Report on the Expert Group Meeting for the World Social Report 2023

Sustainable Development in Times of Recurrent Crises

(Hybrid meeting)

21-22 March 2023

Conference Rooms S-1522 and S-1519, Secretariat Building, New York, NY 10017

Development Research Branch
Economic Analysis and Policy Division
Department of Economic and Social Affairs
United Nations

Agenda

Day 1: Tuesday, 21 March 2023 (Conference Room S-1522)

08:30 – 09:00 Participants gather

Opening Session:

09:00 – 09:20 Welcome and introduction

09:00-09:20 Introductory remarks: Mr. Shantanu Mukherjee, Director, Economic Analysis and

Policy Division, DESA

9:20 – 11:20 Roundtable 1: The changing crisis landscape and its implications for sustainable development

Moderator: Mr. Kristinn Sv. Helgason, Senior Economist, Development Research Branch,

Economic Analysis and Policy Division, DESA

Presenters: Mr. Thomas Homer-Dixon, Executive Director of the Cascade Institute, Royal

Roads University

Mr. Richard Lukacs, independent expert consultant on global risk, economics,

security issues and sustainability

Ms. Åsa Persson, Research Director and Deputy Director, Stockholm Environment

Institute

Ms. Sakiko Fukuda-Parr, Professor of International Affairs, the New School

Q&A Session

11:20 - 11:30 Coffee break

11:30 – 13:15 Roundtable 2: National level policy responses – macroeconomic policies

Moderator: Mr. Marcelo LaFleur, Senior Economist, Development Research Branch,

Economic Analysis and Policy Division, DESA

Presenters: Mr. Marcel Fratzscher, President of the Executive Board, German Institute for

Economic Research

Mr. Giancarlo Corsetti, Pierre Werner Chair and Professor of Economics,

European University Institute

Mr. Robert Powell, IMF Special Representative to the United Nations

Q&A Session

13:15 - 14:15 Lunch break

14:15 – 16:00 Roundtable 3: National level policy responses – social protection mechanisms

Moderator: Ms. Maren Andrea Jimenez, Social Affairs Officer, Division for Inclusive Social

Development, DESA

Presenters: Ms. Janet Gornick, Director, Stone Center, Professor of Political Science and

Sociology, James M. and Cathleen D. Stone Distinguished Chair in Socio-

Economic Inequality, The Graduate Center, CUNY

Mr. Stephen Kidd, Principal Social Policy Specialist, Development Pathways

Mr. George Gray Molina, Head of Strategic Engagement and Chief Economist,

UNDP Bureau for Policy and Programme Support

Day 2: Wednesday, 22 March 2023 (Conference Room S-1519)

9:30 – 10:00 Participants gather

10:00 – 11:45 Roundtable 4: Strengthening resilience and the role of global public goods

Moderator: Ms. Cornelia Kaldewei, Senior Economist, Development Research Branch,

Economic Analysis and Policy Division, DESA

Presenters: Mr. Todd Sandler, Vibhooti Shukla Professor Emeritus, University of Texas at

Dallas

Mr. Alex Ezeh, Professor of Global Health, Dornsife School of Public Health,

Drexel University

Ms. Clemence Landers, Policy Fellow, Center for Global Development

Q&A Session

11:45 – 12:30 Closing Session: Lessons learned and ways forward

Concluding thoughts/remarks on the way forward by participants

Summary of discussions: Mr. Shantanu Mukherjee, Director, Economic Analysis

and Policy Division, DESA

Closing remarks: Mr. Navid Hanif, Assistant Secretary-General for Economic

Development, DESA

EGM Summary

Introduction

Mr. Shantanu Mukherjee, Director, Economic Analysis and Policy Division, DESA, welcomed participants and stated that the primary objective of this meeting was to distill recommendations for the forthcoming World Social Report that was to be released towards the end of 2023. Mr. Mukherjee noted that in light of the global economic and political landscape, the discourse on the subject of recurrent crises and their repercussions for sustainable development was extremely timely. He recalled that since work on this topic was initiated around a year ago, additional and cascading crises have come to the fore, further underscoring the importance of this topic. He gave the example of renewed fears of a new financial crisis that demonstrated that measures enacted since 2008 to prevent subsequent financial crises were inadequate and merited a rethink of risk and resilience frameworks at both the global and regional levels. He asserted that the key goal of the EGM was to understand how different global crises compound each other and how all stakeholders could work together to contain potential spillovers on sustainable development. In closing, he encouraged participants to share their experiences and research on this topic and guide the Development Research Branch on how to frame recommendations on sustainable development in times of recurring crises for the forthcoming World Social Report.

Roundtable 1. The changing crisis landscape and its implications for sustainable development 'Polycrisis'

The roundtable commenced with an introduction to the concept of 'polycrisis', which refers to the interconnection of multiple global crises that cumulatively have a greater negative impact than their individual sums. Panellists noted that a polycrisis can be instigated when stressors (slow, predictable processes that cause destabilization over time) are met with triggers (rapid processes that release underlying pressures across various systems abruptly). It was emphasized that stressors and triggers of varying types are increasing and multiplying, and consequently crises are synchronizing, leading to a worrisome trend. Presenters also remarked that owing to global interconnectedness, crises can interact and trigger new crises, leading to compounding and cascading effects.

Next, the political and economic consequences of the current polycrisis impacting the world were presented. The former include a multipolar and multi-conceptual world, globalised conflicts, multilateralism's hardship, and the increasing role of non-state actors. The latter entail geoeconomic ramifications, cost of living crisis, and climate change adaptation and damage costs.

Given the severity and complexity that polycrises entail, the speakers presented several public policy recommendations. First, in order to prevent breakout of new polycrises, it was recommended to proactively

monitor the amplification and acceleration of underlying stresses and inter-systemic feedbacks that can synchronize and engender such crises. Second, it was asserted that policymakers must adapt governance frameworks to integrate technical knowledge across system boundaries and enhance preparedness to react to complex crises proactively. This would depend upon improved collaboration and coordination among various stakeholders, including universities, scientific disciplines, ministries, governments, and international institutions. Third, it was emphasized that since the fallout of multiple crises manifests across both political and economic dimensions, all risk reduction and crises mitigation strategies must be holistic and inclusive as opposed to being siloed.

Environmental impact of crises

The environmental impacts of different crises, including the COVID-19 pandemic, the war in Ukraine and climate change were then presented. It was noted that the COVID-19 pandemic led to a significant reduction in carbon emissions, but the subsequent recovery has not been as environmentally friendly as anticipated. Similarly, the war in Ukraine engendered complex and diverse impacts on the environment. While on the one hand, the war sparked a long-term legacy of toxic pollution and the entrenchment of the dependence on fossil fuels in some countries, it also provided impetus to efforts for the transition to renewable energy in other, e.g., in the European Union. The issue of climate risk from the perspective of agricultural production and trade was also discussed. To alleviate the broader fallout of climate risks, speakers proposed tangible global governance policies, including systematic foresight for emerging environmental risks, a more rapid science-policy interface, better data and monitoring, and the use of real-time crisis response trackers. The ongoing progress towards the Sustainable Development Goals (SDGs) was addressed, with speakers noting that vulnerability to future crises remains high due to persistent unresolved stressors such as climate degradation, poverty and inequality.

Social impact of crises

The last presentation focused on how crises disproportionately impact vulnerable groups within and across countries due to underlying structural deprivations and disadvantages. To illustrate this, the speaker shared analysis from the COVID-19 pandemic that highlighted its disproportionate impact on vulnerable and marginalized communities, including ethnic minorities, women, low-income earners, those with lower educational attainment, and the elderly. There was a particular emphasis on the social determinants of health, such as co-morbidities, as key drivers of COVID-19 mortality rates, underscoring that health is not merely a medical phenomenon, but a social one. It was affirmed that this is the reason why the COVID-19 pandemic should be looked at through the lens of a 'syndemic' (synergistically interacting epidemic). The

speakers also shared research results that showed how the COVID-19 pandemic exacerbated suboptimal working conditions for vulnerable workers in global value chains.

Based on the aforementioned analysis, it was affirmed that the fallout of crises manifests largely in line with pre-existing socioeconomic conditions and that crises amplify existing social susceptibilities and inequalities. It was, therefore, recommended to approach mitigation, adaptation and resilience building for other crises, particularly climate change, through a social lens with a particular focus on targeting inequalities.

Publications cited:

Sara Gottenhuber, Björn-Ola Linnér, Victoria Wibeck, Åsa Persson. 2023. "Greening recovery – Overcoming policy incoherence for sustainability transformations". Environmental Policy and Governance, 1–15. https://doi.org/10.1002/eet.2049

Kevin Adams, Magnus Benzie, and Simon Croft. 2021. "Climate change, trade, and global food security: A global assessment of transboundary climate risks in agricultural commodity flows". Stockholm: Stockholm Environment Institute.

Michael Lawrence, Scott Janzwood, and Thomas Homer-Dixon. 2022. "What Is a Global Polycrisis?" Version 2.0. Discussion Paper 2022-4. Victoria, Canada: Cascade Institute. https://cascadeinstitute.org/technical-paper/what-is-a-global-polycrisis/

Sheba Tejani, Sakiko Fukuda-Parr. 2021. "Gender and COVID-19: Workers in global value chains". *International labour review*, 160(4), 649-667.

Roundtable 2. National level policy responses – macroeconomic policies

The roundtable discussed a range of topics related to the global economy and national macroeconomic policies.

Global economic conditions

The discussion highlighted the significant global economic slowdown in 2022 due to the war in Ukraine and the energy crisis, after a year of robust economic recovery in 2021. No strong rebound is expected in 2023, as multiple macroeconomic risks point to the downside. Some of the downside risks noted by the panel include: escalation of the war in Ukraine; disruptions to the supply chain (including a possible spiral of trade sanctions); increasing risks of financial instability (not only for developing countries, but also advanced economies); possible stagflation (with energy price inflation being a main feature); and a longer-than-expected pandemic.

A speaker noted the effects of current crises on both the demand and supply sides, with the balance of these supply- and demand-side effects driving the direction and the extent of changes in output and prices during the different phases of the crises. It was argued that the narrative of a demand-driven inflation in the US and a supply-driven inflation in Europe needs more nuances. While it was true that the worsening terms of trade drove up inflation in Europe, aggregate demand in the region also supported the price levels. It was noted that the effect of elevated price levels could in principle be addressed through realigning wage/pension benefits upward to keep up with the increased prices, but in practice there would be resistance to such realignment given its distributional implications.

The cost-of-living crisis resulting from the increase in inflation, especially affecting low-income households, was highlighted as a major development concern. The panel also noted the high economic cost of delayed energy and ecological transformation.

The risk of financial instability and the transformation of industrial sectors and global value chains was discussed. The tightening cycle and higher interest rates in advanced economies have spillover effects on emerging and developing economies, limiting their fiscal and monetary policy space. The discussion emphasized the need for international institutions to help poor countries finance their development transformations.

Policy discussion

The panel spoke about the challenges of navigating the volatile world economy while pursuing the SDGs. The discussion also highlighted the need for making necessary structural changes that are manageable from social and fiscal perspectives. The speakers discussed the challenges of the ecological transformation and highlighted the need for investing in green technologies, energy savings, and sustainability from a global and national perspective.

It was noted that strengthening the mobilization of domestic public resources, especially tax resources, remains the critically important policy tool that governments have in supporting the SDGs. The discussion stressed the significance of addressing tax-related risks and opportunities from digitalization. It highlighted the importance of gender-responsive budgeting. It also stressed the need for governments to address issues of tax cooperation, transparency, and illicit financial flows. The speakers discussed debt vulnerabilities and risks in low-income countries. A speaker noted that a new set of rules for countries struggling with debt issues was needed, and it was important that the indebted countries were involved in related discussions.

A concern was raised regarding the difficulty for the world to return to what is considered price stability in the next 5-10 years. Central banks would have to be more flexible in this environment, and it was noted that pursuing a specific inflation target might not be the right way to maintain central banks' credibility. A

speaker expressed caution against the call for more central bank involvement in supporting private investment, as central banks play an important role not only in ensuring price stability, but also financial stability. A key policy task at hand would be one about governance: equip central banks so that they can do better maintain price stability in the uncertain future, while enabling them to provide the stability that helps to fund private investment that supports sustainable transformation.

A speaker posed a question about whether governments are reaching the limit of feasible monetary and fiscal backstops at national and international level, as the world is now becoming increasingly vulnerable to belief-driven crises. A case in point was the difficulty central banks face in presenting a credible threat to intervene in the government debt market that could help to discourage market speculation and prevent increases in government borrowing cost. The credibility of such a threat could be doubted – and its effectiveness threat undermined – if the market believes central banks would be tempted to print money to finance such intervention when their balance sheets become at risk. In this view, it was argued that an "unconventional collaboration" between monetary and fiscal authorities is needed to stabilize the economy: fiscal authorities temporarily scale up deficits, while central banks temporarily commit to guaranteeing the face value of outstanding government liabilities. The credibility of the latter's commitment in turn depends on the former's commitment to long-term fiscal sustainability and contingent fiscal guarantees on the central bank balance sheet. Such mutual assurance requires a credible understanding between the two.

The discussion also emphasized the need for multilateralism and cooperation in dealing with these policy issues, especially in developing countries. The importance of rebuilding trust in a fragmented world was stressed.

Publications cited:

Giancarlo Corsetti. 2023. "An unconventional collaboration". IMF Finance & Development March 2023 edition. International Monetary Fund.

Benjamin Carton, Jean-Marc Natal. 2022. "Further Delaying Climate Policies Will Hurt Economic Growth". IMF Blog. 5 October 2022. International Monetary Fund.

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IMF. 2022. "World Economic Outlook April 2022: War Sets Back the Global Recovery". International Monetary Fund.

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Roundtable 3. National level policy responses- social protection mechanisms

This roundtable examined the links between crises, social protection, and macroeconomic policies, and the need for comprehensive development policies that address these areas in tandem.

Importance of social protection

The panelists highlighted the benefits of social protection as demonstrated during the COVID-19 pandemic and stressed the need to move from a reactive paradigm of responding to discrete crises to a proactive approach that could address social needs in a polycrisis context. However, it was acknowledged that there are significant risks associated with policy responses to frequent and interlinked crises. These include, for example, threats to social development and the social contract due to limited policy space. In light of these challenges, the panel emphasized the importance of moulding global governance frameworks to make them responsive to emerging global trends and supportive to policymaking at national levels.

The panel also underscored the critical importance of social protection in addressing the root causes and amplifiers of crises, particularly in the context of polycrises. To illustrate this point, findings from a study on the distribution of per capita household income, which showed the potential benefits of social protection during the COVID-19 pandemic, were presented.

Policy discussion

The panel then addressed some specific potential challenges facing national level policy responses to multiple crises. These include, for example, diminishing fiscal space in many developing countries due to global economic headwinds and the cumulative costs of overlapping crises. The panel asserted the need to focus more on human capital and building equality within the labour market, as well as the importance of a full multi-layered system of social protection. The discussion also touched on the political economy effects that constrain existing social protection systems and the need for a transformation of the way of looking at equity and equality across various dimensions.

The discussion then focused on how to optimally design social protection frameworks to address emerging challenges. The panel noted that the foremost consideration in designing social protections systems should be universality. Second, the panel stressed on the need to make crisis response policies aligned with social protection policies, especially as there would inevitably be future crises that require a coordinated response. Third, the panel emphasized the need for an alignment amongst all policy tiers including social protection, targeted support for companies and employment policies. Universal social protection should form the basis of this policy, but it should also be supplemented with targeted support based on individual circumstances and needs. The discussion then transitioned to the importance of integrating social protection into the larger system of economic and social policies, rather than treating it in isolation.

Finally, the panellists emphasized that social protection is not only imperative for safeguarding individuals, but it is an important component in addressing inequality broadly, which is at the heart of the SDGs. The roundtable ended with a discussion on policies that can aid governments in enacting adequate social protection coverage in an era of multiple and cascading crises. The policies that came under discussion included fiscal considerations, finetuning taxes and transfer systems, enhancing targeting and eliminating administrative inefficiencies.

Publications cited:

Guillaud, Elvire, Matthew Olckers, and Michaël Zemmour. "Four levers of redistribution: The impact of tax and transfer systems on inequality reduction." *Review of Income and Wealth* 66.2 (2020): 444-466.

Parolin, Zachary J., and Janet C. Gornick. "Pathways toward inclusive income growth: A comparative decomposition of national growth profiles." *American Sociological Review* 86.6 (2021): 1131-1163.

Roundtable 4. Strengthening resilience and the role of public goods

Global public goods

The panel provided a comprehensive overview of global public goods (GPGs), their drivers, challenges, and potential solutions for their provision. The concept of GPGs was introduced: goods that generate fully or partially non-rival and non-excludable benefits that affect a large portion of the globe. The nature of GPGs creates the issues of free-riding and under provision, which would need to be addressed. Several main drivers of GPGs were identified, including novel monitoring technologies, and enhanced globalization (increasing flows of goods, services, and externalities).

The discussion addressed issues related to contributions to GPG provision, which include unilateral action and coalition formation. The optimal strategy of provision depends on the type of "aggregation technology", which determines how countries' individual contributions translate into the overall level of provision. For example, under a "summation" technology, the overall level of GPG equals the sum of countries' individual contributions (e.g., limiting greenhouse gas emissions), "weakest link" means that the smallest contribution of a country determines the GPG's aggregate level (e.g., maintaining the integrity of a global network), and "best shot" means that the largest contribution by one country determines the good's aggregate level (e.g., diverting a comet, producing a vaccine). Depending on the type of aggregation technology, a case could be made that under certain conditions, income redistribution between countries can lead to a more efficient provision of GPGs (e.g., in the case of "weakest link").

To address the issue of free riding, the speaker highlighted the use of club arrangements (making public goods excludable) as an essential institutional fix for some GPGs, such as the satellite service Intelsat, which involves monitoring and charging for utilization to improve the system's reliability. However, a club arrangement would be ineffective if it is impossible to exclude others from enjoying the benefit, e.g., curbing global warming. Other possible policy options to improve GPG provision include: assessment schemes to induce positive contributions or matching behavior; and bringing in new donor entities.

The Role of Multilateral Development Banks

The panel noted the critical role that multilateral development banks (MDBs) play in providing global development and climate finance, contributing over \$100 billion annually, with the International Bank for Reconstruction and Development making the most significant commitments. However, the commitments have only slightly increased during the pandemic. The panel stressed that borrowing cost remains prohibitively high for the poorest countries, preventing their access to capital markets and making them reliant on multilateral financing sources such as the MDBs.

The need to reconcile corporate, national, and global interests is essential when discussing MDB reforms and their future role in the provision of GPGs, as not all countries are willing to invest in the advancement of every global issue (e.g., hosting refugees). Also, it was noted that there is a contentious political debate on whether many climate finance projects are national goods or GPGs.

It was noted that MDBs' country-based model is not well equipped to deal with global challenges. Standard MDB projects tend to have different economic characteristics than GPG projects: the latter tend not to generate cashflows and the benefits they create are not exclusively captured by the country making the investment. Therefore, most GPG financing has been off MDB balance sheets, generally with suboptimal arrangements (e.g. simple trust funds that have high overhead and are not strategic in allocating grants).

The panel assessed the different possible options for MDBs to create "concessionality" in supporting countries' investment in GPGs – creating new grant windows, using MDB profits to provide more subsidy, and mobilizing private capital (by providing guarantees and committing to taking on first losses, etc.). However, there are challenges associated with these options, including: competition from other development priorities, reduced future lending capacity, and lack of clear financial return.

A speaker expressed skepticism towards the use of special drawing right (SDRs) to finance development, as the European Central Bank decided that the SDR must maintain its reserve asset characteristics, which makes it very complicated for MDBs to design a SDR program on an MDB balance sheet that could be used by Eurozone countries. It was stressed that the systemic response – and the quickest solution – for the financing needs created by the crises is for governments to inject more capital into the MDBs.

Global health & Global South

The panel discussed the need for a new approach to GPGs and development that recognizes countries' mutual vulnerability and interdependence, particularly in the context of global health. It was noted that current development work often views investment in vulnerable countries as charity rather than investment in our common good, which is counterproductive. The speaker highlighted the issue of inequality, which is at the heart of many crises, and the need to shift the focus from helping the poor to addressing inequalities in a broader sense.

The panel emphasized the importance of collective action to prevent and mitigate current transnational public health challenges, as self-protection and self-preservation are ultimately impossible in the interconnected world. However, there are challenges in local health practice and global development that have consistently undermined to GPGs and the SDGs.

The increasing percentage of voluntary contributions – earmarked for specific purposes – in WHO funding restrains its ability to respond to global challenges. Also, little funding has flowed through local institutions in Africa, undermining institutional viability and resilience. Furthermore, the majority of WHO investments are not directly addressing the top 10 global health threats identified by WHO, calling into question the effectiveness of these programs in improving global health.

Despite these challenges, the panel identified some opportunities for improving resilience in this era of recurrent crises. The growing call to rethink global partnerships and governance for local development can be an enormous opportunity to improve the situation. Local institutions should be engaged as active drivers, not passive recipients of financial and technical support. It was also noted that the Global South's economical and demographical development should be seen as a great opportunity, but it would require a change to global governance.

Publications cited:

Nancy Lee, Clemence Landers, and Samuel Matthews. 2023. "Concessional Climate Finance: Is the MDB Architecture Working?" CGD Policy Paper 287. Washington, DC: Center for Global Development.

World Health Organization. 2019. "Ten threats to global health in 2019". https://www.who.int/news-room/spotlight/ten-threats-to-global-health-in-2019

Closing session: Lessons learned and the way forward

Mr. Shantanu Mukherjee, Director, Economic Analysis and Policy Division, DESA, thanked participants for their insights and guidance for the Development Research Branch's work over the past two days. He

noted that one of the priorities of the Branch was to identify and lead research on addressing the long-term challenges to development and that participants' contributions were essential to the body of work on recurrent crises. Mr. Mukherjee asked experts for final policy recommendations for multilateral institutions, as they prepared for a future where risk was becoming more frequent, interrelated, and likely to spill over across various domains.

Closing remarks by experts

It is crucial to clarify the long-term misunderstanding of risk as being objective and exogenous. Often, risk is endogenous to behavior and can stem from inefficient policies and institutional frameworks, creating significant challenges for the UN in designing effective multilateral strategies for managing people's expectations and behaviors. Another challenge lies in finding unconventional solutions to problems associated with high levels of debt because traditional monetary and fiscal policies may have already reached their limits. Moving forward, it would be beneficial for countries to agree on the concept of risk-sharing, which has the potential to reduce the overall risk levels

Amid multiple and overlapping crises, the multistakeholder approach was critical for resolving global challenges in a coordinated manner, and multilateralism was needed now more than ever, especially given the fragmented and increasingly polarized world in which we live.

The UN should clearly define its role in terms of the scale and scope of support it could offer Member States. Only then could it fully realize its potential in helping to mitigate recurrent crises and driving progress towards the SDGs.

The UN should keep a spotlight on its core commitment to leaving no one behind, which seemed to be lagging, and on finding solutions to prevent global public goods from becoming privatized.

Mr. Navid Hanif, Assistant Secretary-General for Economic Development, DESA, thanked the participants for engaging with the UN and stressed that in times of recurrent crises, proactive policies were paramount for multilateral institutions and Governments to support responses to transitions, crises and shocks. He also noted that better preparation for emerging long-term trends such as the proliferation of artificial intelligence were imperative in safeguarding common interests, yet governance frameworks at all levels were currently ill equipped for that. Finally, Mr. Hanif stated that institutional reform of the UN itself, the international financial institutions as well as national institutions was urgently needed to counter emerging global crises and challenges.

List of participants

(In alphabetical order of the last name)

Arslan Chaudhary, Giancarlo Corsetti, Hoi Wai Jackie Cheng, Yixiu Dong, Alex Ezeh, Marcel Fratzscher, Sakiko Fukuda-Parr, Janet Gornick, Benda Gu, Navid Hanif, Kristinn Helgason, Thomas Homer-Dixon, Nicole Hunt, Kenneth Iversen, Maren Andrea Jimenez, Cornelia Kaldewei, Jherna Kaul, Stephen Kidd, Nyein Chan Kyaw, Marcelo LaFleur, Clemence Landers, George Gray Molina, Shantanu Mukherjee, Åsa Persson, Robert Powell, Richard Lukacs and Todd Sandler
