



## **Background Note**

### **Exploring New Development Paradigm Post-Covid, Post-Conflict and Post-Climate Change**

Pandemics are here to stay with severe implication for economic welfare and human wellbeing. Conflicts have worsened security situation across regions and would continue to disrupt trade flows of food, fuel and fertilizers and such essential commodities. Protectionist tendencies have weakened multilateralism in trade and investment. Technological disruptions have contributed to anti-competition and would alter man-machine relations. Above all, climate change is real complicating man-nature relations further and has started impacting food systems, causing floods, heat waves, wild fires and other natural disasters with increased frequency and spread. Loss of biodiversity has emerged as a major challenge. Global Assessment Report on Biodiversity and Ecosystem Services observed that a million species of plants and animals now face extinction – many within a decade.

According to World Population Prospect Report 2019 of UNDESA, it is estimated that global population would grow to 8.5 billion in 2030 and to 9.7 billion in 2050. This means that almost 3 times the planetary provisions of natural resources would be required to sustain current lifestyles. It is here that one should note that per capita wealth accumulation and per capita accumulated carbon emissions have historically moved in the same direction resulting

in huge inequities. In this context, based on a review of the emission scenarios in the 1.5-Degree Lifestyles report (2021) launched by international consortium of research institutes and reported in UNEP, there is a need to aim for a lifestyle carbon footprint target of 0.7 tCO<sub>2</sub>e (tons of carbon dioxide equivalent) by 2050, with proposed intermediate targets of 2.5 in 2030 and 1.4 tCO<sub>2</sub>e by 2040. These targets are consistent with the Paris Agreement's aspirational 1.5°C target and the global peaking of GHG emissions.

Economic growth strategies that have solely relied on exploitation of limited natural resources are going to be unsustainable as well as iniquitous and would stall the existing social contract sooner than later. A new development paradigm is therefore urgently needed to restore a revised form of social contract with increased local agency to create an atmosphere of harmony between means of production, both global and local; trigger lifestyle changes of humans towards sustainable consumption and production; and empower all constituencies to be able to leverage globalisation as an efficient partnership tool for resource, knowledge and market.

## **Localisation of Development**

With rising aspirations and threats process of globalisation and space for local development are witnessing stress never seen before. Localisation of development has emerged as a major floorboard for achieving Agenda 2030 and the SDGs. It gives us the bandwidth that is needed for evolving an inclusive development strategy. Important is to explore connect of economy with local culture and society – its synergies, embeddedness, interdependency and linkages.<sup>1</sup> This would bring in a balance among all the three sectors viz. urban, rural and forest economies. Balancing their participation in the local settings with adequate access to finance; market access and technology would help in bringing in a much desired balancing that the growth process requires for achieving the SDGs.

The challenge is to place localisation of development in a framework that helps evolving an analytical frame and eventually place it back into the theoretical edifice. Growth strategy with a balanced approach across agriculture, manufacturing and services is an essential component

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<sup>1</sup> The SDG framework has undoubtedly questioned our categorisation of sectors. The unique success of SDGs is the interdependence of the 17 Goals. The outcome is dependent on the progress in each goal. Thinking of making progress on Goal 6 for Water and sanitation targets without factoring in Goal 2 of Nutritional security, Goal 3 for Health and Goals 13 (Climate action) Goal 14 (life below water) and Goal 15 (Life on Land) would make little sense. Availability of financial resources and technology are addressed in the Goal 17.

of localisation of development. In a regional-local setting, agriculture production would very much depend on natural conditions but manufacturing should not be overlooked. It seems to be important at the local level to have space for supply chains from urban, rural and forest economies and this way recognising territorial dynamics. Technology and finance are the cross cutting catalytic agents across the sectors.

Therefore, localisation of development may include the following dimensions:

- Local Resources and Technology
- Urban and Rural Balance
- Local Cultural Ethos and Social Capital
- Lifestyle for Environment
- Forest based Livelihoods

### *Local Resources and Technology*

In the face of uncertainties in the global economy, faith in external resources for financing local development has declined. This is true for technologies originating in advanced ecosystems (and owned by private enterprise) in terms of local availability, affordability and appropriateness. Increasingly, vulnerabilities of sourcing cheaper inputs from external sources for domestic production are also very apparent. This calls for greater attention to issues related to finance, infusion of technology and inculcating local enterprise development through new instruments of financing, other than government grants and support from foundations. In order to help local enterprises (covering self-help groups and cooperatives) scale up, it is important to first identify the factors that act as impediments. These could be lack of access to affordable finance (which can be addressed through mechanisms to pool such funds) and technology (which can be solved through local solutions and technology transfer) as well as regulatory restrictions (that can be eased through incentives such as tax rebates for investments).

### *Urban and Rural Balance*

It is clearly evident that across all economies, urbanisation and in particular, cities, have played an important role. The extent and nature of economic activities in urban areas, has varied among cities, depending on stage of economic development and degree of urbanisation. Cities as engine of growth are being widely recognised and accordingly funding

and financing of development projects are also being directed towards them. However, strategies for urbanisation have, in a way created structures that have undermined the development of rural areas. Fresh approaches on infrastructure for rural and urban balance and factoring in their respective positioning for productive employment and contributions for development of local economies are needed.

The process would be extremely complex and would have to factor-in various constraints, needs and priorities. The coordination again would be at the local, regional and global levels. Eventually this would help in bringing in people, hitherto out of the welfare remit of the local entities. Recent research from the International Monetary Fund shows that increasing the income share of the poor leads to higher GDP growth, while increasing the income share of the rich is associated with a decline in GDP growth.<sup>1</sup> In some countries like Japan, the hometown tax was introduced that allowed taxpayers, who live in urban areas to contribute to rural areas in return for a credit from income tax and residence tax.<sup>2</sup>

### *Local Cultural Ethos and Social Capital*

The SDGs are closely linked with local culture and it has great potential to influence the outcomes. In different settings, people understand reference to culture in a different ways. It is linked with development philosophy and also with creative industries, cultural and linguistic diversity, etc. However, for years, development and growth strategies have not bothered to factor in culture in the spectrum.<sup>3</sup> It is also important to mention that rights-based approaches and approaches that are for reconciliation, avoiding conflicts, and also culture specific delineations, prevalent in specific contexts. The World Development Report (2015) by the World Bank cites a number of examples of interventions that have determined a cultural change to trigger improvements in welfare.

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<sup>2</sup> Its creation was announced by the Minister for Internal Affairs and Communications Yoshihide Suga under Prime Minister Shinzo Abe in 2007.

<sup>3</sup> British Council has in its report of 2020 highlighted the linkages between culture and development. One big message of the report is to convey through art and culture, the language that people can understand easily. In the EU, the cultural economy accounts roughly for above 3 percent of GDP and 5 percent of employment. Even exports for some of the OECD countries of cultural and creative goods has expanded tremendously. According to OECD (2018) the exports of creative goods for the US is around \$ 40 billion and between \$ 25 billion to \$ 30 billion for Italy, Germany, France and the UK. The culture associated industries are in the form of publishing and digitalising through platforms and also through music, cinema, radio & TV and videogames. The industries like design, fashion, industry of taste, architectural design, communication and advertising and serious games (e.g. for health and education purposes) may also be included. Several of these may require connect with technology, may need more finance and even cultural entrepreneurship.

At the policy level, there are examples of hypothecated taxes that have been introduced to support local cultural activities. The issue certainly is of the geographic context and prevailing societal norms. There is also an idea if we are moving towards a global cultural framework, where we are witnessing the gradual emergence of a universal, global culture based on such values as adherence to civil and human rights, gender equality, respect for property rights, the rule of law, acceptance of market forces as a mechanism for resource allocation.<sup>2</sup>

### *Lifestyle for Environment*

The Paris Agreement states that “sustainable lifestyles and sustainable patterns of consumption and production, with developed country parties taking the lead, play an important role in addressing climate change”. This is critical to bring down carbon footprint of development without necessarily resorting to de-growth strategies particularly in developing country contexts. UNEP suggests that in terms of possible pathways, sustainable alternatives in key sectors like agriculture, food & waste; buildings and cities; energy; transport; industry; forest and land use would be important for reducing emissions enough to keep the world below the 1.5°C mark. While, current lifestyles of the more privileged (and in the global North) need moderation, of those with limited resources need to be brought up sustainably. The most concerning dimension is that of climate related disasters where the most vulnerable are those who have contributed the least to its causes.

At the COP26, held in Glasgow in 2021, Prime Minister of India articulated a new paradigm called LiFE- *Lifestyle for Environment* that takes us beyond the technical understanding of the sustainable consumption and production approaches which has hitherto gained currency among sustainability advocates. He has spoken about the very idea of sustainable consumption and production and the issue of life style in context of a new approach to development which probably be intrinsically linked with societal and cultural approaches.

That largely gets its context within the endogenous approaches to development. The styles of life and national value systems assume greater significance in this context.<sup>4</sup>

### *Forest based Livelihoods*

A huge number of people based out of forests have been left outside the development strategies. Efforts to develop, improve and implement development policies with sharp focus on facilitate access to financing, to create an enabling environment at all levels for enterprise development, including small, medium and large forest-based enterprises, civil society organisations and scientific, academic and philanthropic organisations committed for sustainable development. Some of them are part of tribal communities and some are indigenous entities (both are not necessarily same). The United Nations Forum on Forests has been discussing several ways to bring-in development to these people by tweaking relevant programmes, strategies and national development plans. One of the instruments suggested is of Global Forest Financing Facilitation Network (GFFFN). How new development paradigm may enhance effectiveness of such instruments is an important question. The agenda has to focus on the Global Forest Goal 2 that suggests to enhance forest-based economic, social and environmental benefits, including by improving the livelihoods of forest-dependent people.

### **Global Finance**

Financial globalization has often been at cross-head with financing needs for development. There has been a long debate as to whether financial globalization promotes growth (and development) in developing countries. Apparently, governments across developing countries find it extremely difficult to generate resources for running administration and fund development programmes, let alone spending on infrastructure to drive economic growth.

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<sup>4</sup> The idea of LiFE promotes an environmentally conscious lifestyle that focuses on ‘mindful and deliberate utilisation’ instead of ‘mindless and wasteful consumption’. The LiFE Movement launched by Prime Minister of India aims to utilise the power of collective action and nudge individuals across the world to undertake simple climate-friendly actions in their daily lives. The LiFE movement, additionally, also seeks to leverage the strength of social networks to influence social norms surrounding climate. The Mission plans to create and nurture a global network of individuals, namely ‘Pro-Planet People’ (P3), who will have a shared commitment to adopt and promote environmentally friendly lifestyles. Through the P3 community, the Mission seeks to create an ecosystem that will reinforce and enable environmentally friendly behaviours to be self-sustainable. The Mission envisions replacing the prevalent ‘use-and-dispose’ economy—governed by mindless and destructive consumption—with a circular economy, which would be defined by mindful and deliberate utilization.

Financial globalization has not aided the process of financial flows for development in developing countries. Specific constituencies within developing countries that can potentially contribute to productivity growth are perennially starved in terms of access to finance (as well as financial markets) e.g. the MSME sector. The causality between financial openness and economic growth remains dubious. However, letting development to wait for growth to happen (in developing countries) has been one of the biggest policy drawbacks and governments often blame it on Finance. While the sources of finance are pretty clear, their stock and flows remain highly volatile. Financial markets often suffer from vulnerabilities with high real economy impacts in the age of financial globalization. External shocks emanating in areas beyond financial markets also pose significant challenges to the stability of financial systems and has often dented the credibility of financial markets as a stabilizing force. The direction of causality has perhaps been counter-intuitive when broken financial systems have been rescued by diverting resources from other sectors. In the global context, norm setting on financial systems and instruments has hitherto remained confined to economies with higher safeguards than others who have weaker systems and lack opportunities to air their concerns. Forces of globalization and direction of financial globalization has meant extremely skewed distribution of finance and capital even as a major share of all finance available actually contributes to rent seeking, rather than productivity growth or efficiency.

### **Collapse of Global Governance**

Differences and conflicts in approaches by leading economies, particularly those that led to a global order through multilateral institutions, are now diminishing the effectiveness of the very institutions that were established for a rule-based global order. The economic challenges of our times have been formidable. The current episode of the global pandemic and gradual weakening of the multilateral world order have caused irreversible damages to the world economy. The inequities in access to resources and chronic deficiencies in participatory rule making at multilateral institutions are delaying delivery on several global public goods that the world needs urgently.

In 2015 three major global commitments came up. If SDGs, created space for localisation, Paris agreement addressed the climate change and the Addis Ababa Action Agenda (AAAA) addressed the financing needs and economic governance, particularly related to global tax



governance and illicit financial flows. The best part of the SDGs is that it has direct linkages with both the Paris agreement and the AAAA. However, the world is yet to overcome historical inequities and development gaps. The undersupply of Global Public Goods is pinching more than ever as the world grapples with recurring shocks causing widespread negative externalities and spillover effects on multiple sectors challenging governance and economic stability (e.g. supply chain disruptions). It is unfortunate that countries are rushing to enhance their national defense budgets in the face of rising geo-political tensions and have more than often failed to keep up to their commitment on generating adequate resources for GPGs. In today's world when countries are in search of collective solutions to complex nature of challenges – beyond the traditional domains of development and increasingly in the area of energy transitions and climate change, additional areas have come in sharp focus broadly classified as global commons including oceans and navigation routes, polar regions to space.

## **Endnotes**

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<sup>1</sup> Dabla-Norris, E. et al., 2015. Causes and Consequences of Income Inequality: A Global Perspective. Washington DC.

<sup>2</sup> Augusto Lopez and Clarosvaleria Perotti, WB, DECEMBER 09, 2014