies, and reducing the environmental impact of AI systems and data infrastructures. Moreover, when choosing AI methods, given the potential data-intensive or resource-intensive character of some of them and the respective impact on the environment, Member States should ensure that AI actors, in line with the principle of proportionality, favour data, energy and resource-efficient AI methods (UNESCO, 2021).

## **Fighting ‘AI pauses’ and regulation myths**

Following communiques and open letters from tech industry leaders calling for a pause in the training of the most powerful AI systems, UNESCO urged countries to fully implement its Recommendation on the Ethics of Artificial Intelligence without delay. We do not need a pause; we need to redouble efforts to ensure that

governments are able to shape inclusive and fair technological development. UNESCO’s global normative framework provides the necessary guarantees for cutting-edge foundation and GenAI models. As industry self-regulation is not sufficient, the Recommendation are tools to ensure that AI developments follow rule-of-law principles, that harm is avoided, and that, when harm is done, accountability and redress mechanisms are available for those affected (UNESCO, 2023b).

As we said, more than 30 countries in all regions of the world are already working with UNESCO to develop AI checks and balances at the national level. They draw on the Recommendation and on the Readiness Assessment Methodology (RAM) to receive advice on the kinds of rules and policies needed for the ethical development and use of AI, but also to explore institutional innovations that could take on the oversight role in AI. UNESCO calls on all countries to join the movement which is leading to build ethical AI. A progress report will be presented at the UNESCO Global Forum on AI Ethics in Slovenia in early 2024.

Despite the oft-cited myth that AI cannot be regulated, there is growing evidence to the contrary. Claiming that AI is so dynamic and ubiquitous that it cannot be regulated, and refusing to train large language models because they could never be implemented (because if you prevent large companies from doing so, others will fill the gap), is the same as claims about chemical or biological weapons. And regulation has generally

worked for them. Another argument is that governments do not have the expertise or human capital to regulate AI. But this is precisely why it is time for government to invest much more in attracting and re-skilling internal talent, as one of the pillars of public policy (Acemoglu, 2023). The new or strengthened AI supervisory and regulatory body is central to advancing the regulatory agenda. This reinforces the belief that sound AI governance and regulation is indeed good for good businesses, similar to how companies that show improvement in environmental, social and governance values tend to have higher shareholder returns compared to industry peers in the period following improvement in social responsibility scores (McKinsey, 2022). In some countries, such as Spain, responsible AI labelling is being introduced in line with proposals to extend social responsibility to digital issues ('EDSG' as proposed by Benjamins and Melguizo, 2022).

### **We have the tools and the political will, let us move forward!**

The future of our society is at stake. Not only do we need to solve the problems and control the risks of AI, but above all we need to shape the direction of digital transformation and technological innovation more broadly. AI, especially GenAI, is becoming a general-purpose technology in the midst of a global economic and geopolitical race that impacts multiple/all industries and societies. It therefore needs context, i.e.

history and values (Kissinger, Schmidt and Huttenlocher, 2021). ChatGPTs and LLMs, in particular, raise high expectations of their service offering. These could be substantial, accelerating productivity and income, well-being and inclusion. However, their widespread use also highlights the risks associated with the way these technologies are currently deployed, responding to a frantic technological race between economic actors and countries, rather than serving the public good. To get this right, we need the right institutions and policy frameworks, and that is what UNESCO has been mandated to do.

The ethical approach to AI led by the UNESCO Recommendation on the Ethics of Artificial Intelligence can deliver fair, sustainable and inclusive outcomes. But it cannot do so without capable governments that protect the rule of law online, State structures that are adapted to the new AI world, and private developers who are accountable for putting people – not profits or geopolitical considerations – first. Only then can the Age of (Gen)AI bring the progress we hope for. We hope that the concerns raised by these technologies will help us build more solid governance frameworks that will have a positive impact on our economies and societies. That is why initiatives like India's under its G20 Presidency to strengthen human capital for the digital and AI age and their commitment to implementing the UNESCO Recommendation on the ethics of Artificial Intelligence are key.

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# Food Security Concerns: Roadmap from A G20 Perspective

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*Abstract:* Food security is highlighted as an immediate concern for humanity, with further threats being added with climate change that has the potential to severely disrupt the existing food system. The digitalisation of agriculture is described as a way out of this impasse. The paper argues that small and marginal farmers face a challenge because they are mostly engaged in production with no linkage with the other components of the agricultural value chain, like processing, marketing or even input procurement. They also remain on the wrong side of the digital divide. It is necessary that they are provided with the digitalisation benefits as a public good through effectively chosen public investments. Moreover, it is imperative to provide them with the required capacity building initiatives so that they can use the benefits of the technology in an efficient manner. The G20 is the right forum to bring these issues forward from a global perspective.

*Keywords:* Small and Marginal Farmers, Food Security, Digitalisation of agriculture, Digital Divide.

## Introduction

**H**umans are the only living species on earth engaged in production. We are not accustomed to consuming only the resources available directly from nature. We have developed the knowledge and skill – or, more precisely, the technology – to convert those resources into goods and services that are not available in nature. Of course, we use natural resources, but we also use our labour force and other

produced inputs to create them. This unique capacity to produce has been the distinctive feature that differentiates us from other living beings. The rest of the living species consume only resources that are directly available from nature. Incidentally, this distinctive feature is linked to our accepted path of development. The more we have learned to produce through the transformation of natural resources, the more we have taken the higher paths of development

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and have progressed steadily. But in this process, we have also dumped pollutants on Mother Earth without caring for years. In the process of producing the products we need, we have also produced by-products that we do not need. They have been thrown into nature and are mostly produced by unnatural processes that cannot be broken down into natural resources to be absorbed by the earth's system in a short time. Thus, we have significantly degraded the quality of soil, water and air and it is becoming increasingly difficult to use these natural resources in their purest form.

On the other hand, in our quest in our quest to utilise our capacity to produce, we also got engaged in using natural resources beyond their natural rates of availability. Forests were cut to provide land for agriculture and then for industrial activities along with necessary urbanisation. This led to severe loss in biodiversity without often realising the importance of the losing species in the ecosystem that we live in. The predominance of capture fisheries across the globe has created a grave situation of over-exploitation of marine species. Water crisis are often considered to trigger the next bout of conflicts facing the human species in a few decades from now. Climate change is already a reality and we are yet to find an agreeable solution to this global problem.

An immediate threat from this complex process of destruction of our natural resource base on the one hand and environmental pollution on the other arises in the form of increasing food insecurity for the global society.

It is being noted that the threat of climate change and the consequent rise in temperature will reduce agricultural productivity around the world – especially in tropical regions. Increasing uncertainties associated with excessive rainfall will also have a considerable impact on the availability of agricultural products. Other natural disasters like cyclones, floods and droughts will further exacerbate food insecurity. Earlier drivers of food insecurity in the form of economic shocks and regional conflicts still exist. Of late, a new driver has meaningfully been added in terms of weather extremes. The recently published Global Report on Food Crisis estimates that 128.93 million people are facing food crises, another 24.13 million people are in emergency situations while 0.13 million people face catastrophe<sup>1</sup>. The report explains the role of each of these drivers in accentuating food insecurity and it is important to note that the number of countries facing insecurities due to climate change has risen from 8 in 2021 to 12 in just a year. The number of vulnerable people has more than doubled from 23.5 million to 56.8 million in the same period. The impact of climate change on increasing global food insecurity can no longer be ignored.

One very enthusiastic solution that is doing the rounds is of digitalising agriculture through the extensive use of information and communication technology and big data to create new software solutions for mass storage and optimised connectivity, block chain technology to monitor the supply chain more precisely and the use of drones,

Internet of Things (IoT) and sensors that would ensure farmers are capable of monitoring production more efficiently<sup>2</sup>. A number of studies have been carried out to identify the positive roles of digitalisation. McFadden (2022) is a recent and detailed review of the existing literature from the agricultural sector in OECD countries. However, as rightly highlighted in a T20 policy brief (Anbumozhi *et al*, 2022), the digital divide that exists between developed and developing countries calls for improved global governance architecture for the agricultural sector. This paper proposes a possible framework of governance architecture for the global agricultural sector that can be accessible and inclusive for all farmers, regardless of farm size, to ensure food security for all in the spirit of equity.

## **The Present State of Global Agriculture and Food Security**

The global agricultural system is engaged in producing food for billions of people and sustaining the livestock industry. Demands from both these sectors are increasing steadily. Further, it is also getting increasingly engaged in the production of energy through biofuels, leading to what is described as a food-feed-fuel crisis (Muscat *et al*, 2020). It also has to take care of the demands for inputs from the manufacturing sector. It is obvious that this is a complex systemic problem and a simple linear solution is difficult to find. In addition, the system needs to be purposefully linked to the available land and water resources which are also put to diverse,

sometimes conflicting, uses. However, in this discussion, we shall consider the largest and the most important part of the global agricultural system – the food system. Effective measures to take care of governance of the agricultural system as a whole that includes both food and non-food agricultural products, cannot be thought of in the presence of increasing food insecurity.

What is the main problem of the global food system today? There is no reason to disagree with the argument put forward recently by George Monbiot that “our food systems (are) on the verge of collapse”<sup>3</sup>. The global food system is also gradually being conquered by the plutocrats, and to a significant extent through the process of digitalisation of agriculture. Before going into the details of the implications of digitalisation in its present format, it is important to look at the following information:

- There are more than 608 million farms in the world.
- Family farms produce roughly 80 per cent of the world’s food in value terms.
- 72 per cent of global farms are smaller than one hectare in size; 12 per cent are 1–2 ha in size; and 10 per cent are between 2 and 5 ha. Only 6 per cent of the world’s farms are larger than 5 ha.
- Farms smaller than 2 hectares produce roughly 35 per cent of the world’s food.
- The largest 1 per cent of farms in the world (those larger than 50 ha) operate more than 70 per cent of the world’s farmland. (Lowder *et al* 2021)
- Prevalence of undernourishment started increasing in 2017 (7.6 per

cent) and reached 9.8 per cent in 2021 (FAOSTAT). 11.7 per cent of the global population suffered from severe food insecurity in 2021 compared to 7.7 per cent in 2014 (FAOSTAT).

- Today, more than 800 million people across the globe go to bed hungry every night, most of them smallholder farmers who depend on agriculture to make a living and feed their families. Despite an explosion in the growth of urban slums over the last decade, nearly 75 per cent of poor people in developing countries live in rural areas. Growth in the agriculture sector - from farm to fork - has been shown to be at least twice as effective in reducing poverty as growth in other sectors<sup>4</sup> (USAID).
- The risk and responsibility these farmers face on a daily basis are not matched by the financial, institutional, technical and technological support they need to thrive. It can be argued that food insecurity cannot be tackled if these supports are not provided.
- Climate change is an added complication faced by them. It can affect crops, livestock, soil and water resources, rural communities, and agricultural workers. However, the agriculture sector also emits greenhouse gases into the atmosphere that contribute to climate change (USEPA)<sup>5</sup>.
- A recent IMF study (Rother *et al*, 2022) clearly argues that food insecurity is a global phenomenon but affects low-income countries the most.

The call for the digitalisation of agriculture has to be looked into against the backdrop of these important realities. Are the big number of small and marginal<sup>6</sup> farmers capable of digitalising their agricultural practices on their own? Most probably, they are not. They would require ample institutional, technological and financial support to arrange a solution that would be built on their ability to organise themselves in taking such steps forward.

### **Digitalisation of Agriculture and Its Implications**

The digitalisation of agriculture has been going on for quite some time, ever since the geographical positioning system was used in agricultural decision-making at the beginning of this century. The use of digital technologies in the management of agricultural production and processing, followed by marketing efforts to reach the end consumer, has become more extensive during the last two decades. These actions have been found to have reduced costs and made the activities efficient. They are also claimed to have become more environmentally conscious, contributing to climate-friendly agriculture.

However, it is necessary to note that the process has become too intensive in terms of access to capital – be it in physical or in knowledge nature. The digitalisation of agriculture is primarily built on the idea of involving the recent advances in communications and related technologies that would, in all perspectives, substitute the labour-intensive methods used

by small farmers across the globe. In reality, in a typical digitally managed agricultural system, the farms would benefit in different ways from digital technologies in relation to their size. The bigger-sized farms would be able to digitalize their system faster than the small and medium ones simply because they have easier access to physical capital and knowledge. The existing digital divide will also play an effective role in putting small farmers on the receiving end. Traditional farmers have been using their skills in agricultural production for generations and often could not upgrade their skills in other domains as most of them could not afford to join the other components of the value chain, like processing and marketing in the forward linkages or input procurement in the backward linkages. They just produced with no opportunities to gain a share of the surplus generated in the other components of the agricultural value chain. To emphasise, the surplus generated by small and marginal farmers is often zero, if not negative. This is the effect of disguised unemployment that Joan Robinson pointed out as early as 1936. The curse of disguised unemployment affects small and medium farmers today, as Liboreiro (2022) notes, even in middle-income countries such as Brazil, China, Indonesia, India, Russia, Mexico and Turkey. A study by ILO finds in Indonesia and South Africa that individuals who start their careers at the bottom of the transition ladder (i.e., in informal work, the agriculture sector or a low-skill occupation) are less likely

to move out of their present situation (Brehm *et al*, 2023).

The status of small farmers in low-income countries is quite understandable. For example, Herrera *et al* (2021) report on the situation in Madagascar where over 70 per cent of respondents reported not having enough food for the household in the last three years, and the most frequently reported cause was small land size (57 per cent). In Cambodia, small-size farmers – who make up three-quarters of the country’s 1.7 million farming households – struggle to achieve the size and consistent quality of production needed by export and domestic markets. Most supplement their incomes with non-farm wage labour<sup>7</sup>. Niragira *et al* (2015) argue in the same vein to describe the status of small farmers from Burundi. They note that the predominant production systems in the poorest areas are still characterised by low input use, mixed cropping, and keeping a small number of livestock, with a high degree of reliance on their own production to provide their food. The situation is further grim in countries such as Afghanistan, Syria, the Democratic Republic of the Congo and Yemen, which are facing violent domestic violence (Kemmerling *et al*, 2023).

What will be the roadmap for the future? It is clear that the governance of global agriculture is at an interesting crossroads. On the one hand, small farmers still provide almost 35 per cent of global food grains, controlling just 24 per cent of the agricultural land, but they are in dire straits to maintain their

existence. On the other hand, the largest 1 per cent of farmers control 70 per cent of the global farmland with a size of 50 hectares or more and produce around 37 per cent of the global food supply<sup>8</sup>.

### **New Global Governance Framework for Agriculture: G20 Perspective**

If digitalisation of agriculture is considered the way out to take care of the impending food insecurity, we have to develop a governance structure that will not only take care of the resilience of the global food system but also ensure that the small farmers across the globe join the process in a meaningful way. The roadmap so far has been developed in the context of the supply of different technological applications that can facilitate the process. However, not enough efforts have been made to look into the accessibility of these innovative applications to small farmers. They cannot access them individually, given their financial, institutional and technical capabilities. It is necessary that they are provided with these services in a collective manner.

The G20 has been a useful group to look for new governance approaches to sustainable development. Starting with the Presidency of Indonesia in 2022, it will be led by Southern countries until 2026. India will hand over the baton to Brazil in 2024 to be subsequently passed on to South Africa in 2025. This is the most opportune moment for taking up critical issues faced by small and marginal farmers who are mostly found

in Southern countries where agriculture still contributes as a major source of employment<sup>9</sup>, if not GDP<sup>10</sup>. One such important issue is related to the digitalisation of agriculture that would help these farmers to not only monitor and control their production using emerging technologies but also join the other components of the value chain so far inaccessible to them, like processing, storage, transportation and marketing. It is observed that the use of new technologies is creating an opportunity to link up all components of the value chain to increase the overall efficiency of the system. Therefore, small farmers who are traditionally only involved in production cannot achieve efficiency if they are left out from the other related components of the value chain. They need to have seamless access to credit, real-time information on the availability of inputs, storage and transport systems, processing facilities and finally, information about marketing of their final products. Keeping in mind the growing concern about climate change, they also need to be made aware of the ecological and environmental implications of existing practices. It is to be noted that given the technological changes brought about by the introduction in the 1960s of practices centred around the use of high yielding varieties of seeds along with uncontrolled use of water, fertilizers, herbicides and pesticides, the small farmers also shifted from their traditional, nature-based farming methods. Such a step increased the productivity of food systems. However, the resulting negative

impact on the environment and ecology has long-term consequences.

Three basic steps need to be considered. First, small farmers need to have collective access to these facilities and States are to facilitate this process through public investments. It is obvious that the farmers operating at low scales are at institutional, technical and financial disadvantages to digitalise their agricultural practices as individual entities. It is necessary that digitalisation is introduced as public goods to be shared by the cohort of farmers jointly. Second, it is important to provide them with the necessary capacity building arrangements to effectively use these technical inputs. State initiated efforts are necessary to meet this requirement as small and marginal farmers are found to be mostly on the wrong side of the prevailing digital divide because they cannot take care of this divide as individual entities. Thirdly, small and marginal farmers need to be empowered to take a decision-making position not only in processing and marketing the products they want to pass on to the final consumers but also in procuring the necessary inputs. As per the existing system, most of them are either engaged in production for their own household consumption or selling their excess production to middlemen at farm gates. They also procure their inputs from a set of middlemen. As a consequence, they create values but fail to realise the same, as a considerable part is usurped by the middlemen. If they are collectivised in procuring inputs or processing and marketing their outputs,

they can realise a larger part of the normal surplus they generate. Examples of many such successful collectivisation processes exist across the world (Dumitru *et al*, 2023; Alizadehnia *et al*, 2022; Alotaibi *et al*, 2022; Fischer *et al*, 2012; Georg, 2020; Khan *et al*, 2022; Liang, 2018; Miron-Sanguino, 2022; Ruben, 2012; Vlachos, 2022). They can provide good inputs in framing the policy perspectives.

A G20 mechanism under the continued leadership of the countries of the South can help in the coming years to create such an effective governance structure for a global food system that becomes resilient and sustainable and helps us all to address the prospects of food insecurity that we are currently concerned about.

## Endnotes

- <sup>1</sup> <https://www.ipcinfo.org/>, <https://www.fsinplatform.org/global-report-food-crises-2023>
- <sup>2</sup> <https://varda.ag/blog/14-blog/trends-and-topics/49-agriculture-digitalization>
- <sup>3</sup> <https://www.theguardian.com/commentisfree/2023/jul/15/food-systems-collapse-plutocrats-life-on-earth-climate-breakdown>
- <sup>4</sup> <https://www.usaid.gov/agriculture-and-food-security>
- <sup>5</sup> <https://climatechange.chicago.gov/climate-impacts/climate-impacts-agriculture-and-food-supply>
- <sup>6</sup> Marginal farmers are considered only in terms of their size of holdings. This does not have any implications on their efficiency.
- <sup>7</sup> <https://www.ifad.org/en/web/latest/-/ifad-and-kingdom-of-cambodia-sign-agreement-to-promote-inclusive-and-sustainable-agricultural-growth>
- <sup>8</sup> <https://ourworldindata.org/smallholder-food-production>

<sup>9</sup> <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>

<sup>10</sup> <https://ourworldindata.org/grapher/agriculture-share-gdp>

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# The Forgotten Farmer: Redefining Africa's Future through Ecological Transition and Endogenous Solutions

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*Abstract:* Africa is at a critical juncture, needing proactive social policies to drive both ecological and economic transitions. Farmers are the hardest hit by climate change, with global warming diminishing soil productivity by 20% since 1980. Urban centres have reached saturation, unable to absorb the influx from rural areas. The resultant population pressures and resource constraints escalate internal conflicts and stimulate migrations out of the continent. Moreover, modern “development” policies have weakened African economies and exacerbated dependence on external entities. An alternate path suggests embracing Africa’s inherent “commons,” which lie between the inefficient market and weak state governance. Leveraging local solidarity and the creativity of the youth, especially in harnessing digital technology, can offer localized solutions. Sustainable energy access and modern agroecological techniques can revitalize the rural landscape. Protectionism, prioritizing local resources and massive public investment, can invigorate the agro-ecological revolution. Remunerating Africa fairly for its environmental services is pivotal. A shift is essential, with policies focusing on holistic human development and international “rational solidarity.”

*Keywords:* Africa, Climate Change, Economic development, Rural Development, Farmers, Migrations

Africa is at a crossroads: without proactive social policies to improve people’s well-being, there will be no economic development and no ecological revolution. If such a fork in the road is not taken, we will be heading, slowly or rapidly, towards chaos - and this will extend far beyond Africa’s borders.

In Africa, as elsewhere, the ecological transition must be accompanied by a social transition towards greater justice. The most disadvantaged, although they are the least responsible, are the most vulnerable to climate change, because they lack the resources to adapt to it.

Farmers in sub-Saharan Africa are among the first to be affected by climate

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change, which is first and foremost attacking soil activity: according to the Institut National de la Recherche Agronomique, global warming has already reduced their productivity by 20 per cent since 1980, particularly in the tropics where conditions are more extreme and soils more fragile. This affects three-quarters of the world's farmers, who still produce nearly 80 per cent of what we consume in sub-Saharan Africa (B. Schmitt and al.2021).

Africa is, therefore, one of the regions where the challenges pile up: while its population is set to double again in the next twenty-five years, despite the demographic transition that is underway, the deterioration in productivity and fertility over the last 40 years has reached the limits that can be tolerated by African peasant farmers, who are among the continent's most forgotten. The countryside has been abandoned. Cities have been preferred in the name of political stability and progress without peasants, but they have reached the limits of their capacity and can no longer absorb the rural exodus. These efforts had led to improved techniques - agrochemicals, but also a combination of agriculture and livestock farming - and to an increase in the population since 1960, through the extension of crops onto the pastures of livestock farmers and forests (C. d'Alessandro and al. 2016).

For those left behind, whose numbers are set to grow, the future will be one of migration out of the continent - since internal migration has already taken place towards the cities or the richest countries - which has so far been contained as best it can. For those who remain, the future will be one of conflicts over resources degenerating into 'inter-ethnic', regional

and intercontinental conflicts, in the shadow of terrorism. Such conflicts have already begun between farmers and herders in the Sahel and Central Africa - or between rivals over mines, as in the DRC and Rwanda.

To darken the picture still further, we are witnessing an increase in resentment and identity-based divisions, sometimes exploited by populists. They are the flip side of a lack of prospects for the future and the demand for a better life.

Young people - who did not experience the African independence of the 1960s, but rather long authoritarian regimes - are revolting today, not only in the cities but also in the countryside. If the democratic impetus is broken and concrete responses are not found, the unstable balance of the continent's geopolitics will be threatened - and conflicts could even be exported beyond the continent.

Yet these two areas of public policy are complementary rather than antagonistic. Particularly in Africa, where social practices and collective imaginations have to some extent resisted the commodification of human relations and the damage caused in the wake of the liberalisation of trade flows (K. Nubukpo 2022).

## **Failure of Development Policies**

Let's go back to the cities and the failures of "development": African economies, agricultures and institutions are now at a point of extreme weakness, which it is hard to imagine getting any worse: just think of the explosion in small-scale informal jobs, the non-existence of industrial jobs, and the income from rents captured by the political elite and the administrative class, who share less

and less with the impoverished rural population from which they come.

What's more, the extraversion of economies and the predation of resources continued under independence, despite attempts - often nipped in the bud - by a handful of African executives trained at the time. Later, a new world economic order increased the openness of trade on the pretext of a perfect and unsurpassable theory: under unbearable competition - high agricultural and industrial productivity, subsidies - it asphyxiated any desire for endogenous development, without ensuring a livable satellite position. Africa has found itself in a situation of dependence that is only getting worse.

Theories in favour of the liberalisation of flows nevertheless left the free movement of people in the shade. This unthinkable fact was managed a posteriori by Western countries as part of an "every man for himself" policy in Africa; they had no hesitation in supporting authoritarian regimes - gendarmes of upstream flows. By way of comparison, no fewer than 60 million Europeans migrated between 1850 and 1930 to bridge the divide created by industrialisation and demographic growth (K. Nubukpo 2019).

### **Method that Needs to be Revived: Provoking Solidarity through the Commons**

What kind of future, and even more so, what kind of ecological revolution, what kind of "economic and social progress" and what kind of environmental protection, is conceivable for the continent when we can no longer cover Africa with 2 billion

tractors, cars and air conditioners, and when the impoverishment of the people, particularly the peasants, is accelerating - without access to water, without toilet facilities, without electricity, without motorisation, and without industry either?

Providing answers - from the local to the global - to the major issues that threaten the survival of populations and world peace today is our main challenge. The human community is no longer blind: with a third transition, digital technology, everything is known, all the time. And misery is becoming unbearable for those who have nothing compared to those who have everything. Because rich countries are not stingy with their misery and miserable people, clearly not knowing how to share abundance so well.

We need more jobs and a more dignified life for all, in other words, civil human rights, and this will require a redefinition of priorities and public policies based on the endogenous strengths of a continent that has no shortage of them. To achieve this, it is imperative to bring about a change that makes development, environmental sustainability and well-being for all not only compatible but above all complementary: it would then be a question of a truly "sustainable" future, i.e. one that is bearable for all - and capable of being "supported", in Africa as in the West.

It's not a question of renouncing so-called modern well-being - although this has been aided by colonisation, exploitation and a quasi-religious hold on minds - but, in order to base public

policies on a long-term strategy rather than a headlong rush, we need to redefine human well-being in terms of a different relationship with the living world. To do this, we need to recapture the best of ancient times when human beings knew themselves to be living beings among others, an ideal now lost in our materialistic universe. In the face of the dreaded collapses, the stakes are high: we need to restore an enviable and desirable future, in the South as in the North.

In Africa, endogenous forces exist to channel these new impulses. I have called them the commons or the commons to be developed. These forces bring into full play the different levels of democratic subsidiarity adapted to each of the issues at stake. The commons to be promoted lie between the market, which is too inefficient, and the State, which is too weak and all the more weakened by structural adjustment and its dependence on the interests of multinationals and major powers.

In some places, life continues to be based on the common good. This is illustrated by social practices, collective symbolism and dynamic family solidarity - the current perversion of which is tribal solidarity. This local solidarity could be used as part of a bottom-up democracy committed to the inclusiveness of people and the reproducibility of local practices.

What's more, we need to make the most of the inventiveness and creativity of young people, who, with limited resources, are reinventing African low-tech every day. Digital technology and mobile phones have proved to be powerful tools for accessing information:

we need to cultivate economically and socially useful applications.

On the economic side, the economic needs of large-scale public policies should be financed by common currencies - freed from the comfortable but counterproductive parity of the euro - and by the unused savings of the middle classes, guaranteed by international public funding and backed by regional integration processes. The latter would be more relevant than integration on the scale of inherited colonial borders alone. Access for all to decentralised sustainable energy - solar, wind, geothermal, hydro - is an entirely achievable objective in this context, and a clear factor in sustainable endogenous development, combined with the well-being of populations. The ability of peasant farmers to move towards more productive techniques without motorisation or aggressive agrochemicals, based on ancient agricultural practices and still diverse land use patterns, is no longer in question - although these practices are threatened by private appropriation and international land grabbing. These techniques could develop a plant heritage that is more resistant to climatic variability than the standard technical packages of the "green revolution", but also a heritage that is less dependent on energy-intensive inputs from multinationals.

At the same time, the richness of the continent's biodiversity and the environmental services provided to the world by its vast primary forests and its peasantry of small-scale producers are still undervalued; today's farmers are too poor to degrade their land using agrochemicals

and mechanical means. The continent, particularly sub-Saharan Africa, is virtually carbon neutral, although it is under greater attack from climate change - but it is also under pressure to remain so, because of poverty and global environmental constraints.

### **Implementing African Solutions: New Public Policies for the Continent through International “rational solidarity”**

In my last book (K. Nubukpo 2022, op.cit.) I developed the main lines of an African solution in the current context, based on the strengths mentioned above. Firstly, the only significant source of employment is in the countryside: the agricultural sector is the only way to reconcile the growing scarcity of fossil fuels with the well-being of all - in other words, it would make it possible to achieve social justice. This involves the agro-ecological intensification of small farmers' land, in order to double current low yields and enable them to feed the population and themselves. Through agroecological and agroforestry science, the combination of low-tech and high-tech knowledge and techniques makes it possible to make infinite use of the sun's energy and the nitrogen in the air, to maximise water and the resistance of biodiversity to climatic hazards and parasites, to make sustainable use of the mineral elements in the soil via the roots, and to improve organic fertility and carbon-fixing capacity.

Secondly, on this basis, in the south as in the north, short supply chains and local consumption should become the

rule, encouraging the processing of local resources by craftsmen and industrialists. The growth of multiple dependencies must therefore be curbed.

This far-reaching programme has its conditions: it's what I call neo-protectionism, or rather “fair trade” - not dogmatism, but economic pragmatism. On these crucial issues, we need to protect African farmers and processors from unsustainable competition from developed countries, by taking advantage of a protectionist tax system. We also need to encourage consumers - who are already well-acclimated - to give priority to the general interest and help the poorest people in the cities to cope with soaring food prices.

Finally, there needs to be massive public investment in the modernisation of the countryside and the agro-ecological revolution in peasant farming - in short, a “doubly green” revolution. Life in the countryside must finally mean education, health and sustainable electrification; it will also come at the price of a rapid demographic transition, progress in education coupled with progress in women's rights - through education for girls and boys, at least up to secondary school level and in good conditions.

To contribute to this huge ecological investment, the environmental services provided by the continent, in particular by its farmers, must be remunerated at their fair value: by not deforesting its soils any more, but by practising reforestation; but also by massively storing carbon in soils and vegetation and by developing sustainable energies. Let's not forget the commitments reiterated by developed

countries at the UN since 1970, which have hardly been respected: 0.7 per cent of public development aid, the use of Green Funds, Loss and Damage Funds or Biodiversity Funds.

In my view, this is the solution for Africa, at a time when the 2030 development goals - an end to food insecurity and an end to poverty - which remain non-binding, will probably not be met by the set date. What we need is a far-reaching change, a transition of the kind called for by the Secretary-General of the United Nations.

Global crises – banking (M. Amato and K. Nubukpo 2020, K. Nubukpo ed.2021), health, war-related - have shown the vulnerability of the global system, and that of African countries in particular. The spread of conflict in the Sahel and Central Africa is hardly cause for optimism: critical thresholds have been crossed. The West's support for authoritarian regimes considered to be stable and complacent does not help matters - because young people are hungry and ideas are circulating.

More generally, it's a battle of ideas. We need to convince people against the pervasive illusions of "development" without human development, fostered by the multinationals; and also against the general ignorance of the daily lives of half the African population, which is considered backwards - a lack of knowledge that has been cultivated by decades of praise for agribusiness. Finally, we must defend ourselves against

the bashing of ecology, defeatism and withdrawal.

If the right of every individual to a dignified life were not already a sufficient argument for change; if the responsibility of each and every one of us for the fate of a billion human beings still on a survival diet were not enough, we should be hammering home the fact that such a change must be made, at the very least, in the name of international "rational solidarity".

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# Challenges of Climate Change Adaptation in Developing Countries: Expectations from the G20 Leadership

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*Abstract:* Adaptation is the primary concern for the least developed countries, small island developing states and other low-emitting low-income countries. However, compared to estimated needs by different agencies, adaptation finance continues to remain awfully poor globally as well as for the most vulnerable countries. Only about 20 percent of climate finance is delivered for adaptation actions in developing countries. Together, the quality of this finance represents a few gross injustices; even for the low-emitting LDCs, more money goes towards mitigation than adaptation; 80 per cent of adaptation finance is delivered as loans and even for the LDCs, more than 70 per cent comes as loans. This adds to the debt distress that most of the LICs already suffer from. Next, an increasing share of development aid is packaged as climate/adaptation finance at the cost of supporting the basic provisions of food, education, health care, etc., in the LICs. But ODA remains static, even declined for the LDCs in 2022. Can we reverse this trend? Here we present two arguments: first, poor funding for adaptation can be attributed to the narrow territorial framing under a climate regime that conceptualizes adaptation largely as a local or national public good. Our second claim is that it makes conceptual and political sense to consider adaptation as a global public good. The paper provides a few suggestions towards which the powerful G20 group under India's leadership can contribute.

*Keywords:* Adaptation, Adaptation Finance, Global Public Good, Low-income Countries, G20 Leadership

## Introduction

Adaptation to climate change impacts was an afterthought in the 1992 UN Framework Convention on Climate Change (UNFCCC), while mitigation of

greenhouse gas (GHG) emissions was given overwhelming focus. The UNFCCC parties assumed that focusing on adaptation might discourage mitigation (Burton, 2009). However, voluntary mitigation by developed

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countries was not forthcoming. The legally binding Kyoto Protocol did not succeed largely because of the non-participation of the US, the largest global emitter at the time.

Then, at the Conference of Parties (COP13) in 2007, adaptation was elevated on par with mitigation. Finally, the Paris Agreement has an article (#7) on adaptation, with the provision of a global goal. Three reasons can be identified for the steady rise of adaptation in the UNFCCC agenda (Khan, 2014): 1) mitigation was not being done, as expected, other than by EU countries; 2) extreme climate events were becoming the 'new normal' particularly affecting low-income countries, which contribute the least to the problem; 3) So, the climate justice movement was growing stronger.

Still, adaptation support continues to remain very poor compared to mitigation at the global level. But adaptation remains the primary concern, particularly for the least developed countries (LDCs) and small island developing states (SIDS), which, among others, are at the frontline of vulnerability. However, the IPCC AR6 finds that adaptation at the global level has been largely ineffective and even maladaptive (IPCC WGII Report, 2022). What is the cause of this poor state of affairs? Two prime reasons, among others, are highlighted: poor adaptation finance and lack of institutional capacities.

However, this short paper focuses on adaptation finance, with discussions centering on three issues: a) the status of adaptation finance, particularly its qualitative aspects, b) why the poor status

persists and c) what could be the ways out that can be supported by the G20 group, led by India.

## **Status of Adaptation Finance**

We all know the figure of \$100 billion that was pledged more than a decade ago by developed countries to support developing countries has not been reached yet. The latest figure from the OECD claimed to mobilize \$83.6 billion in 2020. But Oxfam usually deflates those claims at least by three times because of over-counting of climate finance under the Rio Marker system and presenting the loans at face value, not in their grant equivalence (Oxfam, 2020, 2022). The G77 group of countries do not trust the OECD figure. We may recall that at COP21 in Paris in 2015, when the OECD delegate claimed an annual average of \$57 billion of total public and private climate finance during 2013-2014, the Indian delegate instantly pointed to loopholes in their methodology, asserting that only \$1-2.2 billion should be counted as net climate finance (Indian Ministry of Finance, 2015). So, the gulf in numbers is very wide (Figure-1). Now the target is to have a new Collective Quantified Goal (NCQG) by 2025, keeping the \$100 billion figure as the floor. Despite having six mandated expert dialogues under the UNFCCC since 2022, no concrete goal is agreed upon yet.

This problem persists because even after three decades since 1992, no agreement could be reached on what climate finance is, or how to measure it. Each developed country decides what it counts as such, why, and whether it can



be considered as “new and additional” (Weikmans et al., 2017). Obviously, this is a core demand from developing countries, but developed countries resist discussions on this. So, the Standing Committee of Finance (SCF) under the UNFCCC continues its mandates, repeatedly given by the COPs, of trying to reach a consensus on defining climate finance (ecbi, 2023).

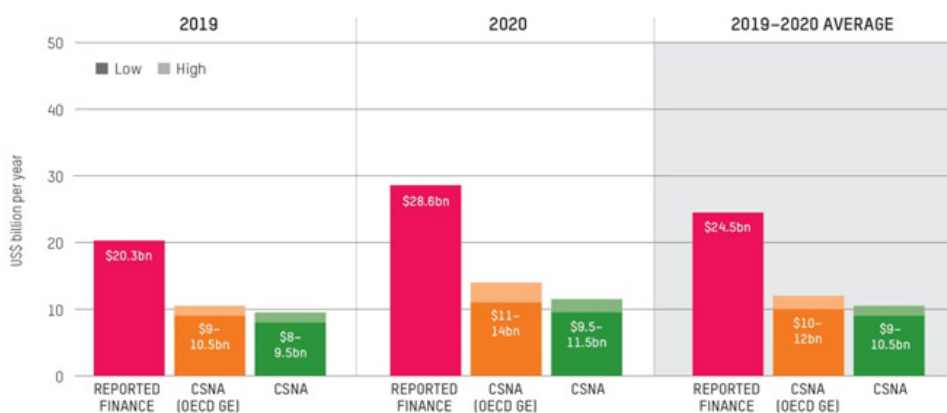
Now let us focus on the quality part of adaptation finance. Globally, only 20 percent of climate finance goes to adaptation for all developing countries and of this, 20 percent goes to the LDCs (Oxfam, 2020). Because of this continued injustice, where adaptation actions already have reached their limits, the united demand from the G77 group for a Loss and Damage financing facility has been adopted at COP27 last year.

Further, 80 per cent of climate finance is delivered as loans, whereas

even for the LDCs, it is 71 per cent (UNCTAD, 2019). But adaptation investments do not bring in immediate returns in most cases. This is creating a new ‘climate debt trap’, adding additional strains to the already accumulated debt burden, which got worse due to COVID-19 (Khan & Munira, 2021).

Next, there is a wide discrepancy between funds approved and actual disbursements under the UNFCCC funds. The actual disbursement from funds under the UNFCCC in 2022 amounts to \$150 million to Asian LDCs and only \$50 million to African LDCs (Figure 2). What is more disquieting is that an increasing share of development aid is delivered to address climate change, from which investment in mitigation dominates. Even funding from the GCF to the LDCs is higher for mitigation (53 per cent) than for adaptation (Climate Analytics, 2021). For good reason,

**Figure 1: Reported adaptation finance versus Oxfam’s estimates of adaptation-only climate-specific net assistance to developing countries (CSNA, 2019 & 2020, average)**



Note: The red bars show reported adaptation finance as compiled by the OECD (OECD 2022a). The orange bars show Oxfam’s estimate of climate-specific net assistance for adaptation finance based on OECD grant equivalent accounting. The green bars show Oxfam’s estimate of climate-specific net assistance for adaptation using a more robust methodology to estimate grant equivalence. All figures show adaptation-only finance, not including 50% of cross-cutting finance. The orange and green bars show figures rounded to the nearest 0.5. See T. Carty and J. Kowalzig (2022) in bibliography for detailed methodology.

mitigation is not a priority, particularly in the LDCs, which can be considered as ‘nano-emitters’. But development aid remains static globally and even went down for the LDCs in 2022 (Climate Analytics, 2021). This is a double injustice because development aid is meant to support the realization of SDGs in low-income countries (LICs), which include the LDCs. It is true that often adaptation and development cannot be differentiated, so both instruments should go up to ensure minimum justice!

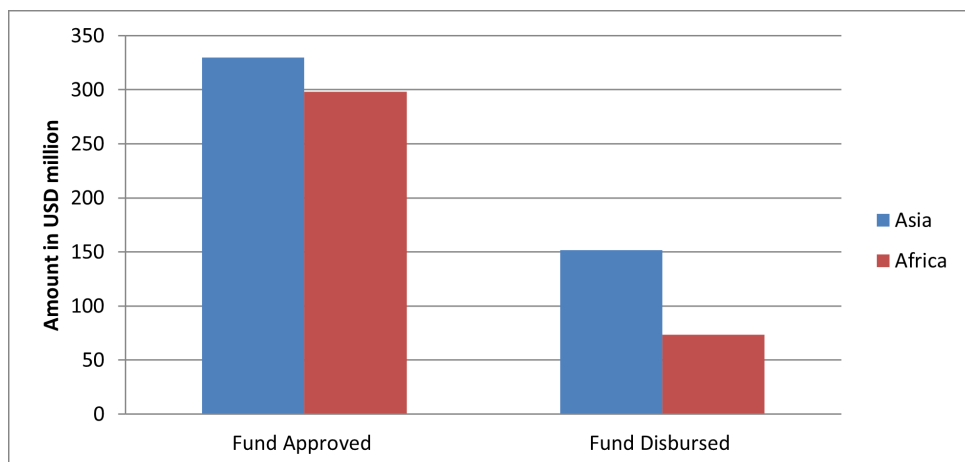
If we look into the actual disbursement of adaptation finance, it shows little or no correlation between vulnerability and adaptation support (Figure 3) (GCA, 2022). So, climate justice remains ever elusive. So far, less than 10 per cent of climate finance is targeted toward local communities, including women, and actual delivery is much less (IIED, 2017). However, the now defunct Global Commission on Adaptation has introduced locally-led adaptation as one of the eight tracks for ensuring effective action to

address climate change (GCA, 2019). The Cancun Agreements acknowledge that gender equality and the effective participation of women are important for all aspects of any response to climate change (UNFCCC, 2011). Gender-differentiated adaptation finance is even less – about 3.4 per cent of adaptation finance from climate-related ODA was targeted for vulnerable women communities in developing countries (Schalatek, 2022; Oxfam, 2020).

### Why Adaptation Remains so Inadequate

The AR6 of the IPCC argues that there is adequate liquidity globally for increased investments to address climate change, including adaptation, but money is not flowing where it is needed most. For example, almost \$700 billion have been spent on fossil fuel subsidies since 2021 for sustaining the problem, but not a fraction is available for its solution (Rohini, 2022)). In a similar manner, more than 2 trillion dollars have been spent in 2022 on the military budget to

**Figure 2: Fund approved versus fund disbursed to African and Asian LDCs in 2022 under UNFCCC funds (UN Funds Update.org, 2022)**

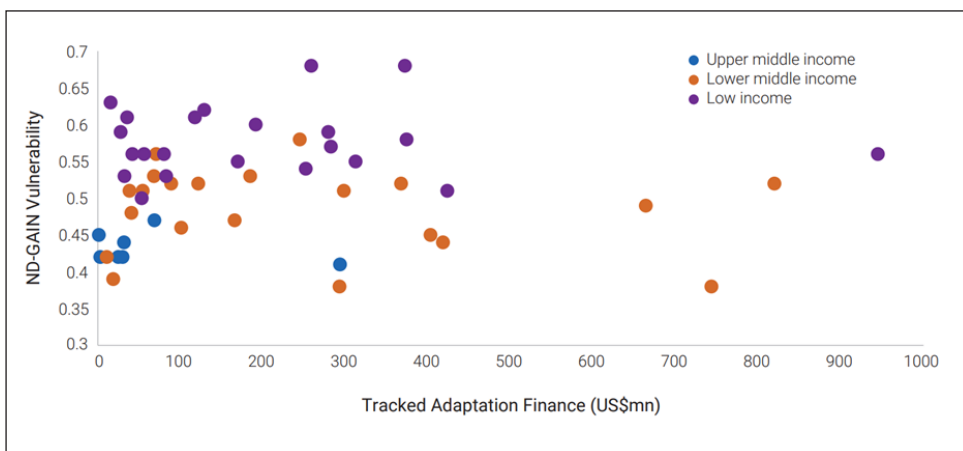


address the ‘perceived’ security threats (SIPRI, 2023), but for addressing the ‘real’ threat of climate change, not a minuscule share is available. This is not happening because the world is gridlocked in a dysfunctional order, as the UN Secretary General recently argued (Crawford, 2022).

We may recall that the Paris Agreement (Article-7) frames adaptation as a global goal and global responsibility. But financing continues to remain extremely poor, relative to the estimated needs, even though the regime has obligatory provisions for support by developed countries. How can adaptation finance be increased at scale? We substantiate two claims: (1) that poor funding can be attributed to the narrow territorial framing under the climate regime that conceptualizes adaptation largely as a local or national public good. Kaul (2017) cogently argues that climate finance suffers from theoretical and institutional lock-in, relying on theories and practices that fit neither the nature of climate change as a global common problem nor the current

policymaking realities. Benzie and Persson (2019) argue that in the initial years, the then epistemic community looked at climate impacts from the environmental science perspective and so the Convention codified adaptation at a local/national scale, with the predominant focus given to mitigation. They also present cases of “borderless climate risks,” which may be experienced locally but have cross-border, even global, repercussions, as indirect impacts (Hedlund et al. 2018). What will happen if more than 100 countries, including LDCs, SIDS and countries like India, Pakistan, Nicaragua and many other highly vulnerable countries go down in their development trajectory because of climate impacts? We may recall the statement of President Roosevelt, who argued at the opening of the Bretton Woods Conference in 1944, that: “Economic diseases are highly communicable, it follows, therefore, that the economic health of every country is a proper matter of concern to all its neighbours, near and distant” (Roosevelt, 1944). Climate change and Covid-19 induced

**Figure 3s: Correlation between tracked adaptation finance and climate vulnerability (GCA, 2022).**



economic distress affecting all countries are examples of such communicability. So, the framing of adaptation is being expanded by multidisciplinary thinking from the national to the global level, requiring international cooperation and multi-stakeholder engagement (Banda, 2018; IPCC 2018; Dzebo and Stripple, 2015; Khan, 2016).

Our second claim is that it makes political sense as well to consider adaptation as a GPG. The latter has a normative and distributive connotation while contrasting with GPBs, and articulating an issue as a GPG enhances its status and rhetorical value for wider response (Bodansky, 2012). This is likely to contribute to the political legitimacy and public acceptance of the norm of adaptation as a GPG (Khan & Munira, 2021).

### **How the G20 Leadership Led by India can Strengthen Adaptation Support**

So, how to overcome this systemic dysfunctionality? It is failing to address the existential threat of the day. How can we correct the global public bad (GPB) like climate change that each and every nation on Earth suffers from? This has been very cogently argued, backed by hard facts by the LDC Chair in her recent piece in *Nature*, where she argued for establishing a Loss & Damage Facility because adaptation has reached its limits (Sarr, 2022).

However, we cannot have radical change for a quick fix, but we can push for rational incremental changes, along a well-considered trajectory of responsible

internationalism. India, being a large economy but still, a per-capita low-income country, has many commonalities with the LDCs and other LICs in terms of vulnerability to climate change and poverty reduction. Besides, India always takes a moral/ethical position in its climate diplomacy, focusing on climate justice. So, Indian leadership can push forward the following issues in the G20 deliberations:

- Now, more than 60 percent of the LICs were deemed to be at risk of – or already in – debt distress at the start of 2022. That was twice the level of 2015 (IMF, 2022). So, the G20-initiated Debt Service Suspension Initiative (DSSI) in support of the LICs was a welcome step, but it was a short-term palliative. But these countries need longer-term solutions, as in 2022, the LICs, including the LDCs, had to afford \$31 billion in debt-service payments to all lenders (UNCTAD, 2022).
- Again, the G20-launched Common Framework for Debt Treatment (CF) to reach beyond the DSSI as the only multilateral mechanism for forgiving and restructuring sovereign debt is a good step. But the DSSI and CF-supported debt restructuring must go beyond bilateral loans only to also cover multilateral and private loans. Actually, reforming the vision and functioning modalities of the World Bank and other financial institutions is long overdue, for which the COP27 invites them to undergo a revision to reflect the current realities, including the climate justice considerations.

- The cardinal principle of UNFCCC - common but differentiated responsibility based on respective capability - can be operationalized through the application of the polluter-pays-principle (PPP). This will correct the greatest market failure as the most fundamental of solutions, as prescribed by the neoliberal market-based system upon which the climate regime is founded. The EU and a number of developing countries are applying the PPP in different forms (Khan, 2015). While solid waste dumps are not free, atmospheric dump is treated freely because emissions straddle across borders. Many proposals have been mooted over the last 15 years, although at the June 2023 meeting in Paris on climate finance, more than 20 countries supported imposing a levy on maritime transportation. Together, an international aviation solidarity levy can be considered for financing the Loss and Damage Fund. EU countries are likely to support these two innovative sources. As agreed under the climate regime, developed countries must take the lead. Later, it may cover other developing countries with an approach to the poverty-sensitive application of PPP (Caney, 2010). Once the issues are agreed upon, modalities can be configured as to how this money will be mobilised and delivered.
- With no ambitious mitigation around, the 'atlas of human suffering' is expanding, including cross-border and second-order climate risks. As argued before, the increasing effect of a large number of small and big vulnerable countries will severely impact the global food, trading and financial systems. We now live in a wired world where every nation gains from global cooperation. This warrants getting out of the territorial framing that conceptualizes adaptation largely as a local/national public good, and, hence, the inadequate support and unwillingness of the private sector to step in. So, it makes conceptual and political sense to consider adaptation as a GPG, as Inge Kaul, formerly of UNDP, argued that climate finance suffers from theoretical and institutional lock-in with reliance on theories and practices that fit neither the GPG nature of climate change nor the current policymaking realities (Kaul, 2017; Khan & Munira, 2021). Actually, public goods are variable social constructs in response to evolving national and global needs as matters of policy choice. GPGs are simply the enhanced provision of national public good plus international cooperation. Such a reframing should make a difference in boosting adaptation finance by penalising the GPBs, to create a few auto-generation mechanisms for boosting adaptation support. India is now in a position to promote this reframing of adaptation as a GPG.
- Focusing on locally-led adaptation (LLA) as climate change impacts the local communities most, who have been coping for ages. We need to build on this, considering the current and

future risks. This LLA must be locally-led, which involves local governments, elected leaders and other stakeholders, including communities, in order to make them effective and sustainable while linking with national and international policies. Under the LLA model, provisions must be there for local climate finance facilities for access by the most vulnerable, including women. An example is the climate change county fund in Kenya (CCCF) which succeeded as a pilot in several counties and now the national government is accepting scaling up (Arnold & Soikan, 2021).

- As mentioned before, no agreement yet could yet be reached on what climate finance is, nor how to measure it. So reaching the target of an NCQG does not have real meaning unless the global community can agree on what climate or adaptation finance is. The Standing Committee of Finance (SCF) under the UNFCCC is given mandates, repeatedly trying to reach a consensus on defining climate finance (ecbi, 2023). This is an opportunity for India as a strong supporter of this issue and now as the G20 leader to persuade fellow countries to reach a consensus on defining climate finance based on some criteria.
- Providing loans for adaptation must change toward a provision of only grants to the LICs. The Glasgow decision at COP26 on doubling adaptation finance by 2025 compared to 2019 level must be achieved in earnest. These doubling efforts must promote grants, not loans, which is an utter injustice to the LICs. Further, India can push the other G20 countries towards a fairer distribution of adaptation finance and expedite access to it, which is a perennial problem.
- A new instrument called ‘debt for adaptation swap’ (DAS) can be mobilised, either at multilateral or bilateral levels (Khan, 2020). Earlier models of debt for nature swap succeeded neither in conservation nor in strengthening debt sustainability because of the paltry amounts involved in those projects. Lack of awareness and urgency among countries and the complex nature of administering the process that involves financial institutions are perhaps the reasons for not scaling up. Now the examples of Belize and Seychelles involving a few hundred million dollars and the likely deal with a few Caribbean countries initiated by ECLAC may provide further lessons. Because of the fallouts of Covid-19 and the Ukraine war, no big new money may be forthcoming. So, the DAS scheme, involving billions, may have significant impacts on adaptation and debt sustainability. This may have a better go at the political level since it involves old money, which is already with the recipient countries. It may be recalled that at COP27, the Colombian President argued for the DAS instrument to be taken up by the IMF at scale (cited in ecbi, 2023).
- Finally, capacity building (CB) of government officials, private sector and NGO/community leaders

through education and training is a must, which has been put as a precondition in two-thirds of the first round of submitted NDCs of developing countries (Khan et al., 2021). So, the CB and Action for Climate Empowerment agendas under the UNFCCC must have support at a level based on assessed needs. This requires both generic education and specific training. Earlier experience of technical assistance by foreign consultancy-led workshop-based short-term project approach failed to leave sustainable CB systems behind. So, universities in developing countries must be the central hub of CB (Khan et. al, 2018). This is the reason the LDC Universities Consortium on Climate Change (LUCCC), as an official programme of the 46 LDCs is functioning now. We need a programmatic approach, with a minimum of a 5 to 7-year cycle, so that outcome and impact, such as how the graduates and trained people are applying their skills, can be monitored and evaluated. India is already involved in providing CB support to many countries and is in a better position to promote support for this under the G20 leadership.

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# “Hide Those Refugees, I don’t Want to See!”

**Najat Vallaud-Belkacem\***

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*Abstract:* The paper discusses the lack of international cooperation concerning migration and asylum, specifically focusing on climate migrants, sea rescue operations, and the misinterpretation of the “duty to protect.” It highlights the frequent absence of collaboration to assist climate migrants, who are compelled to leave their countries due to environmental crises. Additionally, it emphasises the failure of countries in providing adequate assistance to those in danger at sea, leading to numerous deaths, particularly in the Mediterranean. Furthermore, the article explores the alarming trend of outsourcing asylum responsibilities to third countries, which undermines international obligations to protect refugees. The main conclusion drawn is the urgent need for enhanced international cooperation on migrations, the establishment of legal and secure migration routes, and the fair distribution of migrants to address these multifaceted challenges. The author underscores the significance of prioritising fundamental human rights above political considerations and advocates for a dedicated working group on migration and mobility within the G20 to promote collaboration and develop inclusive policies for the future.

*Keywords:* Climate Migrants, International cooperation, Asylum and Refugees Rights, Migration Policies.

## Introduction

Let us face it, this is a grim time for all who care about human rights in the world. Would we not intend to avert our eyes, the images of conflict, oppression and devastation would appear directly and continuously on our miniature screens. The question today is this: beyond empathy and compassion,

what efforts are we collectively willing to make to alleviate some of the tragedy of the people driven into exile by this unrest? The state of the democratic and media debate towards asylum and the protection of refugees on rights does not seem to be very encouraging anywhere. And the increasingly security-conscious migration policies that are gradually

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being announced and implemented in so many of our countries only serve to reinforce the fears and preconceived notions of a public that lacks information and reliable points of reference. And yet geopolitical, economic and climatic crises will lead more and more men, women and children to flee their countries of origin and try to reach other shores. In this increasingly tense political context, we need to update our global rulebook and our ability to act in this area. Let's explore three examples.

### **The Missing International Cooperation to Assist Climate Migrants**

As we know, the Geneva Convention allows “any person (...) who, owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion (...)” to seek asylum elsewhere. However, it fails to take into account these people who are fleeing from a very specific form of violence: global warming, which is the desertification of the environment, withering crops, shattering ecosystems, and spreading deadly diseases (Black, R., 2011; Gosh, R.C., 2022; Hunter, L.M., 2015). Rising sea levels, degrading soils, and fluctuating rainfall mean that climate change-related disasters displace more people than conflicts do every year. It is estimated that 200 million people have been displaced since 2008, and that number is likely to rise to nearly 1 billion in the next 50 years. Most importantly, we know that these flows are highly uneven: climate migrants come from

the geographic areas most affected by global warming, that often means - from developing countries, whose populations bear the brunt of the massive pollution caused by excessive production and consumption by developed countries. It is difficult to turn a blind eye to this asymmetry, which fuels resentment and the nagging question: who actually owes whom in this world?

Unlike refugees, of course, who need protection “against their own state”, climate migrants have the distinction of theoretically being able to call on international assistance “in cooperation with their state”. While the first case is about defending the freedoms of individuals, the second is about the international management of populations. The fact remains that all this has to be organised. When will the international community finally take the time to address climate migrants and find adequate answers to their conditions? Why is this problem not directly addressed at the annual COPs? Part of the solution lies in our ambitions and actions on adaptation policies that should create the conditions for so many people not to become refugees. The challenge of environmental transition, technological innovation and the use of renewable energy is to create, among other things, more habitable and sustainable cities, but also to protect biodiversity and promote economic growth and social development. This is an absolutely vital investment for our world, and what was discussed in the New Global Finance Pact in Paris last June was a step in the right direction.

But beyond funding and implementing these local adjustments, we need to think on a planetary scale and address as clearly as possible the unfortunately very likely hypothesis that we will not succeed or will not succeed fast enough. We need to find answers to the following questions: How can we organise the well-being of the populations affected, as well as that of the populations that will receive migrants? How can we prevent this reality from becoming a new source of global conflict? Should we allow countries to settle elsewhere, and under what conditions? This may seem insurmountable. The Covid crisis has shown us that when we are confronted with difficult situations, we find solutions. We should take this question very seriously, knowing full well that we will be dealing with a phenomenon that is unprecedented in human history.

### **Failure to Provide Assistance to People in Danger at Sea**

Around 25,000 people have perished in the Mediterranean (at least) since 2014, according to a recent report by the International Organisation for Migration. How could it have come to this? Under international maritime law, states have an obligation to help people in distress at sea, but they are increasingly shirking their responsibilities. Instead of protecting and promoting respect for human rights, frontline European Union countries and the European Union itself are doing everything they can to pursue increasingly security-driven migration policies, not only toward migrants but

also toward the NGOs that support them. Recent examples include Greece, where 24 humanitarian workers have been accused of smuggling migrants into Europe, and Italy, where a recent decree restricts the ability of NGOs to rescue people in distress at sea.

So how can we put an end to the tragedies in the Mediterranean? We have known it for years: we need to develop legal and safe migration routes and strengthen Euro-Mediterranean cooperation (Guilfoyle, D. 2009; Klein, 2011). In the meantime, it is imperative that the European Union lives up to its responsibilities, supports search and rescue operations coordinated by the Member States, and finally puts sea rescue at the heart of Frontex's mandate. There is a fundamental principle of the law of the sea: at sea, any person in a situation of danger must be rescued, without having to ask why they are there, where they are going, or what their intentions are. The protection of human life at sea takes precedence over all other considerations. International rules for assistance at sea are laid out in conventions, and ships that are in the vicinity of people in distress must intervene without endangering their own crews. It is also appropriate to point out that a call for help from the ship is not even necessary for assistance to happen (since this was one of Frontex's arguments to redeem itself from its failure to assist in the wreck of 750 people off the Greek coast last June). It is enough to note some of the following objective elements: visible signs of calls for help, an overloaded boat, the absence of a captain and crew, the absence of

navigational instruments, a drifting boat, a deteriorated state of health of the people on board, etc. In short, the sea is an inherently dangerous place and, because of that, the place par excellence where human solidarity is exercised, and it is incumbent upon each coastal state to plan and implement rescue operations for people in distress in its territory or territories.

But apart from the fact that this first principle is unfortunately far from being systematically applied, what comes after it is even more complex: what is to be done with people in distress who are picked up by a ship? What provision is made for their disembarkation? Recent incidents of private ships picking up migrants, that wandered for days in the Mediterranean because coastal states repeatedly refused to accept them into their ports, show the eminently political scope of these questions. Despite the humanitarian dimension of the problem, international maritime law does not provide a clear solution. We feel compelled to refer to rules (those of the European Convention on Human Rights) that do not primarily apply to the maritime space and the particular situation of migrants by sea. This situation opens the door to potential “conflicts of law” that often result in undermining the rights of the migrants. For example, when the imperative of rescue is overshadowed by the fight against smugglers, to the detriment of their victims, and boats are turned back knowing that people are risking their lives and that, at the very least, the right to apply for asylum and the right of residence are effectively impeded during

the examination of the merits of the application.

This is far from what seems to be the only possible solution: that the Member States of the European Union immediately equip themselves with a permanent mechanism for disembarkation in a safe port and a genuine system of solidarity-based distribution. Basically, what should prevail and help guide the decisions of the public authorities is to realise that rescuing migrants at sea is a complex operation involving several phases - rescue, health treatment on board the ship of refuge, disembarkation, processing of applications for residence or even asylum - all of which have an inseparable humanitarian dimension in which respect for human dignity is at stake at every stage. The primacy is to be given to fundamental human rights over all other considerations: this self-evident principle should be reiterated and formalised by the international community, since it is not so self-evident.

## **The Misinterpretation of the Duty to Protect**

The current international texts and bodies seem equally powerless to cope with the very specific and increasingly widespread interpretation of their “duty to protect” by a number of countries (Trevisanut, S, 2013). For several years now, we have been witnessing the rise of a practice that is problematic, to say the least: outsourcing the management of refugees and irregular immigration. In other words, the transfer of migrants to poorer countries, in return for funding,

to avoid having to welcome them on our own territory.

We were already familiar with the numerous agreements aimed at asking other countries to hold back these asylum seekers. Italy inaugurated these practices in 2003 when it signed a cooperation agreement with Libya along these lines, an agreement that will be renewed with the Libyan executive and its coastguards in 2017 and 2020 in return for a financial consideration amounting to several tens of millions of euros. We know that this will inspire the policy of the European Union, and the agreements with Turkey in 2016, which mandate Turkey to “contain” asylum seekers on its territory in exchange for financial aid worth six billion euros. Later, similar agreements were reached with Libya and Tunisia, leading to the summary deportation of several thousand people in need of protection to countries where human rights are violated. The expulsion by the Tunisian authorities of hundreds of sub-Saharan migrants into the desert in early July is just one more terrible illustration of this. In a letter to the European Council in February 2023, the prime ministers of Austria, Denmark, Estonia, Greece, Lithuania, Malta, Latvia and Slovakia called for even more outsourcing agreements with third countries.

These temptations don't just apply to Europe, by the way: the USA, under President Trump, also adopted a similar policy dubbed “hold in Mexico” in January 2019, allowing some asylum seekers detained in the USA to be sent back to Mexico. In the first two years of application, 70,000 migrants

were affected, waiting in Mexico for months or even years for their claims to be resolved. Although suspended by the Biden administration in June 2021, the programme was reinstated in December of the same year, again involving hundreds of millions of dollars in humanitarian aid paid in exchange.

But beyond these cooperation agreements with third countries aimed at limiting arrivals, various European countries are tempted to completely outsource and relocate their asylum responsibilities to third countries, following the example of the Australian model, which since 2012 has involved delegating the management of asylum applications to micro-states in the Pacific (e.g., Papua New Guinea, Nauru), where applicants are placed in detention. This programme has cost the Australian government over 600 million euros a year for just over 3,000 people transferred in this way.

Intercepting boats and sending asylum seekers to another state, with no real prospect of settling in the desired destination state, is also the path now taken by the UK, which has signed an agreement with Rwanda, described as a “migration and economic development partnership”. Under the terms of the agreement, Rwanda will take in an unspecified number of migrants who have irregularly arrived in the UK from France, for a period of five years. The relocated migrants - single, young and male, according to British government guidelines - will apply for asylum in Rwanda. In return, the UK has already made a contribution of 150 million

euros (representing around 1.4 per cent of Rwanda's GDP) towards "Rwanda's economic development and growth", as well as funding "asylum operations, accommodation and integration similar to the costs incurred in the UK for these services". The recently passed "Stop the boats" law confirms this intention to make asylum claims inadmissible for those crossing the Channel in small boats. These people could then be detained (including minors), deported or sent back to Rwanda to seek international protection.

Denmark has also turned to Rwanda to propose a similar agreement. Although she heads a centre-left Social Democratic party, Prime Minister Mette Frederiksen is a resolute advocate of a "zero refugees" objective in the Scandinavian country.

Rwanda is one of the most densely populated countries in the world and already hosts more than 130,000 refugees, mainly from Burundi and the Democratic Republic of Congo. Also worth noting: the impact assessment of the British bill showed that sending each migrant who arrived illegally in the UK to Rwanda would cost 200,000 euros. This compares with the cost of accommodating the same person while their asylum claim is examined: 70,000 euros less. And yet, the cost of caring for asylum seekers was the British government's main argument for justifying its deterrent migration strategy.

All these agreements raise countless moral and political questions. Starting, of course, with the question of their conformity with international obligations to protect refugees, which the United Nations is constantly questioning: as a

reminder, all the countries mentioned above are bound by the Geneva Convention to respect the principle of Non-Refoulement (i.e. not returning to a country where there is a risk of persecution) and access to a fair and efficient asylum procedure. Where does this leave us?

But they must also question the countries of the South who agree to take in refugees in exchange for financial resources. Does participating in this externalisation of the North's migration policy really send the right message about the role the South would like to play in the international division of roles?

## Conclusions

At a time when a balanced partnership between North and South, between Europe and Africa, is being called for by all civil societies, governments would be well advised to think twice about the far-reaching consequences of their actions and their international summits to avoid making the subject of population displacement the blind spot of their conversations.

A quick review of the objectives pursued by the G20 (sustainable development, climate change mitigation, North-South relations) is enough to understand that each time, the issues of migration and mobility lie at their core. The question of people and borders must therefore be placed at the forefront of its concerns at the highest level of its work. A dedicated working group on migration and mobility would be of utmost utility (Singh, 2022).

India, which maintains close relations with developed countries while understanding and expressing the positions of developing countries, is in a privileged position to establish and facilitate discussions within such a group. It could leverage its G20 presidency to initiate this essential conversation and collaboration between countries of origin and host countries (Kapur et al., 2023). A conversation that showcases the aspirations and concerns of populations in developing countries, often absent from G20 meetings.

This collaboration should lead to concerted solutions and the adoption of policies that take into account the realities of countries of origin, transit, and destination. It should take us beyond mere narrowing and isolation. And it gives hope that we might finally be capable of working towards an inclusive and prosperous future for all G20 member countries.

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# The European Union and Latin America in the Interregnum: Limits and Challenges of a Needed Partnership

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**Abstract:** The purpose of this paper is to analyse the interregional relations of the European Union with Latin America and the Caribbean and the need for a renewed relationship. This relationship must face what Antonio Gramsci called “morbid symptoms”, that is, as expressions of a stage of organic crisis and interregnum in the international political economy. It is argued that this relationship and its renewed rationality must respond to an agenda of common societal challenges that must have a normative dimension. Specifically, it must respond to the diversification of external relations to ensure greater strategic autonomy on both sides, and to a development agenda driven by a triple socio-economic, digital, and green transition that contributes to the renewal of the social contract in both regions. This paper also examines the opportunities and risks presented by the EU-Mercosur agreement for this objective, and the difficulties and risks posed by its eventual signature and ratification. Finally, we present some reflections on the future of the political dialogue between the two regions, highlighting the framework of challenges and opportunities that this represents.

**Keywords:** Latin America, political dialogue, interregionalism, Mercosur, European Union

## An International Scenario of Polycrisis and Interregnum

Since 2015 until July 2018 the European Union (EU) and Latin America and the Caribbean

have not held leaders’ summits. Their development cooperation languished, without a recognisable strategy. The main trade agreement still pending between the EU and Mercosur - despite the existence of an “agreement in principle” since 2019

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- has not progressed in the face of the reappearance of conflicting demands of the parties. At any other time, the lack of dialogue and cooperation between the EU and the Community of Latin American and Caribbean States (CELAC, by its Spanish acronym) would have had important costs, but in this period, they are even greater. The international system is going through a period of systemic crisis, which is putting its material foundations, institutions, and norms, both constitutive and regulatory, under stress. This crisis calls into question the social and economic structures both in the EU and Latin America and the Caribbean. It also calls for a redefinition of the patterns and strategies of international insertion, of the foreign and development policies of all actors, and of their international partnerships and linkages.

The term polycrisis has been used to describe this scenario. It refers to a reality of simultaneous crises, which feedback negatively on each other, and which would require a global and all-encompassing response. However, because of the crisis itself, it is not possible at this stage (Morin and Kern, 1999, 74; Tooze, 2022). Although it is a suggestive term, its analytical usefulness is limited because it does not refer to a causal analysis that problematises the structural factors underpinning these simultaneous crises. It also eludes the issue of power. At least since the financial crisis of 2008, the international system in which the EU and Latin America are inserted is going through a crisis of globalisation. Here, globalisation is understood as the hegemonic structure

that has shaped the international order in recent decades. The crisis would be a true “organic crisis”, in the Gramscian sense of the term, in which the hegemonic order previously in force becomes dysfunctional and is increasingly contested. This would give rise to a long stage of “interregnum” - another metaphor used by Gramsci - in which “the old is dying and the new cannot be born”. In the interregnum appear “morbid” political phenomena that were difficult to imagine before, such as the emergence of new forms of authoritarianism, and their high-risk geopolitical bets that make the international system more insecure and unstable (Sanahuja, 2017; Babic, 2020; Sanahuja, 2022).

Why is it relevant to characterise this scenario? Because it involves societal challenges of historic magnitude. Both regions, with varying degrees of intensity, are outlining and testing the policies with which they will have to face the interregnum (Pezzini, 2022). It demands a transformative, just, and sustainable remaking of economic and social structures through the renewal of the social contract. The latter is also a necessary condition for sustaining and revitalising democracy, making it able to answer in just and inclusive ways to unmet social expectations and demands.

## **Towards a Renewed Bi-regional Relationship**

Relations between the EU and Latin America and the Caribbean today are characterised by a double paradox. On the one hand, they have a large acquis of political dialogue, cooperation and

economic ties, but since 2015 these relations have stagnated. On the other hand - the second paradox - when both regions face interregnum, i.e. an international system in which crises are accumulating, when both regions need changes in development strategies and foreign policy, their relations should be flourishing, but instead they are stagnating.

In its more than 50 years of history, bi-regional relations have reaped important achievements against human rights violations during dictatorial periods, in support for democratic transitions and, in Central America, for the peace processes. At the end of the Cold War, this agenda was extended to the promotion of trade and investment, with a network of Association Agreements that now covers many countries in the region. In those years, the bi-regional relationship served to expand the EU and Latin American respective margins of autonomy in the face of bipolarity. They highlighted the importance of regionalism and regional integration, contributed to multilateralism, and aligned development cooperation around democracy, peace, and the fight against inequality (Domínguez, 2015). In turn, the Association Agreements promoted by the EU responded to a strategy of diversification of relations and protection of trade and investment flows in the face of the Free Trade Area of the Americas project and, later, the “competitive bilateralism” (Quiliconi, 2013), which the United States promoted by signing trade agreements with some countries or specific groups. This rationale also

applies today in the face of the economic and technological strategy that China is now deploying in the region. Another important legacy of these relations refers to the inter-regionalism between the EU and LAC. Beyond “hard” foreign policy interests or balance-of-power calculations, it also expresses a normative vision that defines regional groups as stakeholders of global governance, from ideational affinities and shared values.

Given this *acquis*, the fact that the bi-regional political dialogue between the EU and the Community of Latin American and Caribbean States (CELAC) has been interrupted since 2015 is an anomalous and worrying fact. It is related to Latin America’s political fractures, and to the lack of European attention. Inter-regionalism requires a minimum of cohesion and agency in each of the regional groups involved. These minimums have not been achieved in Latin America due to the ideological fractures between the so-called “Bolivarian bloc” and the liberal-conservative and right-wing governments, and the latter’s opposition to CELAC or the Union of South American States (UNASUR by its Spanish Acronym) (Sanahuja, 2022). The Covid-19 pandemic showed the depth of the crisis of regional organisations in LAC, and the withdrawal or absence of Mexico or Brazil, traditional regional leaders. This reduced the region’s capacity to act and respond to crises such as the pandemic or the invasion of Ukraine. These events have exposed the vulnerability of both regions to health crises and the irruption of geopolitics in supply chains, which

are now subject to security logic and the risk of weaponisation. On a global scale, development strategies have favoured security and resilience at the expense of efficiency. In the EU, initiatives such as NextGenerationEU or REPowerEU combine social, production, sustainability and security goals. Latin America, in the aftermath of the pandemic, also faces disruptions of supply chains and high inflation with reduced fiscal space and increased indebtedness. Moreover, it is a region of “angry societies”, with high levels of discontent and dissatisfaction with the functioning of democracy and public policies.

All these elements challenge the rationality and objectives of the relationship between the EU and Latin America and the Caribbean. In view of this, reflection and dialogue are imperative to jointly define a renewed argumentation or narrative. To this end, three key ideas are proposed: first, relations must jointly expand the autonomy of both regions in a world of growing geopolitical rivalry, but still in need of governance, rules, and certainty. On this issue, the EU discusses strategic autonomy and Latin America weighs up the search for regional autonomy, different definitions of neutrality and “active non-alignment” (Bywaters *et al.*, 2021). Both regions have converging agendas around an idea of autonomy that does not imply a defensive retreat, but rather the construction of partnerships between reliable partners. They are aimed to widen their margins of maneuver and at the same time strengthen global governance. Secondly, this partnership

should help strengthen democracy and open societies at a time, in both regions, of great distrust among citizens and the rise of illiberal, authoritarian, and extreme right-wing forces. It encompasses issues such as electoral processes, political freedoms, and the rule of law. However, it also entails tackling the reasons for disaffection, such as unfulfilled expectations of progress. States that do not guarantee minimum security for people, and societies are segmented by inequality. For this reason, to speak of democracy implies speaking of development and the renewal of the social contract. Thus, thirdly, the bi-regional relationship should define new strategies for trade, investments, and cooperation to relaunch development after the pandemic, with a “triple transition” in the digital, green and, critically, in the social realm (Sanahuja, 2023).

According to Latinobarómetro, the EU continues to be seen by Latin American societies as the most favorable partners in social and environmental matters, and in terms of human rights or gender equality (Domínguez, 2023). This is despite the EU policies about vaccine delivery, dominated by hoarding and reluctance to support the World Trade Organisation (WTO) rules for the temporary and extraordinary lifting of patent protection in the event of health emergencies. The EU allowed the export of vaccines in the critical phase of the pandemic, unlike others. It was the world’s largest exporter and second largest donor of vaccines, and the first via COVAX, although it was other countries

that came first to supply vaccines for the start of immunisation campaigns (Borrell, 2022).

A decisive factor is Brazil's return to CELAC, opening a more promising stage for Latin American regionalism. The economic complementarities between the two regions, which the war in Ukraine has highlighted, also help. Resuming the dialogue and establishing a stronger political link between Latin America and the EU is today an imperative for promoting the strategic autonomy of both regions confronted with the geopolitical risks of the interregnum: they are trapped, on the one hand, by the crisis of globalisation and, on the other, by the competition between the United States and China. Part of this scenario is the increased risk of systemic conflicts, as illustrated by the war in Ukraine or the growing tension around Taiwan. The escalation of tensions, and, more broadly, a new Cold War scenario, is not in the interests of either Latin America or the EU. It entails serious risks for both Europe and Latin America, as their economies are much more exposed than those of these two global powers. It places both regions in a position of strategic subordination, questions their agency by portraying them as subordinate actors, and discourages commitment to regional and multilateral institutions and norms and international cooperation. Moreover, a strongly securitarian narrative of strategic competition relegates issues such as democracy, human rights, gender equality, or sustainable development to a subordinate position. Again, what

is needed is a shared open strategic autonomy aimed at the creation of associations of reliable partners in the face of a scenario of uncertainty and greater risk of systemic conflicts. This logic specifically applies to the EU-Mercosur Agreement.

Regarding development, it is also necessary to rethink the role of Association Agreements. They remain relevant in their traditional goals of eliminating barriers to trade and investment. However, they also should be seen as a platform for both sides' dialogue and regulatory convergence in social, digital, and environmental matters, for fostering sustainable and just production and consumption models (Bonilla and Sanahuja, 2023). This can also help to avoid new green protectionism, which will be challenged as an attempt to unilaterally impose European principles and rules on the rest of the world. Finally, these agreements must preserve the policy space needed to foster innovation and to deploy the new green and digital industrial policies that today dominate the economic agenda in both regions, as well as in other external partners, such as the United States and China. This will involve making some provisions of the Association Agreements more flexible or adapting them. There are already signs of this, for example, in the provisions on lithium in the modernisation of the EU-Chile Association Agreement, which are functional to the Chilean policy to promote industrialisation processes based on this mineral (Beattie, 2023).

## The Case of the European Union-Mercosur Agreement

After 20 years of negotiations, the agreement between the two regional groups reached its first milestone when an “Agreement in Principle” on trade matters was arranged in June 2019. However, for some time now, the agreement is still awaiting formalised signature and there are growing doubts about its chances of ratification by all parties. Initially, the obstacles to the ratification came from the EU’s agricultural and livestock sectors, particularly from countries with a similar production structure to Mercosur countries, such as France, Belgium, the Netherlands, and Austria. In a second moment, this protectionist agenda intersected with environmental claims, particularly audible in the case of France, against the Jair Bolsonaro government’s (2019-2022) environmental policies and increased deforestation in Brazil. This issue was also raised in 2020 by the European Parliament, by asking for effective environmental protection measures consistent with the 2015 Paris Agreement as a precondition for its approval (Sanahuja and Rodriguez, 2021, 6). Mercosur countries, particularly Brazil and Uruguay, also advocated a policy of “opening and flexibilisation” of Mercosur, pushing for a reduction—even the abandonment—of the common external tariff, straining the relationship with Argentina and Paraguay.

The return of Luiz Inácio Lula da Silva to the presidency of Brazil in January 2023 has been an important element of change for the bi-regional relationship. Lula has announced “a return

of Brazil to the world”, coming back to multilateral frameworks, symbolized in his presence as president-elect at the COP27 in Egypt in November 2022. Lula’s new foreign policy will also search for international relevance with a position of “non-alignment in the service of peace” between Russia and Ukraine (Le Monde diplomatique, 2023). Brazil’s return to CELAC, which had been abandoned by Bolsonaro, makes it possible to generate a new dynamic of Latin American *concertación* and dialogue within the region and with the EU, including the bi-regional Summit convened in July 2023 in Brussels. It also contributes to make possible the signing and ratification of the EU-Mercosur Agreement. However, on May 25, during the celebration of the Brazilian Industry Day at the Federation of Industries of the State of Sao Paulo (FIESP), President Lula affirmed that Brazil will not give in regarding the government procurement clauses of the EU-Mercosur Agreement, a key tool for industrial policy, “because (if it does so) we will kill the possibilities of growth of small and medium-sized companies” (La Nación, 2023). In the same speech, the Brazilian president connected his position to that of France regarding the defence of its agricultural products. In subsequent statements, Lula has questioned new EU rules linked to the European Green Deal, such as the Carbon Border Adjustment Mechanism (CBAM) or the new Regulation against Deforestation, that Brazil see as instances of a new unilateral green protectionism (Bound and Bryan, 2023).

The June 2023 tour of the President of the European Commission, Ursula von der Leyen, through some Latin American countries, Brazil, Argentina, Chile, and Mexico, represents a significant event in the recent history of bi-regional relations. After more than a decade, the EU is touring the region presenting the Global Gateway investment programme as a development tool, but also as a counterweight to the increased presence of China and its global “New Silk Road” project.

This tour has reasserted the new strategic rationale of the interregional relationship for the EU: the conclusion of the negotiations of the EU-Chile Framework Agreement, the signing of the EU-Argentina Memorandum of Understanding for a strategic partnership on sustainable value chains of raw materials, EU investment agenda through Global Gateway, the conclusion of the EU-Mexico Modernised Global Agreement before the end of the year, as well as the ratification of the EU-Mercosur Agreement.

## **A Common Agenda for the Triple Transition**

Working together on a “triple transition” means recognising that, in the face of the climate emergency and the social challenges of the digital and green transition, development can no longer be based on old mindsets: the traditional North-South framework still underpinning the OECD DAC rules, or on Eurocentric approaches that continue to view Latin America as an “Eldorado” of raw material and commodities. A

common agenda is required, even if there are different starting points, which assumes the central idea of the 2030 Agenda that development is a universal purpose. In the face of these challenges, there are no previous scripts or blueprints such as the old “Washington Consensus”. This requires the establishment of a common framework for innovation, policy exchanges and mutual learning, regulatory dialogue and convergence, and new development policies in favour of sustainability. These are times of experimentation and learning, where many of the old certainties are no longer valid. We must bear in mind the departing asymmetries and differentiated capacities and responsibilities of the parties, but in the face of a climate emergency or the reconstruction of the social contract, we are all “developing countries”. The EU is doing so, in fact, with the ambitious European Green Deal. This horizontal approach to cooperation is the starting point of the innovative “development in transition” approach proposed by ECLAC and the OECD (2019) to renew the cooperation agenda beyond traditional metrics and relationships.

To promote these transitions, the EU wants to encourage public and private investment in Latin America and the Caribbean. To this end, the new European Fund for Sustainable Development plus (EFSD+) is available for the 2021-2027 budget period. Global Gateway (GG) is based on this facility which aims to use EU cooperation funds to leverage public and private capital for investments in the digital and green fields. GG is aimed both to meet the large investment

gaps that hinder Latin America in these areas, as well as to satisfy European business interests and the geopolitical imperative of competing with China in its growing role in development finance. GG is indeed a valuable instrument, but some caution is needed: it responds to a logic of de-risking that may disappoint oversised expectations of mobilisation of private resources (Gabor, 2023); it should not replace or overshadow other programmes of the EU and its Member States' development cooperation, such as technical assistance, education, human rights, gender equality, or support to civil society, and, above all, cooperation aimed at promoting social inclusion. GG is a cooperation instrument, but it does not replace all European cooperation, which has many other dimensions (Koch *et al.*, 2023, Buhigas and Costa, 2023). Similarly, it must be assured that investment projects respond to the demands and development needs of Latin American countries. They must promote wind or photovoltaic solar energy, raw materials supply chains, or green hydrogen, but they must also respond to other needs: technology transfer to develop value chains and reindustrialisation processes and to transform the energy mix in Latin America; or to address the investments needed to cover gaps in digital education or gender issues. These investments, moreover, should be placed in a framework of policy dialogue and national development policies, rather than being induced by the European

offer, especially by the needs of raw materials required by the green transition in the EU, avoiding a new extractive cycle.

The finance mobilisation agenda does not end with GG. Innovative financing instruments will be needed, such as the issuance of green bonds, debt relief initiatives, such as debt-for-climate-action swaps, and the mobilisation of Special Drawing Rights (SDRs) not used by rich countries, to nurture a sort of Latin American *NextGeneration* with green and digital investment funds. And, although it has been already underlined, this international effort must be accompanied by hard-needed tax reforms to improve the coverage and progressiveness of national tax systems and mobilise internal resources.

The period between 2022 and 2023 has opened a perhaps unique window of opportunity for these common objectives between the EU and Latin America and the Caribbean. The Spanish presidency of the Council of the EU in the second half of 2023 and the return of CELAC open a promising phase of Latin American regionalism and interregional relations. The recognition of the need to address shared challenges between the two regions, to face together a moment of crisis in globalisation and to overcome the "interregnum" (Pezzini, 2022) also contributes: it can generate new coalitions of progress and more political will.

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# Rethinking development in Africa

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*Abstract:* The traditional approach to development in Africa is facing challenges that question its efficacy. Suggesting a shift from traditional development narratives to one where inclusivity, especially with a young demographic, is pivotal for sustainable development. Traditional development metrics are also insufficient and the future of aid looks uncertain, with a shift towards military support, especially in the Sahel region. Consequently, there are concerns about the effectiveness and focus of the multilateral system, with progress towards the Sustainable Development Goals (SDGs) lagging behind expectations. Responding to these challenges, Africa is emphasizing regional integration, exemplified by the African Continental Free Trade Area (AfCFTA), to unlock regional-level solutions in various sectors and a collective African voice. Moreover, the empowerment of grassroots communities and a redefinition of the roles of state entities, is crucial. Therefore, as Africa refocuses its development paradigm, addressing systemic barriers to justice, championing transparency, and ensuring equality are foundational to achieving sustainable progress and fostering an inclusive society.

*Keywords:* Demographic shift, inequalities, youth, development narratives, regional integration, local empowerment

Rethinking development in Africa is a pressing issue that challenges the effectiveness of traditional approaches. While we have a general understanding of technical solutions, relying solely on them no longer enables us to fulfil our development agenda. This raises the question of whether we should continue adhering to classical definitions of development.

A few years ago, I commissioned a study with the Frederick S. Pardee Center for International Futures to

explore Africa's development scenarios in the context of present-day realities. We examined the critical transitions underway on the continent, identifying five main ones.

The first transition is the demographic shift. Currently, Africa is home to 50% of the world's population under the age of 18, and with current growth rates between 2.8% and 3.2%, the continent's population is projected to double by 2050. This poses significant challenges, particularly for countries

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like Mali, where a high population growth rate strains the job market. With approximately 250,000 to 300,000 educated young people entering the workforce in Mali each year, the limited industry and predominantly rural population exacerbate the employment crisis. To address this, agricultural transformation and diversification of the rural economy must become central policy priorities. It's important to note that the accelerating nature of this demographic transition complicates the task of designing governance systems that can effectively respond to the challenges.

The second transition pertains to human development and inequality. Africa remains one of the most unequal regions globally, with the number of poor people increasing despite relative reductions in poverty rates. While progress has been made in areas such as health and education, a significant proportion of Africa's population still struggles with poverty. Combining the demographic and inequality challenges creates a complex equation that requires careful policymaking.

The third transition is the technological shift. Despite being a fragile country, a country like Somalia boasts the highest density of cell phones on the continent, surpassing countries like Egypt, South Africa, and Kenya. This example demonstrates the profound impact technology can have. Today's youth, particularly in countries like South Africa, are connected and aware of developments in neighbouring nations. This newfound social connectivity presents a novel dimension for

governance, one that governments were not confronted with two decades ago.

The fourth transition centers around natural resources, specifically the impact of climate change on critical resources and agricultural systems in Africa. The continent currently imports around \$35 billion worth of agricultural products, and although crop yields have improved, they remain insufficient. Addressing food security becomes crucial in designing policies that can effectively reduce poverty and promote inclusivity.

A fifth transition, interconnected with the previous four, is the governance transition. Governance systems are evolving across the African continent, but the outcome remains uncertain. The doubling of Africa's population by 2050 will significantly impact governance systems, and it's crucial to avoid governing societies with a median age of 19 in the same manner as those with a median age over 40. The widening gap between the demands of the youth population and the capacity of public administration poses a potential source of instability. Shifting power dynamics have already been observed, with a move from centralized governments to local authorities and organized youth.

The above transitions will be critical in rethinking the way we design policies, not only in terms of content, but also in terms of the process and in how governments design their policies.

## **Governance and power relations**

Instances such as Tunisia's experience highlight the fragility of governance

systems. Despite being perceived as a model of development, Tunisia faced implosion, and the reasons behind it remain under analysis. The negative perceptions of young people towards governance systems may have played a role. Consequently, relying solely on traditional development indicators to gauge success is no longer sufficient. Perception cannot be disregarded by policymakers, and power dynamics in Africa, influenced by demographic transitions, are constantly changing.

Tunisia serves as a prime example of development success. It received recognition and praise from institutions like the World Bank, the IMF, and the African Development Bank. Tunisia's achievements included high IT penetration, excellent literacy rates for girls, robust agricultural production with significant exports to Europe, and well-developed infrastructure comprising quality ports and airports. It was considered a model of development and appeared to be on a promising path.

Tunisia's unfortunate implosion continues to be analysed, with no consensus on its exact causes. Was it due to governance shortcomings, the dictatorship of Ben Ali, or high unemployment levels? The crucial point is that a potentially "developed" country in Africa experienced a failure and collapse. This could have been influenced by the negative perceptions of the country's governance systems among the youth. Tunisia serves as a warning for other African nations. Traditional development indicators are no longer sufficient in light of the youth's evolving role. Governments may believe they have the power to drive

change, but if they lack the ability to do so, it signifies inadequate governance systems. To address these issues, a shift of power has been observed, moving from centralized governments to local authorities, communities, and especially the organized youth. It is evident that governance systems cannot be effectively changed in a top-down manner if they are perceived as inadequate.

Examining the presence of Boko Haram in Nigeria, Cameroon, the South of Niger, and Chad reveals a troubling fact: the median age of a Boko Haram fighter is just 16 years old. According to the UNDP, these young individuals earn more than \$3 a day, possess Kalashnikov rifles, and reside in territories that have been neglected by development initiatives. Such cases highlight the limitations of the traditional development model. Governance plays a pivotal role in addressing this issue.

Two compelling examples that underscore this are the Central African Republic and Botswana.

Despite their similarities in size, population density, and mineral resources, Botswana and the Central African Republic (CAR) have taken divergent paths since gaining independence around the same time. At the onset, both countries had a GDP per capita of \$400. However, Botswana's GDP per capita has surged by a factor of 20, now standing at approximately \$8,000. In contrast, the CAR's GDP per capita has plummeted by half, currently hovering around \$200. These contrasting trajectories demonstrate how countries on the same continent, inhabited by the same Africans, can experience significantly

different outcomes in their development journeys.

Botswana stands out in a unique way due to its policy design and implementation, which prioritize inclusivity—a dimension that the Central African Republic (CAR) lacks. In terms of governance systems on a global scale, most African countries can be classified into two categories: those resembling Botswana in their policies and those similar to the CAR. The presence of more countries adopting governance systems like Botswana's will lead to increased emphasis on inclusivity in Africa's development trajectory. Botswana's governance systems, policy design, and implementation processes embody a crucial dimension of inclusivity, setting it apart from countries like Tunisia that experienced an implosion. The government of Botswana holds the power to drive change due to the central role inclusivity plays in its governance system. As power relationships have shifted, it has become clear that inclusivity is an essential prerequisite for sustainability within a young population. These realizations have sparked a paradigm shift in our approach to development, diverging significantly from the conventional wisdom of several decades ago.

### **The ODA - system**

As Africa navigates through critical transitions and evolving power dynamics, it becomes crucial to scrutinize the design process of development policies. Additionally, the uncertainties of global cooperation present another significant issue. Aid has long been a

vital component of our development strategies. However, many African governments are increasingly convinced that aid, in its current form, may likely diminish within the next decade. In fact, considering data from DAC and OECD, it is already on the decline. Moreover, we are witnessing a transformation of traditional aid into military support, particularly evident in the Sahel region of West Africa. A substantial portion of Official Development Assistance (ODA) provided to the Sahel is now linked to military objectives. Consequently, the development dimension of the multilateral system is being critically questioned.

### **From a rules-based multilateralism to regional powerhouses**

The traditional multilateral system is currently grappling with significant challenges as powerful national actors question its role and effectiveness. The sustainability of this system, with its core project, is now uncertain. The Sustainable Development Goals (SDGs) embody a universal agenda that should be embraced and implemented by diverse countries such as New Zealand, Australia, Malawi, and the United States of America. However, when evaluating progress through various reports, it becomes evident that we are falling far behind, especially compared to the implementation of the Millennium Development Goals (MDGs). In the face of global uncertainty, Africa is shifting its focus towards an internal agenda, prioritizing its own developmental aspirations.

A concrete illustration of this shift is the establishment of the African Free Trade Agreement. Although it will require considerable time and effort to operationalize the agreement and establish harmonization processes, we are committed to progressing towards a free trade area. We firmly believe that reimagining development entails strengthening our regional internal markets. It is within these markets that we can foster a learning curve in terms of competitiveness, enabling us to assume a significant role in an increasingly globalized world characterized by heightened uncertainty.

In light of the challenges we face, we are compelled to prioritize the objective of regional integration, a pursuit we have been engaged in since the 1960s. We recognize that one of the primary hindrances to Africa's overall development is its fragmentation. Therefore, it is crucial for us to pursue regional solutions as they offer the most effective pathways forward in various sectors such as education, energy, transport, and more. By embracing regional integration, we can unlock the optimal solutions that lie at the regional level, paving the way for comprehensive development across the continent.

### **The new leadership**

By actively engaging in regional solutions, national governments can regain credibility and foster successful processes of democratization. As regional blocks gain greater influence and power, they can effectively shape leadership dynamics at the national level. This shift towards

regional cooperation not only strengthens the collective voice of African nations but also creates a platform for shared decision-making and collaborative problem-solving. Ultimately, by empowering regional entities, we can contribute to the development of accountable and responsive leadership at both the regional and national levels, promoting stability, progress, and effective governance.

### **Inclusivity**

In reevaluating our perspective on development, we must consider the integration of the Sustainable Development Goals (SDGs) and their connection to environmental issues. The question arises as to whether this “classical development” approach will continue to dominate or if alternative approaches will emerge. The traditional development industry is facing significant scrutiny from local actors across Africa, spanning from North to South, East to Central. The credibility of the old team of donors, partners, and governments is notably low among today's youth.

This shift in perception demands a critical examination of how we perceive and pursue development. It calls for a departure from conventional models and a reimagining of innovative approaches that align with the aspirations and priorities of local communities. Engaging with the SDGs and incorporating environmental considerations will be key in this process. By placing emphasis on inclusive and participatory development, we can create more meaningful and impactful outcomes that resonate with the aspirations of the youth and address the pressing challenges of our time.

To effectively rethink development, it is imperative to prioritize inclusivity as a fundamental principle. Inclusivity is not an abstract concept; rather, it can be tangibly manifested through specific processes. The traditional top-down approach to designing education policies, health policies, and others has often been met with resistance from the majority of the population. Inclusivity, in this context, necessitates the co-production of public policies by governments and all relevant stakeholders at the national and local levels.

To bridge the gap between technological solutions and their effective implementation, political solutions must also be considered. This entails a comprehensive review of governance systems, placing inclusivity at their core. This paradigm shift is essential if we are to meet the expectations of the youth and actively pursue the Agenda 2063, a shared vision for Africa's development.

## **Reinventing governance systems**

To ensure active participation in the development agenda, Africa needs to reinvent its governance systems. These new systems should embrace two essential dimensions: empowering local communities at the grassroots level and redefining the roles of the state, governments, and the need for inclusivity at the regional level. This transformation should prioritize bottom-up approaches rather than top-down directives. It is worth noting that Botswana's impressive \$8,000 per capita GDP is not solely attributed to diamond exports but is rather a result of leadership and governance

that prioritized the preservation of people's dignity.

As an example of inclusive planning, during my tenure as Prime Minister in 1998, we conducted a comprehensive survey in Niger as part of our three-year planning process. Rather than delegating the plan's design solely to experts, we actively sought input from the population to understand their priorities. This seven-month survey was conducted nationwide, with the anticipation of identifying key areas of focus. Interestingly, our assumptions about national priorities were challenged, as different regions prioritized water, agricultural production, and land issues differently. This demonstrated the importance of listening to the diverse voices and perspectives of the population in shaping effective policies.

Surprisingly, our findings revealed that justice emerged as the foremost priority in all regions, surpassing water, education, and infrastructure. This unexpected result emphasized the critical importance of addressing justice-related issues in our development efforts. It highlighted the deep-rooted desire within communities for fairness, equality, and a legal system that upholds their rights. Recognizing this prioritization of justice is essential for creating a society where individuals can thrive, trust is fostered, and social cohesion is strengthened.

Rethinking development in Africa necessitates a comprehensive reevaluation of justice in its entirety. Justice should be viewed holistically, encompassing not only the legal system but also social, economic, and political dimensions. It

is imperative to address the systemic barriers and inequalities that hinder access to justice, promote transparency and accountability, and ensure fair and equitable outcomes for all individuals. By placing justice at the forefront of our development agenda, we can create a more inclusive and just society, empowering individuals and fostering sustainable progress for Africa as a whole.

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# A Development Finance System for a New World Order

David McNair\*

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**Abstract:** The current system of governing development finance flow (principally Official Development Assistance), while achieving significant and measurable outcomes is facing headwinds. Political support for international cooperation is waning, leaders of countries in the Global South are demanding a say at decision-making tables buoyed by their increasing geo-political leverage. This paper presents broad principles for reconsidering the basis of development cooperation and suggests specific policy proposals in line with these principles rooted in ownership and mutual cooperation and learning between all stakeholders. Firstly, humanitarian needs and the energy transition should be adequately addressed through a common fund, endowed with capital from levies on carbon-intensive industries. Secondly, infrastructure development should focus on lowering the cost of capital, and multilateral development banks should be reformed to create low-cost capital. Lastly, remittance flows should be prioritized for social protection and economic development, necessitating the reduction of remittance costs and improving payment services.

**Keywords:** Development finance, international cooperation, soft power, remittances, multilateral development banks.

In a truly multipolar world, characterised by increasing great power competition and the weaponisation of everything from sanctions, trade policy and vaccines, the foreign policy community is alive to the fact that we live in a new world order which is yet to be defined. But what does all of this mean for development finance? China's Belt and Road Initiative has

transformed the scale and landscape of infrastructure finance. The EU's Global Gateway and G7 Build Back Better World Initiative have signalled a desire to use development finance, in part as a tool of soft power.

Official Development Assistance (ODA) still delivers significant and impactful programmes. For example, Gavi estimates that its childhood

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immunisation programmes have prevented more than 16.2 million deaths since 2000. Yet ODA now suffers from a governance and political narrative problem. Accountability for spending rightly lies with the electorates of OECD countries. While polling shows considerable support for aid, influential media narratives show an increasing scepticism of what many see as 'aid' or 'charity' to less developed countries. With increasing inequality within donor countries, charity, in the eyes of some, should begin (and in some cases end) at home. Unsupportive voices from 'recipient' countries where the impact - positive or negative - of this spending is felt are rising because they see it as an undignified and in some cases, postcolonial tool of influence over which they have limited control. Ghana's president, Nana Akufo-Addo, remarked that relying on European taxpayers to finance Ghana's health and education budgets "has not worked and will not work" for sustainable development. Meanwhile, financing needs have increased dramatically in the wake of climate change. Countries find themselves unable to borrow at affordable rates on international capital markets to fund massive infrastructure needs, and the institutions charged with providing this low cost finance - the Multilateral Development Banks have yet to rise to the scale of the challenge.

In this essay, I argue that we are living through a vacuum where the old paradigm of Official Development Assistance - dominated by the OECD countries - is of increasing irrelevance

to the major challenges of our time and must evolve towards a new model of mutual cooperation and learning. But neither should we jettison decades of learning and impactful programmes - particularly at a time when financing needs are so great. Instead, we must leverage the instruments available to us in order to mobilise the significant capital needed to address the urgent energy transition imperatives and humanitarian crises while shifting the worldview that shapes policy and governance when it comes to development. I propose three shifts in how we think about development finance and three specific policy recommendations to action these shifts.

## **Development Assistance at a Crossroads**

Development assistance has jointly served humanitarian needs and domestic political interests since its conception in the 1940s. In the immediate aftermath of World War II, European economies were rapidly deteriorating. Devastated countries were facing hunger and refugee crises, and the United States government openly feared 'exploitation' by a Communist Soviet Union. In 1948, the United States Congress developed the Marshall Plan, which eventually catalysed over \$12 billion dollars to rebuild Western Europe - excluding Soviet Bloc cooperation and cleaving the continent further in half.

In the 1950s, Sir Arthur Lewis, advisor to the Leader of the British Labour Party, proposed that 1 per cent of donor country income should be

given to developing countries. Advanced internationally by the World Council of Churches and reduced to 0.7 per cent to focus only on public financial flows, the target was adopted by UN General Assembly Resolution on 24 October 1970. The express purpose was built on the UN Charter: “To create conditions of stability and well-being and ensure a minimum standard of living consistent with human dignity through economic and social progress and development.”

Since 2000, Official Development Assistance has grown significantly. Yet, aid as a share of national income in the last decade has barely risen, showing little progress towards the original 0.7 per cent target. The most impactful aid programmes are astonishing. Gavi, the Vaccine Alliance, just announced its billionth vaccination - a programme that has saved 16.2 million lives. The Global Fund on AIDS, TB and Malaria has saved an estimated 50 million lives.

But the 2022 headline figures mask an underlying trend: barring aid for COVID-19 and in-country refugee costs (the latter of which is spent within the donor country), aid has largely stagnated since 2015 at a time when needs have increased dramatically. In 2022, ODA hit a peak of \$204 bn, but more than 14 per cent of this was spent in donor countries on refugee costs. The proportion of Aid to Africa declined from 44 per cent in 2006 to 33 per cent in 2021 and in 2022, Aid to sub-Saharan Africa fell by 8 per cent in real terms.

This data also hides another story. The visionary Paris, Accra and Busan Aid Effectiveness Agendas in the early 2000s,

which sought to build development finance around country ownership and transparency, have given way to a dynamic where some donors in the OECD’s Development Assistance Committee (DAC) write the rules in their own favour around what can count as aid, with little to no oversight or input from ‘recipient’ countries. The DAC itself, rather than presenting a vision for how development cooperation should change in a changing world, is dominated by debates about how donors can do less while reporting more.

Contrast this with the increasingly bullish proposals from governments in the global south - encapsulated best in the Bridgetown Initiative spearheaded by Barbadian Prime Minister Mia Mottley, which seeks to reform the Bretton Woods Institutions, the governance of debt contracts and measures to unlock trillions in private capital such as addressing exchange rate risks.

Other sources of finance have become much more significant. Global remittance flows reached \$647bn in 2022, of which \$53bn went to sub-Saharan Africa. Loans from China to developing countries have surpassed \$500 billion. G7 member states (not including the EU) make in nominal terms, down from nearly 70 per cent three decades ago. Actors such as China, Russia, Turkey and Saudi Arabia - which sit outside of the OECD - are conducting their own development and foreign policy programmes under very different terms.

Increasingly, leaders in the global south see their own dignity and self-sufficiency as a compelling domestic

political priority and the ‘right’ thing to do in their context. This is a refrain of Rwanda’s President, Paul Kagame and Ghana’s President, Nana Akufo-Addo. Kenya’s leading climate diplomat recently asserted that they “don’t want any handouts from the rich nations” in speaking about controversial loss and damage funds for climate change mitigation. Instead, they are focused on reforming the global financial architecture and asserting Africa’s leadership to act on climate change. But this political trend belies a real worth truth. Many countries in the global south are strapped for cash, are facing debt distress, and are in great need of fiscal support.

One in five people on the planet now lives in countries in or at risk of debt distress. Those that default face the altogether. Those that don’t have to make impossible choices about spending in order to make debt repayments - as Kenya did in April when it delayed civil servants’ salaries in order to meet a Eurobond payment. The scale of financing required for emerging economies (excluding China) to transition their energy systems and meet human development needs amounts to \$1 trillion a year by 2025 and \$2 trillion by 2030.

But while advanced economies are facing a world of diminishing geopolitical influence, in part because they offer limited partnership opportunities for countries in the global south, they are sitting on stockpiles of surplus reserves (for example, \$375bn in unused Special Drawing Rights), not to mention huge stocks of private capital looking for returns.

And the institutions they preside over - including Central Banks and the Credit Rating Agencies (which are private entities but could be regulated) are accused of undermining the flow of this capital to vulnerable countries through the conservative application of rules on monetary financing and apportioning unnecessarily high levels of risk to Africa countries. Yet this seemingly bleak picture could be challenged by the opportunities presented by the Green Energy Transition. Advanced countries recognise an urgent imperative to decarbonise their economies and simultaneously see the opportunity of a first mover advantage when it comes to developing cutting edge green technologies.

Emerging economies, particularly in Africa, have the natural endowments (60 per cent of solar potential, two-thirds of global cobalt production, and three-fourths of platinum) to enable these technologies and the aspirations to transform their economies through value addition of these resources. Some countries are rightfully leveraging this potential (though many cannot due to a lack of resources). Namibia recently banned the export of unprocessed lithium and other critical minerals, save small quantities approved by the minister responsible for mines. After banning the export of unprocessed lithium last year, Zimbabwe is now pushing its mining companies to produce battery-grade lithium locally. It appears the US is attuned to these shifts in power and circumstance. In April 2023, US National Security Adviser Jake Sullivan laid out

a new vision for US Foreign Policy - a 'new Washington Consensus' which he described as a modern industrial and innovation strategy - both at home and with partners around the world. One that invests in the sources of our own economic and technological strength, that promotes diversified and resilient global supply chains, that sets high standards for everything from labour and the environment to trusted technology and good governance, and that deploys capital to deliver on public goods like climate and health.

When it comes to development cooperation, reconciling these tensions and opportunities requires a reframing of the way that we think about development cooperation in three important ways:

First, the reality is that addressing the major challenges of our time - demographic shifts, migration, management of pandemic threats, the governance of technology and Climate Change will require cooperation and mutual dependence. These are 'laws of physics' that have no respect for political borders and which no amount of political narrative can defy. In a world where ecological breakdown and the rapid pace of technology are taking us into uncharted territories, those that will thrive will be those that can learn and adapt to those rapidly changing circumstances. Countries with a higher average GDP don't have an innate advantage when it comes to adaptation to change, and in many cases, those closer to everyday crises are those that are forced to adapt and learn faster. In this context, rich countries have a lot to learn

about innovation from countries more vulnerable to the first waves of climate and pandemic shocks.

Second, the underlying assumption driving much development thought lies in the idea that 'developed' countries are 'models' for how societies should be managed and 'developing' countries need to become more like them. But the financial crisis undermined the credibility of this argument, and the increasing inequality that has ensued, accompanied by social breakdown, and 'deaths of despair' in these countries, shows this is not the case.

Third, a key objective of development cooperation should be the pursuit of trust and dignity between parties. That means valuing the strengths that each party brings and resolving not to use the power that money brings to undermine this trust. Ensuring a meaningful seat at the table in the governance of these resources and flows is critical. If no income group has a monopoly on the 'right' path to development, perhaps all countries can learn from one another.

## **Way Forward**

Of course, the answers to better development cooperation have far deeper implications than the money that flows across borders. But if we take these assumptions seriously, they should also shape how we manage development finance. We should be clear-headed in thinking about the kinds of finance and financial flows that are best suited to different forms of cooperation and rebalance power in the governance of these funds. Here are three proposals.

Firstly, humanitarian needs are at an unprecedented scale, and climate shocks will make this worse. As a result, those with the greatest capacity to pay should contribute to crisis appeals as a matter of course. UN Agencies should not be forced to come up with a begging bowl to finance international crisis response. Instead, a common fund that automatically provides finance at the scale of humanitarian needs could be endowed with capital - perhaps from levies on carbon intensive industries and drawn down as required. But the often false distinction between 'humanitarian' and 'development' financing should be reformed towards a common objective of building resilience to shocks. With the DAC facing increasing irrelevance, it should be reformed to give a seat to a larger pool of stakeholders who govern the way in which these resources are managed together.

Second, infrastructure development should be driven by lowering the cost of capital. Countries should deploy the assets at their disposal to address this - initially by establishing a new G20 Commission on the impact of Credit Rating Assessments on enabling the energy transition. Multilateral Development Banks are a key tool in the financing toolbox by creating low-cost capital. They should be rapidly reformed through increased capital and steps to better leverage that capital - steps that triple World Bank lending - could potentially yield \$1.2 trillion in low-cost lending by 2030.

The power of monetary finance should also be unlocked to address

urgent capital needs through proposals such as hybrid capital instruments and SDR bonds. The AfDB and IDB have an advanced proposal on the table that would leverage just \$2.5 billion of SDRs (less than 0.4 per cent of the last \$650 bn allocation) into potentially \$10 billion in additional lending while still allowing those SDRs to remain as reserve assets for the donors. This is a win-win proposal that is being held up by the technical rules of central banks. While small, this precedent-setting move could demonstrate a path to leverage the \$375bn of unused SDRs at a ratio of 1:4 (\$1.5 trillion) and potential future allocations (which can be made every five years without US congressional approval if under \$650 bn).

Both proposals involve expanding low interest loans rather than aid or grants. As a result, accountability should lie with the citizens of the countries in which these loans are spent.

Finally, remittance flows (which amounted to \$647bn in 2022) should be given precedence as a key driver of social protection and economic development. The lowering of remittance costs (both fees but also the friction and administration involved in making these transactions frictionless) should be identified as a priority to both increase these flows and reduce the money being paid to third parties. Financial innovation has made this possible in many cases within countries through online payment platforms and banking. This should be applied to international transitions through making remittance fees a fixed amount, not a percentage

of the principal (IMF), expanding the use of mobile payment services, coordinating regulation efforts for Anti Money Laundering in origin and receiving countries and standardising data exchanges.

In important ways, these shifts could both lock resources at the scale needed but also shift the power. Because rather than maintaining the power over resources with ‘donor’ countries who use them to pursue their own interests, these policies retain ownership and accountability with those responsible for and impacted by spending the money.

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# LiFE, Resilience, and Values for Wellbeing

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**Abstract:** Under India's G20 Presidency, the focus shifts to addressing global challenges like climate change, poverty, health, and hunger. Emphasizing the risks of continued resource exploitation, PM Narendra Modi introduces the Lifestyle for Environment (LiFE) initiative. LiFE promotes sustainable consumption, production patterns, and a carbon-circular economy, while also advocating for values beyond anthropocentrism, encompassing intergenerational and trans-species justice. The concept prioritizes sustainable lifestyles, linking individual actions to potential significant global carbon emission reductions. Notably, India is advocating for a shift beyond GDP, emphasizing well-being and ethical value systems in international relations and finance, while recognizing the need for just transitions in the face of economic and geopolitical challenges.

**Keywords:** LiFE, G20, Ethics and Value, SDGs

India's G20 Presidency has rekindled the debate on how in the past two centuries, nation-states were able to achieve an unprecedented level of economic growth and increase the standard of living for most of humanity due to their vastly enhanced technological, economic, and administrative capabilities. Indian leadership has emphasised on the inequalities and vulnerabilities in various social, economic, and political dimensions that have been disproportionately distributed within and among countries around the world. Therefore, the main thrust of the Indian G20 Presidency is on the challenges of climate change, poverty, health, and hunger and the need to resolve them. As there is a real danger,

that if we don't make substantial progress towards decoupling the misaligned growth priorities with natural resource exploitations, some of the past gains in the quality of human life will be reversed.

It is in this backdrop that PM Narendra Modi has laid stress on a new transformative approach as Lifestyle for Environment (LiFE), which calls for transformations at various levels from individuals to institutions to significantly change their behaviour and functioning.<sup>1</sup> LiFE incorporates the issues of sustainable consumption and production (SCP) patterns and carbon-circular economy (CCE) at its core and goes beyond the anthropocentric view to incorporate not just climate change mitigation strategies

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and intergenerational justice but also trans-species justice. The adoption of LiFE is deeply connected to value systems and ethical approaches in financial architecture and technology transfer mechanisms. The approach could subsequently address shortcomings of the presently dysfunctional financing and technology transfer mechanism towards achieving ethics and value-based development for all, where new measurement of wellbeing which goes beyond GDP plays a pivotal role.

LiFE places an individual at the centre of action against climate change by pursuing “Lifestyle of the planet, for the planet and by the planet.” According to the United Nations Environment Programme (UNEP), if one billion people out of the global population of eight billion adopt environment-friendly behaviours in their daily lives, global carbon emissions could drop by approximately 20 per cent.<sup>2</sup> The LiFE action plan includes nudging individuals to practice simple yet effective environment-friendly actions in their daily lives (demand), enabling industries and markets to respond swiftly to the changing demand (supply) and influencing government and industrial policy to support both sustainable consumption and production (policy).

Given the transformative potential of LiFE for global wellness, India has placed a sustainable lifestyle as a priority on the G20 agenda. G20 accounts for 80 per cent of global GDP as well as 80 per cent of global greenhouse gas emissions. In India’s view, the G20 is

therefore equipped to make LiFE a global movement.

LiFE, as a new development approach, will not only help the world in its fight against climate change but will also complement the Sustainable Development Goals (SDGs) set by the UN through bringing in ethics and values in the functioning of IFIs, technology and International relations. PM Modi highlighted the significance of LiFE in his remarks at the G20 summit in Bali on 15 November 2022.<sup>3</sup> “For the safe future of the planet, the sense of trusteeship is the solution. LiFE campaign can make a big contribution to this. Its purpose is to make sustainable lifestyles a mass movement”. In recognition of India’s efforts in changing the global debate on climate change, the G20 Bali Leaders’ Declaration has endorsed the concept of sustainable development and lifestyles, resource efficiency and circular economy.<sup>4</sup>

As a continuation of concretising the LiFE economy fundamentals, theoretically and empirically, a Think 20 (T20) task force under the Indian G20 presidency on Lifestyle for Environment (LiFE) has been constituted under the process. Task Force 3 on LiFE, Resilience and Values for Wellbeing, primarily focuses on holistic aspects of Lifestyle for the environment (LiFE) and also how to bring in ethics and value system in our economic models of financing and technology. The ideas of sustainable consumption production and the lifestyle for Planet are not only behavioural issues but they are also part of the guidelines within which



international financial institutions and other agencies and entities may function. This is in line with India's G20 priorities on green development, climate finance & LiFE; accelerated, inclusive & resilient growth; accelerating progress on SDGs; technological transformation & digital public infrastructure; multilateral institutions for the 21st century; and women-led development.<sup>5</sup>

### **Ethics and Value System**

Ethics and value system forms the foundational component in the formation of this New Development Paradigm. When we look at what is happening in the case of blocking of grains from Ukraine to other parts of the world, which led to the UN intervention, only then could we get the grains out from Ukraine. Similarly, the practice of providing financial assistance to countries which leaves them more indebted than they would have been otherwise is also a matter of concern. So how we can all remain ethically correct, how international relations, particularly the behaviour of international financial institutions, is not just led by financial concerns but also by ethical value systems, is something the LiFE economy looks into. Now, the question arises, as some of us ask, whose ethics we are talking about? Whose value system are we talking about? Apart from civilisational concerns, we also have some common value systems which are relevant for humanity, which are relevant for everyone, apart from specific inferences that we may draw in some regional or national contexts. But there are minimum value systems that

are related to respect for life, respect for human rights, and respect for the existence of each other, not only of human beings, but of other species as well. So our development theory, our financial institutions, their management, their guidance, and their principles, are equally important. Recently, the United Nations Secretary General report stated: "We cannot persist with a morally bankrupt financial system and expect developing countries to meet targets that developed countries met with far fewer constraints". Therefore, the adoption of LiFE is deeply connected to value systems and ethical approaches in financial architecture and technology transfer mechanisms.

### **SCP and Just Transitions**

Given the current geopolitical issues and economic setbacks of the pandemic, the challenges of transitioning whilst ensuring justice for affected communities have become more profound, particularly for the developing and least developed nations as they face fiscal stress and technological constraints in the process. Similarly, the recent UNSG Report highlighted the impacts of the pandemic on SDG 12, Sustainable Consumption and Production, particularly with respect to the change in consumption patterns and disruptions in global supply chains. However, the divergence between the Global North and Global South vis-à-vis their material footprint and their domestic material consumption brought forward questions around climate burden and responsibilities.

Lifestyle for environment, while connecting resilience and values that are important for wellbeing, is also trying to emphasise that we need to take care of intergenerational gaps and also inter-species disequilibrium that we are ending up with. While conceptualising the idea of Just Transition, the issues around distributional justice, procedural justice, and restorative justice were made an integral part of transitioning towards a carbon-neutral economy. The idea of Sustainable Consumption and Production patterns is deeply embedded in LiFE approach. Hence the modalities of carbon circular economies, eco-friendly supply chains and local food systems for reducing the ecological footprint have been made an intrinsic part of economic transitions. LiFE also emphasises the idea of trusteeship, which is thinking more about the concept of the social sector, which in the US, they call the “Fourth Sector”, in which we are trying to emphasise the role that social enterprises can play. India has recently established the Social Stock Exchange to facilitate that and it would be important for us to go forward with that.

### **Going beyond GDP**

We are all increasingly realising, not now but for the last several years, but more so after COVID-19, the need to go beyond GDP as a measure of growth. That is why the idea of bringing in climate change, health, food security, governance, all different dimensions included, and that’s where the current LiFE approach that we have in G20 comes in. The UN and UN-led institutions have also been

playing an important role in this regard. Target 17.19 (by 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement the gross domestic product and support statistical capacity building in developing countries) of SDG Goal 17 is important, as it envisages playing some role in terms of identifying the priorities.

Similarly, UN Secretary General has mentioned in terms of suggesting that the time for wellbeing-based measurement has come, and that it is absolutely important for all of us to be reminded that the current system for accounting, which came in 1947 from Richard Stone, needs to be revisited. It was revised first in 1958 and then in 1993. The current review, which was done in 2008, is to be over in 2025. So, we need new measures, both IMF and World Bank have already identified more nuanced structures and that is important for us to ponder upon.

Presently, various wellbeing measurement frameworks and indexes have been floated by various multilateral agencies, such as the Human Development Index by UNDP; Better Life Initiative: Measuring Well-Being and Progress by OECD; the Socio-Economic Transformation: Recoupling Dashboard by Global Solutions Initiatives, among others. The indexes and frameworks so far face the challenges of data availability and subjective preferences of indicators which might not be common across countries. Therefore, significant enhancements in national statistical capacities are required to collect, collate and disseminate the data for such multidimensional wellbeing measurement, along with prioritise

indicators and dimensions of social, ecological, and economic wellbeing.

## Conclusion

In order to ensure that individual responsibility should not boil down to the poorest of the poor, the growth necessities of the developing and least developed nations also require appropriate and just reflections in the LiFE framework. The framework formulation for global governance for LiFE economy also contemplates the inequalities around the world. Therefore, even while we adhere to the idea that each person has a responsibility to the planet, the aspirational characteristics of the large majority of humanity have been given room to flourish.

For long, the G20 process has focused mainly on economic development. A profound change in this governance approach may not be easy. It involves a mindset change. It may require long-term sustained efforts at foundational thinking of the group and will have to explore and overcome serious challenges. First, states, multilateral institutions and corporations must accept that moral values are the basic prerequisite of an enduringly peaceful, stable and equitable world. Secondly, the principles of climate justice, burden and responsibilities require a rethinking, given the significant disparities and climate induced vulnerabilities among the developed and developing nations. Lastly, the global governance institutions should henceforth see existing challenges as universal and indivisible. We live in an

interdependent world which is connected at an unprecedented level at any point in the history of humankind and we cannot have local or national solutions to the “Grand Challenges” we face. Therefore, the challenges of climate change, poverty, health, and hunger require solutions at the global level.

## Endnotes

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- <sup>2</sup> UNEP (2022).
- <sup>3</sup> PIB (2022a). Prime Minister Shri Narendra Modi's remarks at the Closing Session of G-20 Summit in Bali Posted On: 16 NOV 2022 12:58PM by PIB Delhi
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# Interview with H.E. President Mohamed Bazoum, Republic of Niger

Before the events of the 26th of July, President Mohamed Bazoum of Niger had devoted a significant proportion of an interview, as well as the country's annual budget, to education. With a focus on supporting young girls' education and the infrastructure that strategy would entail, the overall quality and reform of Niger's education system was deemed as important as security. The added benefit of this focus on education was one of socio-economic development for the country, decelerating the current levels of unsustainable demographic growth, which in turn would reduce poverty and mitigate security risks.

With this G20 edition of the Development Cooperation Review (DCR) in mind, a segment of the interview on education and development cooperation was finalised on July 14th. In an effort to help inform Nigeriens at this crucial time, the DCR partnered with Le Grand Continent to publish the paper in French, as well as on the occasion of India's Presidency of the G20 summit, September 9th in New Delhi.

**DCR: Your Excellency often talks about the importance of developing the education system in Niger in order to offer more opportunities to young people while mitigating demographic growth. What programmes have been put in place to improve the education system?**

**Mohamed Bazoum (MB):** We are a country with very high demographic growth. Half of our population is under 15, and the fertility rate is 6.2 per woman. This is a symptom of the inadequacy of the education system. It's very clear, it's well-known. It is also the cause of great poverty due to water stress and our successive debts. The risk we are exposed to is that this demographic growth will, in turn, increase poverty, and we will be in a spiral that can only generate situations

of instability and conflict due to the lack of general resources. Incidentally, the violence currently being perpetrated by terrorist movements in the Sahel region is also symptomatic of the poverty I am talking about, generated by demographic growth. To tackle this problem at its root, we need to promote the education system. Because education has a direct impact, in the medium term, on family culture, demographic composition and the birth rate. A certain amount of family, social, sexual and economic education is needed in the curricula that we want to introduce to have an impact on social and family mores and culture in Niger.

We have decided two things: to raise the level at which we train our teachers. Professional training for the teaching profession will last two years

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**Interviewers:** Eleanor Legge-Bourke, Managing Editor, Press Report House, UK

rather than one, and will require a higher minimum level of education. The more we inform, the more we will have a critical mass whose integration into the education system will help to improve student performance because it is the teacher's performance that is the condition for improving student performance. Training and recruiting competent human capital is necessary to improve the academic performance of pupils and the summative assessments of the school-going population.

The other aspect of our reform is that we have observed that when a girl goes to school without the conditions that offer her the essential amenities so that her parents are confident and will let her continue her schooling, she runs the risk of dropping out as quickly as possible. Dropping out of school is correlated with a certain school climate of confidence and security for children and teenagers. What often happens is that at the end of the first or second year of secondary school, many children are expelled, especially girls, for reasons of morals or truancy. What I've decided to do is set up boarding schools for girls in rural secondary schools so that the state can take full care of girls. In this way, we will be able to shelter girls and protect them from the risks of marriage and early motherhood. By giving them the conditions they need to acquire real skills, to train, to grow and to develop, they will be actors whose role will be decisive in reducing the birth rate and population growth.

The virtues of closed, single-sex education are therefore twofold: on the

one hand, it enables girls to acquire disciplinary skills and eventually earn an income for themselves; on the other hand, it prevents them from becoming pregnant at an early age and avoids the risks of large families linked to early marriages, which are the main factor behind the unbridled demographic growth in our country today.

Our aim is to improve the quality of human capital resources and, therefore to develop and train teachers throughout their lives, hence the 23 per cent increase in sector budget. In addition, our processes for recruiting qualified trainers and teachers involve upgrading their status.

**DCR: What partnerships do you use in the field of education and how can development cooperation better help, whether North-South or South-South?**

**MB:** Our partnerships are both multilateral and bilateral. For example, on the multilateral front, the UNESCO Summit in Paris in May 2022 and the UN Summit in New York in September 2022 raised substantial funds, notably with BADEA, which financed one hundred (100) boarding schools in Niger. The Economic and Social Development Plan (PDES) has convinced EU partners such as France, the UK, Germany and Italy of the budgetary and financial viability of our education programme and our ambitions in the area of inclusive education. This has raised Niger's profile both globally (GPE), regionally and sub-regionally.

Our financial health means that, within the framework of the West African Economic and Monetary Union

(WAEMU), we have become a leader in the field of sectoral investments, and our technical and financial partners are constantly praising our actions, our efforts and our achievements. There is still a great deal to be done, but the momentum is there, and we can only be delighted. We now have to maintain our budgetary and economic growth at a difficult time in the global economy (war in Ukraine, inflation, rising transport costs, tightening of concessional credits, poor distribution of Special Drawing Rights for Africa, climate shock, pandemics, etc.).

The FAO and the WFP are international organisations that play an important role in providing logistical support for our education policies. The school canteens in the boarding schools (Kelle, among others) are fully supplied through a partnership between the WFP and the State of Niger, via its dedicated ministry, to provide the canteens with balanced and substantial food so that the boarding schools and girls' colleges are safe spaces. Girls' boarding schools are places where pupils can eat properly, relieving families of the worry about food assistance and the aftermath of famine in the event of a poor agricultural year or difficult rainy season. Water stress has had a severe impact on rural areas, and this aspect of schooling cannot be neglected. After all, all pupils need food, a healthy lifestyle and a safe environment if they are to study properly and progress in their learning.

The school environment is a place of socialisation and life, where traditional Nigerien values and positive Western

ideas of emancipation are truly put into practice and realised through specific educational activities. Our project is holistic: a school without energy, roads, food, health and hygiene cannot be viable. This means that the Ministries of Energy, Infrastructure, Transport, Agriculture, Livestock, Health, etc., are all involved in our concept of the school. It cannot be seen as a simple school building outside a framework, a context, a society, a rural environment, individuals and families with unique lives, specific cultures, and particular religious and social practices. We have to take all these parameters into account when educating our pupils and our children because we can't teach anything without motivating the children and working with the concerns of the pupils, who are the first to be involved in the learning process. This is not sufficiently reflected in the requests and offers made by donors; education cannot be improvised and requires substantial resources to produce concrete and lasting effects.

Partnerships must not be exclusively financial. In fact, it is the sinews of our war, and we made a timely reminder of this at the Paris Summit in June 2023 regarding North-South partnerships and financial balances in development aid. I mentioned the fact that we need more resources and financial aid as globalisation spreads across the African continent and that we are directly paying the heavy price of the debt policies and energy choices of the countries of the North and the inequalities in the international representative bodies that decide our present and our future. These

are inequalities and illogicalities that must be remedied as soon as possible if we are not to unbalance the world order, accentuate the processes of uncontrolled migration, and further impoverish the South.

It's not just a question of development aid but of clear-sighted political action in favour of the future of a global policy on well-being, health and children's rights, and therefore of harmony; because our Earth is one, Humanity is one, and despite our diversity and our contradictions, which are often complementary and very useful in stopping the excesses linked to speculative financial expansion, we have, South and North alike, common goods to protect: the quality of life, air, water, land and sustainable energy. This is why we are calling for synergy in multilateral funding and for rights of expression and focus in our partners' budget guidelines. In addition, we believe that bilateral dialogue is more appropriate for the education sector, depending on the skills and political histories of the countries that are helping us to develop our education policy: the countries of Northern Europe have an interesting approach to vocational and technical education, for example.

It should be added that a development aid strategy in the education sector is preferable to vast action programmes and budgetary support often provided by people and institutions cut off from the concrete reality experienced by our rural populations. That's why we recommend adapted and integrated schools, appropriate curricula, responsive trainers, up-to-date programmes, specific

teaching methods and in situ expertise, and we are working with Nigerien and international players to optimise skills and achieve our objectives of sustainable education and truly capitalise on the work done by human capital. I believe that Africa, and Niger in particular, must stop being a machine for manufacturing debt and ensuring imbalance on the pretext of its development. These paradigms no longer work. We can see this with the entry of other partners in financial aid, notably China, India and the countries of the Middle East, which are positively changing the societal landscapes and socio-economic realities of West Africa and Niger in particular.

**DCR: Niger has many partners. What do you think would be the ideal cooperation model?**

**MB:** A model of cooperation that is fair and rational, as much as true and authentic, would be one in which the partnership is ethical and equitable: aid would not be a form of economic blackmail and would not conceal siblylline contracts that would further entrench the person being helped and would therefore be particularly favourable to the helper. Etymologically, cooperation means working together, i.e. being on the same level of information and intentions, with the same horizon of values and benevolence, as those that characterise responsible people despite the differences, the strong heterogeneities of autonomy and sovereignty between cooperating or cooperative countries. All too often, misery and poverty have meant the right to express oneself more or to speak out or carry more weight in international

negotiations. Niger is a country with real economic growth; there is much to be done and achieved. The urgency is total and ongoing in all sectors. It's 2023, and it's not right that our people should be lacking everything, when our subsoil is overflowing with wealth and the world is indulging in the luxury of expensive wars, for which we are directly paying the price. Boko Haram, Al Qaeda, JNIM and EIGS did not come to the Sahel spontaneously. Nor did the collapse of Libya cause security problems in the north of Niger, among other places, and we now have to pay the heavy price in terms of security and defence.

We need to talk about strategy rather than programmes if we are to achieve our objectives; similarly, we need more consultation, more round tables, and enough chairs around the table to represent the partners concerned, particularly African partners. Africa is not represented in international bodies (UN Security Council, OECD, WHO, etc.) even though it represents more than a third of humanity: is this normal?

The essence of multilateralism is dialogue and collaboration. The objectives can vary from local issues to global problems, as well as a multitude of challenges and opportunities. However, the methods must remain constant. Where does Africa stand in this highly unrepresentative context?

Networks, often referred to as committees, regularly bring together civil servants, ministers and other stakeholders to discuss various issues around "tables". These multi-stakeholder tables should help to build trust, facilitate mutual

understanding, harmonise interpretations of facts and trends, jointly examine solutions and share resources, knowledge and policy assessments.

Today, when the dialogue must focus on global phenomena and solutions that will benefit everyone, it must be universal. All countries must be involved on an equal footing, and all must contribute to paying the costs according to their capacities. Even in some cases, where a smaller "table" can help to explore complex and new issues and prepare proposals for a general decision, this "table" must be globally representative. This is not always the case at present, and certainly not the case for Africa.

Decolonisation should have encouraged the inclusion and participation of developing countries in the global decision-making process, but this has not often been the case. Admittedly, there are positive examples where the number of 'chairs' around the table has been appropriately increased. For example, in the early 1960s, the United Nations grew from 51 founding members to over 100, and in 1964 the United Nations Conference on Trade and Development (UNCTAD) was created to bring developing countries into the multilateral economic debate. However, other multilateral organisations have been less responsive to geopolitical changes. For example, the OECD did not include developing countries for a long time and still has no African members in the organisation, although its work has always had a significant impact beyond its member countries. Suffice it to mention the OECD's work on



development aid and risk assessment for export credits, not to mention its claim to set and disseminate global standards. I would add the G20 and Security Council: The demand for African participation or seats at the G20 'tables' as well as at the UN Security Council is better known, having been acclaimed by all, often, and for a long time.

Today, multilateral organisations can no longer ignore the powerful transformations taking place in the South. In addition to the consequences of decolonisation and the fall of the Iron Curtain, the world is experiencing a global change in economic geography. The multilateral framework must open up to new countries and new partners. As Macky Sall, when President of the African Union, pointed out at the Europe-Africa Summit, "Africa, which is in the throes of change, aspires to consensual and mutually beneficial partnerships; partnerships co-constructed on the basis of shared priorities and values, without civilisational injunction, exclusion or exclusivity". This statement by Macky Sall is important and demonstrates the shared thinking of others and of all Africans, especially as the African Union,

of a coordinated voice to defend Africa's interests.

The cooperation model must therefore be more ethical and more in touch with the realities of our countries: Africa is not a sub-continent and should, therefore, not be under-represented in institutions. Its civilisations, populations, cultures and world economy must not be denied to the extent that Niger cannot give its opinion and express its needs in education, as in other sectors.

The democratisation of international decision-making institutions is a prerequisite for fair, equitable, authentic and ethical cooperation. It is important to understand that our political intelligence and knowledge go beyond the strict framework of the accounting and financial economy that has led the world to the serious crises we are currently experiencing. Our wisdom and our trials have hardened us, and we can provide good advice for the smooth running of the world and for North-South relations. In this sense, Niger can be a country of expertise and good advice for States of goodwill when it comes to good governance and equity in intercontinental mutual aid.

# South-South Entrepreneurship: Strengthening Global Responses to Address Global Challenges

Ambassador Lana Nusseibeh\*

**O**n 24 February 2021, an Emirates plane carrying 600,000 doses of COVID-19 vaccines landed at the Kotoka International Airport in Accra, Ghana, marking the first shipment to Africa under the COVAX initiative. The vaccines, manufactured in India and distributed with the help of UAE logistical capabilities, exemplified the potential of South-to-South cooperation in tackling global challenges. This significant moment also illustrated the undeniable reality revealed by the pandemic: global health is an invaluable public good and a critical reminder of the collective imperative to ensure the safety of all. Over the subsequent 18 months, Emirates SkyCargo delivered more than 1 billion doses of COVID-19 vaccines to more than 80 destinations, with two-thirds of the doses sent to developing countries.

COVAX was not a silver bullet; its effectiveness was undermined by inequities in vaccine distribution, delays, and the hoarding of vaccines in high-income countries. However, moments like that morning in February 2021 encapsulate the challenges and opportunities for effective South-South cooperation. In the following sections, this paper will outline the significance of this cooperation, and discuss the essential elements required to foster effective South-South cooperation.

## **A Vindication of Global South Leadership**

The agenda of the Global South must be defined by its own aspirations and not by what it lacks or seeks to overcome. Within the developing world, numerous countries with emerging markets and dynamic Middle Powers are not only

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envisioning a brighter future for their immediate regions but for the entire world – and they are armed with the capacity to realise these ambitions. For far too long, there has been an under appreciation of the leverage, strategic vision, and capacity of the Global South to act as a bridge-builder, to implement novel ideas, and to propose and deliver solutions to global challenges. It is critical for the Global South to reclaim its rightful role as a norm-setter and leader in shaping the global agenda.

In a world marked by growing polarisation, the UAE has maintained open channels of communication with a wide range of stakeholders to advance political solutions that benefit people around the world. As an elected member of the UN Security Council during our 2022-2023 term, the UAE has leveraged its role as a Middle Power to navigate disagreements, identify areas of convergence, support humanitarian outcomes, and promote dialogue and confidence-building initiatives. It is with this background and insights gleaned that this paper shares four lessons outlining the potential of South-South synergies in advancing multilateral solutions.

### **Lesson 1: The importance of building consensus and trust**

Current global tensions have undermined the capacity to build and expand consensus. When everything is viewed through the lens of strategic rivalries, cooperation often takes a back seat to competition. This phenomenon is evident in the Security Council, where firsthand experiences reveal several

concerning trends. For instance, in 2021, 84 per cent of resolutions of the UN Security Council were adopted unanimously. However, this figure declined to a mere 66 per cent in 2022, with the penholders of these resolutions and abstaining members sharing the responsibility for this decline. The absence of unanimity across adoptions reflects and fuels the erosion of trust in the Security Council as an effective body. As many of these resolutions play a role in mandating peace operations, disunity is a major source of concern. For the tens of thousands of UN peacekeepers deployed around the world– most of whom hail from the Global South – the lack of a unified Council voice highlights the limits of the support that the Council can offer.

Yet, elusive as it may seem, the consensus is attainable. Earlier this year, the UAE took on the role of co-penholder with Japan for Afghanistan – a file that has divided Council members in the past. Thus far, the Council has unanimously adopted three resolutions on Afghanistan by embracing consultation and inclusivity to accommodate diverse perspectives, without diluting key priorities. A notable example is Resolution 2681, which garnered co-sponsorship from an unusually high number of 90 Member States, including many from Muslim-majority countries. This resolution unequivocally condemned the Taliban’s decisions that violated the rights of women and girls in Afghanistan, showcasing the potential of unified action despite complex challenges.

## **Lesson 2: Results Matter**

One of the key paradigm shifts that can help make the case for enhanced South-South cooperation is the emphasis on tangible results. Ideas are best measured by their real-world impact. For instance, one of the most important developments in the UAE over the last 15 years has been its political and economic investment in the clean energy transition and innovation in renewables. This transformative journey, driven by a vision of sustainability, diversification, and global synergies has led to consistently low solar energy prices in the UAE. Partnering with the International Renewable Energy Agency (IRENA), headquartered in the UAE, underscores our commitment not only to a sustainable future at home but also to empowering other nations in their pursuit of sustainable development through UAE-developed renewable energy innovations.

One manifestation of this commitment is the IRENA/Abu Dhabi Fund for Development (ADFD) Facility, which provided USD 350 million for 26 renewable energy projects between 2013 and 2020 that benefited 3.5 million people in 21 countries across Africa, Asia, and Latin America and the Caribbean. We will be building on these efforts through the Energy Transition Accelerating Financing (ETAF) Platform, a new IRENA facility launched in 2021, with USD 400 million in anchor funding from ADFD to accelerate the transition to renewable energy in developing countries. In the face of the generational challenge of climate change, the UAE has already

committed more than USD 1 billion to the renewable energy sector worldwide to improve climate adaptation efforts.

## **Lesson 3: Beyond governments - engaging multilateral stakeholders**

There is an urgent need to realise that South-South cooperation cannot be driven and executed by public institutions alone. It demands the active involvement of diverse stakeholders, ranging from the private sector to civil society and academia. This vision has inspired the creation of the FoodTech Valley in the UAE, designed to promote a nurturing business eco-system for advanced modern farming to cope with our arid environment, offering effective solutions to cope with arid environments and assisting other countries grappling with desertification and climate change. At the launch of the food and agriculture agenda for COP28, to be held in the UAE in November of this year, the UAE actively encouraged governments to collaborate with various actors, including businesses, cities, financial institutions, civil society, non-government organisations, indigenous communities, academia, and all segments of society, to find sustainable solutions to pressing food security issues encompassing production, consumption, loss, and waste.

## **Lesson 4: Tailored and Context-specific support does make a difference**

International engagement succeeds when it focuses on strengthening national capacities and supporting context-specific solutions. While importing

successful initiatives can be tempting, their effectiveness in new contexts heavily depends on appropriate adjustments and an open feedback loop. This fundamental belief drove the establishment of the Sheikha Fatima bint Mubarak's Women, Peace and Security Training Initiative in 2018. This training initiative, pioneered by the UAE Ministry of Defence, UN Women and the UAE General Women's Union, is conducted at the Khawla bin Azwar Military Academy in Abu Dhabi and has successfully trained three cohorts, comprising more than 500 women, from countries across Africa, Asia, and the Middle East. The message is clear: the empowerment of women reinforces the agenda of the Global South. The programme aims to increase the pool of female military officers, create peer-to-peer networks among women interested in joining the military and peacekeeping fields, and drive the strategic objectives of Security Council Resolution 1325, with

attention to the importance of capacity building and training.

Currently providing the majority of the world's peacekeepers, the Global South's active involvement need not be hindered by the lack of a permanent seat on the Security Council. Supporting and empowering more women peacekeepers is vital, and the Global South can forge ahead, collaborating without waiting for others, to bring about meaningful change in this critical realm.

From my involvement in the UN Security Council, I can conclude that the shifting dynamics present a unique opportunity for non-permanent members, like the UAE, to not only follow but lead, address core issues, and set standards. Leveraging the diversity and expertise of the Global South is vital in safeguarding international peace and security, making multilateral cooperation all the more essential.

# The Cost of Remittances and the G20

Sushil Kumar\*

As one of the largest development finance flows, remittance offers immense potential to contribute to the achievement of Agenda 2030 and financial inclusion. On the other side, the high cost of remittances stops them from reaching their full potential. Since 2009, there has been a global drive to reduce the cost of remittances. The average cost of sending money home was 6.23 per cent around the world in 2021. It is more than the G20 goal of 5 per cent and more than twice as much as the Sustainable Development Goal, (SDG), of 3 per cent by 2030. A one per cent reduction in the cost of remitting USD 200 would result in an additional USD 6.05 billion being sent to low and middle-income countries. There is a substantial variance in the cost of remittances, with high costs in low-income countries and low costs in high-income countries.

## Introduction

The G20 recognises that cross-border remittance flows constitute a key driver for economic growth and prosperity in developing countries, as well as a significant source of income for millions of migrant families<sup>1</sup>. The G20 countries account for around 50 per cent of the remittance flow. It is important to mention that at the global level, the flow of remittances increased from USD 515 billion in 2011 to USD 773 billion in 2021. More specifically, it increased from USD 223 billion to USD 379 billion in low and lower-middle income countries<sup>2</sup>. It is now exceeding the sum of foreign direct investment and official

development assistance (ODA) to these countries (World Bank, 2021). It is worth noting that the cost of sending USD 200<sup>3</sup> across international borders remained high in 2021, averaging 6.23 per cent of the amount transferred<sup>4</sup>. The high cost of remittances has received significant attention from G20 leaders and G8 leaders. The first roadmap of international efforts to drive remittance costs down was adopted in 2004 and specific efforts to reduce the cost of remittances began in 2009 when the G8 summit was held in L'Aquila, Italy. At that time, leaders of the G8 committed to reducing the global average cost of remittances to five per cent (at that time, the average cost of remittance was

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around 10 per cent) over the following five years, a target that has come to be known as the 5×5 target<sup>5</sup>.

It was during the G20 Summit in Cannes in 2011 that the commitment to lowering remittance prices was reaffirmed, and it was decided that the worldwide average cost of remittance transfers would be lowered from ten per cent to five per cent by the year 2014,<sup>6</sup> (see Table A2 in appendix). In 2014, the G20 countries vowed: “*We commit to take strong practical measures to reduce the global average cost of transferring remittances to five per cent<sup>7</sup> ...*” In 2015 (Under Turkey’s G20 presidency), G20 countries announced their national Remittances Plans “*Our G20 National Remittance Plans developed this year include concrete actions towards our commitment to reduce the global average cost of transferring remittances to five per cent with a view to align with the SDGs and Addis Ababa Action Agenda<sup>8</sup>*”. During Saudi Arabia’s G20 Presidency in 2020, remittances were identified as a critical action area important to boosting digital financial inclusion; this led to the adoption of the 2020 G20 Financial Inclusion Action Plan (FIAP)<sup>9</sup>.

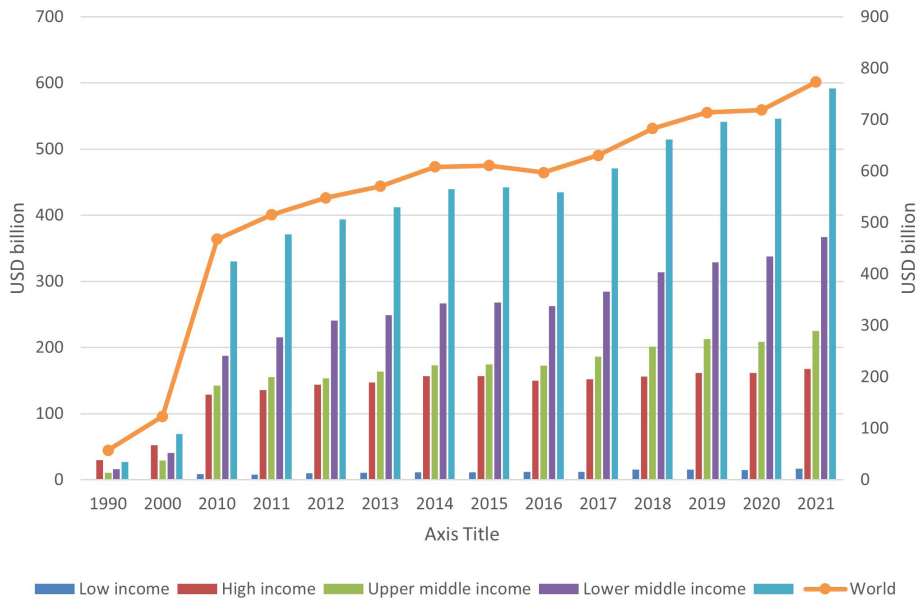
According to the Remittance Prices Worldwide (RPW)<sup>10</sup> database, the global average cost of remittances was 6.2 per cent at the end of 2021. Given the World Bank’s (2022) estimate that the global volume of remittances reached USD 773.19 billion in 2021, this would indicate that more than USD 48 billion in remittances did not reach those who needed them. The situation is worse for poorer nations. According to the RPW database, the average cost of sending

remittances to SSA nations reached 8.22 per cent by the end of 2021. Moreover, for many African nations, the cost is even higher (for example sending USD 200 from Tanzania to Kenya costs 29.2 per cent of the transaction amount).

## **Global and G20 Member Countries’ Flow of Remittance**

This section analyses the major trends of remittance flows to low-income countries (LIC), lower middle-income and upper middle-income countries. Figure 1 shows the volume of remittance flows by countries’ income level and some crucial evidence emerges. First, remittances to low-income countries account for a tiny share of the total remittance flow worldwide. Remittances to low-income countries have increased from 0.6 billion USD in 1990 to 12.8 billion USD in 2021. Between 1990 and 2021, it grew by approximately 10 per cent annually, and its share (LIC) in the world’s total remittance slightly increased from 1.04 per cent in 1990 to 1.65 per cent in 2021. Second, lower-middle and upper middle-income countries accounted for roughly 76 percent of total remittance flows in 2021 which were USD 26.8 billion in 1990. Over the time period from 1990 to 2021, it increased by approximately 10.50 per cent annually. It is also important to note that the flow of remittances to high incomes countries also increased from USD 30 billion in 1990 to USD 168 billion in 2021. In absolute numbers, the entire value of worldwide remittances was USD 773.2 billion in 2021, compared to a figure of USD 57.4 billion back in 1990. It has expanded more than thirteen-fold since 1990 (see Figure 1).

**Figure 1: Global Flow of Remittance (USD billion)**



**Source:** Author’s calculation of data of remittance from World Development Indicators (World Bank). Classifications of countries are according to the World Bank’s classification. Note data of North Macedonia Venezuela, RB included in total.

### Flow of Remittances from G20 Member Countries

It is equally important to analyse the outflow of remittances from G20 member countries. The total amount of remittances from G20 countries increased from USD 290.4 billion in 2011 to USD 376.7 billion in 2021, an increase of 2.63 per cent between 2011 and 2021 (Table 1). It is important to note that in 2021, the EU, the United States, Saudi Arabia, Germany and China accounted for 58 per cent of the outflow of remittances from G20 member countries. The share of G20 nations in the global remittance flow fell from 80 per cent in 2011 to 73 per cent in 2021 (see Table 1).

### Cost of Remittances and G20

This section attempts to analyse the global cost of remittances, as well as the cost of remittances from the G20 member countries. In 2021, the global average cost of remittance was 6.23 per cent (USD 12.46) (see Table 2). This is more than twice as much as the Sustainable Development Goals’ (SDGs) goal of 3 per cent by 2030 and G20 commitments. Figure 1 (section 2) shows that the worldwide volume of remittances was USD 773 billion in 2021. This would imply that more than USD 48 billion in remittances did not reach those in need. The poorer countries have a gloomier situation. According to the World Bank, the average cost



**Table 1: Outflow of Remittances from G20 member Countries (USD billion), 2011-2021**

Country Name	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
European Union	92.2	85.2	92.5	94.8	87.1	91.0	101.9	107.7	110.0	108.4	122.5
United States	50.9	52.4	55.0	57.2	60.7	62.9	64.1	66.8	71.6	66.5	72.7
Saudi Arabia	28.5	29.5	35.0	36.9	38.8	37.8	36.1	33.9	31.2	34.6	40.7
China	1.6	1.8	1.7	4.2	5.7	6.2	16.3	16.5	15.1	18.3	22.9
Germany	16.1	15.6	20.0	20.1	18.2	19.3	21.7	18.1	17.8	15.7	17.3
Russian Federation	26.0	31.6	37.2	32.6	19.7	16.2	20.6	22.3	22.2	16.9	16.8
France	12.9	12.6	13.4	13.7	12.8	13.3	13.8	15.0	15.0	14.8	16.1
Italy	14.5	11.8	11.6	11.1	8.9	8.7	8.8	9.9	9.6	10.2	12.2
United Kingdom	9.9	10.1	10.5	11.6	10.7	10.2	9.8	10.4	10.4	9.4	10.1
Korea, Rep.	10.0	9.8	9.4	10.0	8.7	10.8	12.9	13.5	11.2	9.7	9.8
India	4.1	5.0	6.4	6.2	4.9	5.6	7.0	6.8	7.5	7.0	8.2
Canada	5.6	5.6	5.7	5.9	5.1	5.3	6.5	7.6	8.8	6.8	7.2
Japan	4.5	4.0	2.9	4.2	4.0	5.1	5.3	6.2	6.8	8.2	6.1
Indonesia	3.2	3.6	4.0	4.1	4.6	5.2	5.2	5.1	5.1	4.5	4.3
Australia	6.6	7.1	7.3	7.0	6.0	6.2	6.8	7.3	7.4	4.4	3.8
Brazil	1.1	1.1	1.2	1.5	1.3	1.4	2.2	2.3	2.2	1.6	1.8
Turkiye	0.3	0.4	0.7	0.8	0.9	1.1	1.1	1.5	1.7	1.3	1.5
South Africa	1.4	1.3	1.2	1.1	1.0	0.9	1.0	1.1	1.1	0.9	1.1
Mexico	0.0	0.0	0.9	1.0	0.8	0.7	0.8	1.0	1.0	0.9	1.1
Argentina	1.1	1.0	0.9	0.7	0.7	0.8	1.1	1.0	0.7	0.5	0.6
Total of G20	290.4	289.4	317.3	324.9	300.6	308.5	343.0	354.1	356.4	340.7	376.7
World Total (outflow)	364.2	379.8	418.2	431.3	429.5	435.6	468.9	494.1	502.3	477.8	518.1
Share of G20 in World total	79.7	76.2	75.9	75.3	70.0	70.8	73.1	71.7	71.0	71.3	72.7

*Source:* Author's Calculation of data of remittance (personal remittances, received from World Development Indicators). Personal remittances, paid<sup>11</sup>

of sending remittances to low-income countries in 2021 was a whopping 8.46 per cent (USD 16.92) (see Table 2).

Table 2 shows that the cost of remittances varies across income groups. The average transaction cost in low-income countries was 8.46 per cent in 2021, lower-middle-income countries

were 5.63 per cent, and upper-middle-income countries were 6.74 per cent. It is important to note that remittance costs in high-income countries were 5.75 per cent in 2021, close to the G20 commitment but approximately 2.75 per cent short of the Sustainable Development Goals' target. Recent research indicates that

**Table 2: Cost of Remittances (\$ billion)**

Year	Low Income			High income			Lower middle income			Upper middle income			Total		
	Personal remittances, received (US\$ billions)	Average transaction cost (%)	Cost (US\$ billion)	Personal remittances, received (US\$ billion)	Average transaction cost (%)	Cost (US\$ billion)	Personal remittances, received (US\$ billion)	Average transaction cost (%)	Cost (US\$ billion)	Personal remittances, received (US\$ billion)	Average transaction cost (%)	Cost (US\$ billion)	Personal remittances, received (US\$ billion)	Average transaction cost (%)	Cost (US\$ billion)
2011	8.06	10.69	0.86	135.45	9.80	13.27	215.22	8.40	18.08	155.72	9.41	14.65	514.99	9.10	46.86
2012	9.90	10.55	1.04	143.83	9.59	13.79	240.73	8.36	20.12	153.12	9.71	14.87	548.10	9.18	50.32
2013	10.30	10.57	1.09	147.08	7.59	11.16	248.94	8.24	20.51	163.51	9.42	15.40	570.34	8.95	51.05
2014	11.26	10.03	1.13	156.72	6.58	10.31	266.78	7.58	20.22	172.93	8.96	15.49	608.20	8.35	50.79
2015	11.54	8.21	0.95	156.55	6.66	10.43	268.15	6.87	18.42	174.30	8.32	14.50	611.03	7.54	46.07
2016	11.77	8.55	1.01	149.93	6.70	10.05	262.44	6.56	17.22	172.48	8.23	14.20	597.20	7.34	43.83
2017	7.74	7.87	0.61	151.79	6.18	9.38	284.71	6.56	18.68	186.09	7.94	14.78	630.64	7.18	45.28
2018	11.66	7.59	0.89	156.10	5.90	9.21	313.46	6.43	20.16	201.12	7.62	15.33	682.69	6.96	47.52
2019	11.45	7.49	0.86	161.31	5.86	9.45	328.65	6.23	20.48	212.42	7.55	16.04	714.18	6.83	48.78
2020	10.76	8.59	0.92	161.28	5.75	9.27	337.80	6.07	20.50	208.51	7.13	14.87	718.80	6.71	48.23
2021	12.81	8.46	1.08	167.97	5.75	9.66	366.83	5.63	20.65	225.08	6.74	15.17	773.19	6.23	48.17

Source: Author's calculation of data of remittances (personal remittances, received (current US\$) from World Development Indicators (World Bank). The Average Cost is calculated as the simple average total cost for sending USD 200 from remittance service providers, as captured by the World Bank Remittances Prices Worldwide<sup>12</sup>

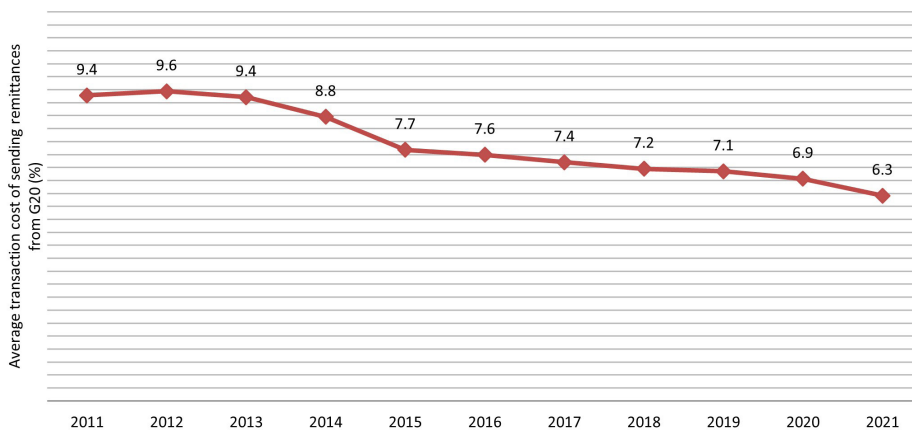
remittances are a significant source of external financing for low and lower-middle income countries. The high cost of remittance leaves the sender with less money. Specifically, Ahmed *et al.* (2021) pointed out that a reduction in remittance costs significantly impacts the amount of remittances received by developing nations. According to the study's findings, a one per cent reduction in the cost of sending USD 200 is connected with as much as a 1.6 per cent rise in remittance inflows. Recently GPMI (2021) pointed out that overall remittance prices have decreased by 3.29 percentage points since 2009. World Bank (2021) found that the flow of remittances to low- and middle-income countries<sup>13</sup> is expected to exceed the total of foreign direct investment (FDI) and overseas development assistance (ODA) in 2021. However, sending remittances to poor countries has some of the highest transaction costs in the world. From 2011 to 2021, the average cost of sending USD 200 to low-income nations was 8.46 per cent of the transaction value, well exceeding the global average of 6.23 per cent (see Table 2).

It is also important to mention that the cost of global remittances has declined from 9.1 per cent in 2011 to 6.2 per cent in 2021 (32 per cent decline over a ten-year period), while in LICs it declines from 10.7 per cent to 8.5 per cent (21 per cent). The HICs witnessed a greater decline from 9.8 per cent to 5.7 per cent (42 per cent), followed by UMICs from 9.4 per cent to 6.7 per cent (29 per cent). Comparing the rate of decline in the cost of remittances

between 2011 and 2021, we found that high-income countries reduced the cost of remittances much more rapidly than the other income group (see Table 1). It is worth mentioning here that the transaction cost of remittance by mobile money was 3.9 per cent, making it the most cost-effective method, when compared to other methods of transferring remittances in 2021 and just over 40 per cent of low and middle-income countries' populations are connected to the internet, compared to almost 75 per cent of the population in high-income countries. This is more likely than any other cause for the steadily decreasing cost of remittances in high-income countries. In addition, the regulatory and administrative costs, the amount transferred, the transfer mechanism, the destination country's financial infrastructure, and the intensity of market competition all have a role in determining the transfer fee charged (in both the sending and receiving country)<sup>14</sup>. Moreover, the exchange rate used in the transaction might have a substantial impact on the amount actually sent to the recipient.

## **Trends in Remittance Costs in G20 Countries**

The G20 recognises remittance's role in achieving strong, sustainable and balanced growth. It represents a significant source of income for millions of families and businesses globally and facilitates financial inclusion. In 2011, G20 leaders agreed to work to reduce the global average cost of transferring remittances from 10 to 5 per cent by 2014.



Since then, the concerted efforts by G20 members, operators, and recipients have decreased the G20 average cost to 6.3 per cent, its lowest level yet. Given progress to date, the G20 recommits to the 3 per cent target to maintain momentum and translate the G20 ambition into practical development outcomes. The G20 recognises that (a) reducing the costs of remittances and increasing their development impact is a long-term goal; (b) market settings influence costs in both sending and receiving countries; and (c) a global goal plays a valuable role in encouraging action. Reducing the costs of remittance could enhance financial inclusion and investment opportunities for development. This is especially pertinent in the 2030 Agenda for Sustainable Development.

From this perspective, it is important to examine the current state of the cost of remittances from G20 countries (within the G20 many members are also recipients of remittances, for example, India and China). The cost of remitting

from G20 countries declined from 9.4 per cent in 2011 to 6.3 per cent in 2021. As shown in Figure 2, there has been a declining trend in the average transaction cost of sending remittances, however, the cost of sending varies significantly across countries. As G20 efforts and promises on remittances continue and the focus is widened, it is necessary to sustain the existing level of attention on cost reduction. Without continued attention, further improvements would not be possible and the achievements of the last few years could be lost, with the potential risk of reversing to higher cost levels<sup>15</sup>.

## Way forward

As one of the largest development finance flows, remittance offers immense potential to contribute to the achievement of Agenda 2030 and financial inclusion. On the other hand, the high cost of remittances stops them from reaching their full potential. Thus, this issue becomes crucial not

only for recipient countries' social and economic development but also helps to improve financial inclusion. In addition, remittance has proven to be a more stable source of foreign capital for low and middle-income countries than foreign direct investment and official development assistance. Thus, it is widely considered a potential source of funding for economic development in developing nations. Since 2009, there has been a global drive to reduce the cost of remittances. The average cost of sending money home was 6.23 per cent around the world in 2021. It is more than the G20 goal of 5 per cent and more than twice as much as the Sustainable Development Goal, (SDG), of 3 per cent by 2030. The study finds that the cost of remittance is crucial in determining the total amount of formal remittances. A one per cent reduction in the cost of remitting USD 200 would result in an additional USD 6.05 billion being sent to low and middle-income countries. There is a substantial variance in the cost of remittances, with high costs in low-income countries and low costs in high-income countries. The study recommends that G20 countries need to strengthen the policies that directly reduce the cost of remittance to fulfil the G20 commitment and SDG targets, and should also utilise existing technology, such as mobile money transfer, blockchain technology, and fintech to send the remittances.

## Endnotes

<sup>1</sup> GPMI (2022)

<sup>2</sup> Personal remittances, received (current USD) Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities.

<sup>3</sup> Global targets for reduction of remittances cost have focused on the USD 200 (or local currency equivalent) as the amount sent, which is believed to be an accurate representation of a typical remittance transaction size.

<sup>4</sup> Average transaction cost of sending remittances to a specific country %. Average transaction cost of sending remittance to a specific country is the average of the total transaction cost in percentage of the amount sent for sending USD 200 charged by each single remittance service provider (RSP) included in the Remittance Prices Worldwide (RPW) database to a specific country.

<sup>5</sup> IMF (2021)

<sup>6</sup> G20 (2014)

<sup>7</sup> G20 (2014)

<sup>8</sup> G20 (2015)

<sup>9</sup> GPMI 2022

<sup>10</sup> In 2008, the World Bank developed the first global database for international remittance prices to promote cost reductions. Remittances Prices Worldwide (RPW) covered 14 sending and 67 receiving countries, totalling 120 corridors. Since then, it's grown to 400 corridors. Although the RPW survey initiated in 2008 the database is only available from 2011

<sup>11</sup> Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of

employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Data are the sum of two items defined in the sixth edition of the IMF's Balance of Payments Manual: personal transfers and compensation of employees (WDI, 2022).

<sup>12</sup> <https://remittanceprices.worldbank.org/data-download>

<sup>13</sup> excluding China

<sup>14</sup> <https://sgp.fas.org/crs/misc/R43217.pdf>

<sup>15</sup> World Bank, 2014.

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