The Centre for International Governance Innovation (CIGI) proposes solutions for the G20 governments to reduce inequality, for climate change mitigation and adaptation, for achieving food security, and increase water availability.

Challenge

Major Threats to the Global Economy:

**Inequality**: global inequality is rising, within and across countries, regionally and globally. Factors precipitating the rise are extensive, diverse and inter-connected. Frequently highlighted among these are the asymmetric benefits and impacts from international trade and trade rules, shifts in economic power from governments to non-state actors including private sector actors, differential access to, use of and impacts of emerging and new technologies, climate change, energy insecurity, food insecurity and the increasing prevalence of economic and environmental crises as well as natural disasters.

**Climate Change**: climate change is one of the major global threats directly and indirectly. Directly, it can affect precipitation rates and therefore cause flooding or draughts that effect the livelihood of many as well as food production. Extreme weather events and floods can lead to climate migration from affected regions to less affected regions. Small islands and coastal regions may disappear because of rising sea levels. Indirectly, climate change can affect our economy through depreciating the value of assets that are at risk. Investments into industries that are affected by climate change policies may be depreciated and lead to instability of the financial sector. Furthermore, insurance companies may suffer from compensations they have to pay to clients suffering from losses or may not be able to cover risks in certain, highly affected areas, anymore.

**Food Security**: food insecurity remains pervasive in many developing countries, notwithstanding enormous increases in global food supply in recent decades; and may deepen as global food production seeks to address growing global demand brought about by population growth and changing food consumption patterns. Hidden hunger, or the incidence of micronutrient deficiency is also pervasive in most developing countries. The causes of food insecurity are extensive and interlinked. While many international institutions have responsibility for the provision of healthy and nutritious food, for the provision of food in emergencies and for research and development on best practices in food production, there is a lacuna in collective global governance for food security, with the absence of responsibility either for providing adequate development finance to help the least-resourced countries address their food security challenges, or for managing policy interconnectedness between food security and challenges brought about by demographic change, climate change and ocean degradation.

**Water Availability**: Many see a water crisis as the next oil crisis. There are an increasing number of conflicts around access to water that is exacerbated because of extreme weather events caused by climate change. Often water availability is not regulated at all which leads to conflict between commercial water users such as the food and mining industry and those who depend on local water sources. Furthermore, the need for water increases with living standards that ask for even more water to produce food for meat based diets. Because water is unequally distributed and cannot be easily transported around the globe, certain regions are less privileged than others with regard to water,
this leads to conflicts or to the use of large amounts of energy to desalinate sea water. Finally, water contamination can be a minor risk in both developing and developed countries.

Proposal

Solutions to the Threats to the Global Economy:

Inequality: Addressing the growing threat of inequality requires new global governance initiatives, to join-up the causal threads and the inter-connected character of these; and to develop voluntary guidelines for global institutions responsible for advancing economic/financial, social and environmental development. No global institution has vested responsibility for acting to address inequality; yet its presence and escalating scale serve as both a trenchant brake on human progress and source of escalating risk to global security and prosperity.

G20 Recommendations: Three practical initiatives for the G20 include: (i) Introducing the concept of sustainable growth more explicitly in the G20’s Agenda for Growth and Resilience, including initiatives and targets in G20 members’ national growth strategies that promote greater public access to infrastructure, equitable access to education and health and greater policy attention to the most vulnerable groups including women and young people; and annual reporting on progress in improving equality in G20 countries; (ii) Requesting multilateral development banks to conduct periodic internal assessments of the impacts of their policy advice and lending policies, in either promoting equality-inducing development outcomes, or the converse; and (iii) Requesting regional development banks to identify good policy practices that promote inclusive growth and equity in development policy outcomes and to increase targeted policy advice and lending support to these initiatives; and (iv) Developing practical tools to measure progress towards greater equity in policy and in development outcomes, that can be widely adopted.

Climate Change: Solutions to climate change mitigation and adoptions have to come from political actors in cooperation with businesses and other stakeholders. Main issues that have to be solved include providing developing countries the possibility for economic development without further harming the climate and to bear the costs for both climate change mitigation and adaptation. Integrating sustainable development, economic and financial aspects will be crucial to support a low carbon economy that enables economic development without having a negative impact on climate change. The attractiveness of the low carbon economy for investors and other financiers will be key to the solution of the climate change problem. A major way to make this happen will be to price carbon emissions and to introduce carbon accounts that clarify how much carbon can be emitted by whom. Furthermore, climate change adaption may be needed and should be conducted in a way that creates not only costs but also economic benefits. In general, a major solution to climate change is the global cooperation between countries in order to meet the global climate change mitigation goals.

G20 Recommendations: The G20 should start to develop climate change criteria that can be integrated in all financial decision making in the financial sector and that can be used by domestic and international as well as by public and private banks and other financial institutions. Such criteria could be Carbon shadow prices and indicators that assess the carbon risk of financed projects. In addition the G20 Financial Stability Board should develop criteria that measure the carbon risk of financial sector organizations, such as banks and insurance companies. Furthermore, the G20 should analyze, which of their members use financial sector sustainability regulations, how these regulations influence the environment and climate change as well as financial sector stability and whether the regulations can be adopted by other G20 members.

Food Security: Addressing food insecurity will require a new collaborative global architecture, supporting inter-connected policy action fostered by inter-agency guidelines that describe measure and monitor implementation of responsibilities across all relevant institutions.

G20 Recommendations: The G20 has previously supported initiatives to address food price volatility and to development early warning systems for agricultural markets, through the Agricultural Market Information System located at the FAO. But more work, building on increasing policy interconnectedness and the interconnectedness of global threats to food security is needed. Three practical recommendations for the G20, including the G20 Development Working Group (DWG), which can help develop a new generation of G20 support for food security, include: (i) Developing integrated support mechanisms across the DWG’s work pillars on food security, infrastructure, private sector development and domestic resource mobilisation, which link infrastructure, PSD and DRM objectives with the achievement of food security goals in poor and small developing countries; (ii) G20 recommendations to multilateral development banks to provide multi-basket support to countries pursuing food security objectives, which include funding for integrated policies for food security, climate adaptation, access to and tenure of land, and the development of energy and water policies consistent with food security goals; and
climate adaptation, access to and tenure of land, and the development of energy and water policies consistent with food security goals, and

(iii) A G20 initiative to develop longer term modelling of the impacts on food security, at national and regional levels, due to threats from forced migration, climate change and ocean degradation. This initiative can supplement and strengthen the G20’s earlier initiative to establish the AIMS system, now located at FAO. This tool can help provide early warning of food security threats from major forced migration and from climate and ocean degradation threats.

**Water Availability:** The use of water may be regulated by a combination of pricing mechanisms and regulations that provide fair access to water for those who need it and at a regional and international level. Businesses pricing will increase the efficiency in water use that is present with the current ‘flat rate’ water price. Technologies have to be developed and made available that are able to clean water and to deliver it to the pace where it is needed in order to avoid major effort to gather water especially in water scarce countries.

**G20 Recommendations:** The G20 should work on the introduction of water pricing mechanism that reflects the real value of water. Furthermore, technologies have to be developed and made available that are able to clean water and to deliver it to the pace where it is needed in order to avoid major effort to gather water especially in water scarce countries. Therefore, G20 should implement a water technology development fund that provides financial capital to research and development in the field.