



## Final Report on Dreaming of a Better Restart

Consultation by the Pontifical Academy of Social Sciences and the Pontifical Academy of Sciences



The current crisis and global state of confusion must be overcome by ending the globalism of selfishness, exclusion and the throwaway culture. The increase of inequality and hunger is posing major ethical, economic and political challenges to which policy makers, civil society and the business community must react.

Pope Francis, like many other leaders, has stressed that this situation demands a new beginning of solidarity and fraternity in the global economic and political configuration from the perspective of human development. Since the 1980s a combination of forces, including the globalization of indifference, the misuse of digital opportunities, and institutional changes, has generated strong centrifugal effects in economies, deepening existing divisions.

Extensive changes in international policy and financial architecture are required to address inequality and poverty. Comprehensive plans to combat climate change and pandemics, and to transform the food system, must be put in place.

The good news is that, in principle, we already have the human, natural, scientific and technological assets to ensure that such wealth and the gains resulting from the free movement of capital and labor are distributed fairly among the various countries and social groups. But we must want it.

PAS/PASS Chancellor, Msgr. Marcelo Sánchez Sorondo, President of the Pontifical Academy of

Sciences, Joachim von Braun, President of the Pontifical Academy of Social Sciences, Stefano Zamagni, and Holy See Secretary for Relations with States, Msgr. Paul R. Gallagher, gave opening remarks at the workshop.

The Pontifical Academies combine promotion of science with attention to moral, social and spiritual concerns. The Academies care deeply about issues related to the agenda of this workshop, as our recent conferences and statements highlight. See for example:

[Health of People, Health of Planet, and Our Responsibility](#) – addressing Climate Change and related [book](#)

[Science and Innovations for a Sustainable Food System](#) – Preparing for the UN Food Systems Summit

[Science and Survival](#). A focus on SARS-CoV-2 and connections between large-scale risks for life on this planet and opportunities of science to address them

With this workshop – held under the Chatham House Rule – the Pontifical Academies of Sciences and Social Sciences invited high-level decision makers with the aim of facilitating the translation of science insights into action to change the state of affairs of the combined crises, dreaming of making possible a better restart, and sending a strong signal of realistic hope.

A first Panel addressed Financial and Tax Solidarity – Debt Relief for Developing Countries and International and Fiscal Architecture

The Covid19 consequences for people, and especially the poor, are extremely serious. Access to and fair sharing of vaccines is a global issue. In the next three years we are likely to face the largest wave of simultaneous debt restructurings in history. The G20 recently committed to the Debt Service Suspension Initiative (DSSI), which will be critical for global stability, if successfully implemented. At the same time, such a process must involve the private sector. As countries seek debt reduction, their payments should be suspended without interest. Moreover, while this process can help the 77 poorest countries, it could also be extended to middle-income developing countries. These themes were addressed by

The United States Secretary of the Treasury, Janet Yellen

The Managing Director of the IMF, Kristalina Georgieva

Followed by statements and General Discussion by

Professor Jeffrey Sachs

The Minister of Economy of Mexico, Arturo Herrera

The State Secretary, Ministry of Finance of Germany, Wolfgang Schmidt

The Minister of Economy of Spain, Nadia Calviño

The Minister of Economy and Finance of Italy, Daniele Franco

The Minister of Economy of Argentina, Martín Guzmán

Nobel laureate in Economics, Professor Joseph Stiglitz

A second Panel addressed Integral Ecological Sustainability: Climate Change and Sustainable and Fair Energy and Food System Transformation

The Pontifical Academies of Sciences and Social Sciences – just as the global science communities – have long warned of the impacts of climate change, emphasizing the need to limit global warming to 1.5 degrees Celsius. Transformation of fossil fuel-based economies is too slow. The food systems are both causing and suffering from climate change.

Over the last few years we have seen the publication of national energy and green economy transformation strategies, including food systems. Encouraging signs are increasing but a harmonious transition will only be achieved by integrating, coordinating and complementing the interests of developing countries, and those of poor and marginalized populations. It is crucial to mobilize public and private sector finance to drive the net-zero transition and to help vulnerable countries cope with climate impacts on their people's health and food security. All nations and the private sector, as well as consumers, need to contribute to a stronger climate ambition in order to keep the 1.5-degree Celsius target within reach.

These themes were addressed by

The Chair of the African Union and President of the Democratic Republic of Congo, Félix Tshisekedi

The US Special Presidential Envoy for Climate, John Kerry

Followed by statements and General Discussion by

PAS Academician, Prof. Veerabhadran Ramanathan

The President of the Rockefeller Foundation, Raj Shah

The Managing Director of Operations of the World Bank, Axel van Trotsenburg

The Ibero-American Secretary General, Rebeca Grynspan

PASS Academician and Minister of Strategic Affairs of Argentina, Gustavo Beliz

The IMF Deputy Director of the Western Hemisphere Department, Julie Kozack

## Observations and Implications

While the consultations did not aim at a consensus, important messages for action emerged directly and indirectly from the perspective of the Pontifical Academies of Sciences and Social Sciences:

1. The post-Covid world requires a fresh restart in the spirit of Pope Francis' Encyclical *Fratelli Tutti*, fraternity for all. Openness is called for, allowing us to acknowledge, appreciate and love each person, regardless of physical proximity or country of birth or residence. When contemplating initiatives for financing a way out of the current crises, the needs of the poor and hungry, many of whom have stopped dreaming of a better restart, must be on the agenda. The approach to favor aims at transformational resilience of countries and peoples vis-à-vis their own vulnerabilities.
2. The multifaceted health crises, i.e. the pandemic, rapid climate change, growing hunger and malnutrition, and lack of employment especially among youth, call for re-thinking fundamental economic and social concepts that preoccupy policy. Non-action may trigger more conflicts and wars. Efficient and effective economic policies are called for but are not enough: global problems such as pandemics, climate change, hunger, and biodiversity loss demand global collective action. This also applies to financing the actions to move forward.
3. Addressing the debt problems of developing countries, climate finance for green transformation, dealing with Covid19, and overcoming hunger belong together in a coherent policy agenda. We emphasize the overarching concern of the lack of finance for developing countries and emerging markets. As the pandemic has continued with severe economic implications for at least some developing countries and emerging markets, it has become clear that more than a debt stay is required. There will have to be debt restructuring. All creditors need to participate in this restructuring; it has to be comprehensive, sufficient to provide a fresh start, and timely.
4. There is much that the creditor countries can do to facilitate private sector participation,

including recognizing the principles adopted by the UN General Assembly in 2015, and changing legal provisions (such as usurious pre-judgment interest) that discourage quick resolution. Realistic DSA (debt sustainability analyses) by the IMF (as it provided in the case of Argentina) can help creditors realize the limits of what they can squeeze out of debtors. The problem of the credit rating agencies needs to be addressed too.

5. Rewiring finance is an urgent matter requiring that the financial accounting systems include social and environmental metrics and that impact investing becomes a norm of behavior. We record the value of what we harvest from nature, but make no matching entry for its degradation. This means that the true cost of food and energy is not signaled to the markets. In support of this the following three actions are important: 1) Multilateral Finance Institutions and Development Banks need to be supported with significantly expanded resources. Impact and ethical investment funds, opting for justice, peace and integrity of creation, are to be encouraged. 2) Tax havens must be eliminated and a unified global corporate taxation at meaningful rates must be established. 3) The global conferences of 2021 – Climate COP26, UN Food Systems Summit, Biodiversity COP15 – need to be connected in meaningful ways, and must lead to clear action agendas and commitments.

6. The urgency of stronger climate action is increasing with every year of lost action. Weak competition, feeble productivity growth, increasing inequalities, and degraded democracies are failing citizens. Countries have to cooperate to establish rules and standards, especially in the areas of finance, banking, and international trade regime. It is crucial to mobilize public and private sector finance to drive the net-zero greenhouse gas (GHG) transition and to help vulnerable countries cope with climate impacts on their people's health. Debt for nature swaps can bring together the climate and debt agendas.

7. Having a global carbon price, which should probably be much higher than currently contemplated by most governments and corporations, if the direct and indirect costs of expected climate devastations are considered, is the single most powerful mechanism to promote private sector investments into mitigation and adaptation. Yet, such a carbon price needs to be created through tax and regulatory measures, and any significant adverse distributional consequences on the poor have to be addressed.

8. A much stronger focus on the poor and hungry, and on equity is called for, related to health and food systems. A large share of the poor are connected directly and indirectly to food systems and farming. Food systems generate a third of GHG, and are also crucial for adaptation. So far, relatively limited climate finance has gone for mitigation and adaptation of food systems, while opportunities are big in low- and middle income countries, such as investments into land restoration, afforestation, avoiding climate-negative land use change, and investments into value chains for reducing food waste and loss.

9. Ending hunger is possible with suitable policy reforms and focused investments at scale. It needs financing alongside climate financing and financing the restart post Covid19. Research-based estimates suggest a need of additional US\$ 39 to 50 billion per annum for the next 10 years to end hunger. Financing this can be a combination of 1) doubling the annual development aid (ODA) dedicated to agricultural and rural development, food and nutrition security; 2) an “End Hunger Fund”, as also proposed by Pope Francis; 3) fresh finance by the envisaged increased SDRs by the IMF that could facilitate backing “End Hunger Bonds” issued by countries. The IMF, World Bank Group and regional development banks are positioned to find and facilitate best financing mechanisms to assure these investments. Private sector and philanthropies should be part of such an initiative that could be launched at the UN Food Systems Summit 2021.

10. Investments in green transformation are a huge opportunity for sustainable growth and employment. The green-labeled market is experiencing rapid growth. The green bond market reached USD 1 trillion in cumulative issuance in December 2020. There are however, no well-defined global standards of what constitutes “green” climate finance, i.e. risks of “greenwashing”. We need strong incentives based on sound data to mobilize finance for investments. Data and technology instruments can enable investments.

11. It is understandable that governments would want the private sector to be more actively involved in funding climate action. But governments still need to shoulder a large part of climate mitigation and adaptation costs that mobilize finance. Climate change involves a lot of externalities; markets are not sending clear signals for action; voluntary actions by the private sector alone will not be enough.

12. We emphasize that science and innovation to address climate and food crises – especially bioscience, and health sciences, digital innovations, and social sciences – play a key role for sustainability in the Anthropocene. Science investment is too low and global sharing of science is too constrained. Because of low income, inequality between countries in science spending and science capacities is huge and reduces response capacities of low- and middle-income countries to crises. Science is playing a key role in addressing pandemics and coping mechanisms, and in the development of vaccines. Scaling the production and fair sharing of vaccines globally is now critical. The pandemic is not over. Long Covid, that is, the long-term health effects of the virus, is a worrisome emerging issue. The effectiveness of a vaccination campaign depends on its being universal. Therefore, it is imperative to propose that Covid vaccines be considered a global common good, with the ensuing implications on the regulation front and sharing systems.

13. A robust global economic recovery requires containing the pandemic everywhere. No place in the world will be safe from the scourge until every place is safe. There won't be a robust global recovery until there is a strong recovery everywhere. But that won't be possible without more fiscal space for developing countries and emerging markets. But that won't be possible without debt relief and more assistance. It is urgent that, for instance, the unused SDR's be recycled to the



countries that need it, not just to least developed countries, but also to emerging markets where appropriate.

14. As PAS and PASS underlined in 2020 in their joint statement at the outset of the Covid19 crisis, a thorough review of worldviews, lifestyles, and short-term economic valuations must be carried out to cope with the challenges of the Anthropocene. A more responsible, more sharing, more equalitarian, more caring and fairer society is required if we are to survive. That call still needs to be emphasized. Integral human development is meant to be transformational in that it aims to improve people's lives by enhancing their capabilities. As stressed in Pope Francis' Encyclical *Laudato Si'*, the ultimate goal of an integral human development approach is that people become more truly the authors of their own lives.

Report by

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